ENFIELD Council

Whole Plan and CIL – Viability Update

April 2021

Planning & Development

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Tables of Contents

1. Introduction

Scope

1.1 Enfield Council is producing a new a Local Plan and considering a review of CIL. HDH Planning & Development Ltd has been appointed to update the viability elements of the evidence base as required by the 2019 NPPF and relevant guidance.

1.2 The new Local Plan will set out the contributions expected from development, including the quantum and mix of affordable housing as well as other infrastructure such as education, health, transport, digital, water and green infrastructure. 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 National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) and the revised Community Infrastructure Levy Regulations. 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.

1.3 The current adopted Enfield CIL Charging Schedule came into effect in April 2016 and pre-dates the adopted London Plan and the recent changes to the CIL Regulations (e.g. removal of the pooling restrictions) and related viability guidance set out in the NPPF and PPG. Consideration will also be given for the scope to review CIL. As and when the development strategy has been refined through the Regulation 18 consultation process, this report will be the starting point to review the adopted rates of CIL, with a view to a formal review to be undertaken concurrently with the preparation of the new Local Plan.

1.4 S106 contributions will continue to be used to address policy requirements which cannot be addressed through CIL or other mechanisms, such as carbon funding, affordable housing and non-financial obligations (e.g. employment, business and skills). The adopted Section 106 Supplementary Planning Document sets out the approach to calculating s106 contributions. The new Local Plan will effectively replace the majority of the requirements set out in the s106 Supplementary Planning Document.

1.5 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.

1.6 A consultation process was held during February 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.

1.7 In the several years before this report, various Government announcements were made about changes to the planning processes. 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, the NPPF was further updated (2019 NPPF), although these changes did not impact on viability. In May 2019, the viability sections of the PPG were updated again. In addition to these changes, the CIL Regulations and accompanying guidance (within the PPG) were also updated from 1st September 2019. The methodology used in this report is consistent with the 2019 NPPF, the CIL Regulations (as amended) and the updated PPG.

1.8 In the autumn, 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. The Government commenced a further consultation in January 2021, under the title *National Planning Policy Framework and National Model Design Code: consultation proposals*. This consultation does not alter the place of viability within the planning system or the approach to viability testing. It does however seek views on the introduction a new National Design Code.

1.9 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 (or CIL). 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

1.10 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 and the scope to review CIL.

HDH Planning & Development Ltd (HDH)

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

a. District wide and site-specific viability analysis.

b. Community Infrastructure Levy.

c. Housing Market Assessments.

1.12 The findings contained in this report are based upon information from various sources including that provided by the Council and by others, 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)

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

1.14 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

1.15 Market activity is being impacted in many sectors. As at the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

1.16 Our assessment is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our report than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, 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 principle pieces of relevant guidance, being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Financial Viability in planning (1st edition), RICS guidance note 2012*.

1.18 *Financial Viability in planning (1st edition), RICS guidance note 2012* is currently subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG. As part of the review, *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 has been followed in full.

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 London Borough of Enfield and has followed a collaborative approach involving the LPA, developers, landowners and other interested parties, all be it in it within a constrained timetable.

c. The tender specification under which this project is undertaken is included as **Appendix 1** of this report. Through the iterative process the terms have been refined to consider policy options, rather than to test specific policies.

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 assessment should be published in full. HDH has prepared this report on the assumption that it will be published in full.

f. HDH confirms that a non-technical summary has been provided. 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 firmly recommended that this report only be published and read in full.

g. HDH confirms that adequate time has been taken to allow engagement with stakeholders through this project. It is accepted that the timescale was constrained, however due to the wider plan-making timetable it was not possible for the Council to extend the period further.

h. 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.

i. 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 Borough Council or its consultants. 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.

1.19 As this report was being completed, the RICS published a new Guidance Note, *Assessing Viability in planning under the National Planning Policy Framework 2019 for England, 1st Edition* (RICS, March 2021). This is effective from the 1st July 2021 so does not apply to this report. This new Guidance Note cancels *Financial Viability in planning (1st edition), RICS guidance note 2012*. We confirm that this report is generally in accordance with this further guidance (in as far as it relates to plan-wide viability assessments).

Metric or Imperial

1.20 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

1.21 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 Levey (CIL) Regulations. In each case the requirement is slightly different, but they have much in common.

2019 National Planning Policy Framework

2.2 Paragraph 34 of the 2019 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.*

2.3 As in the 2012 NPPF (and 2018 NPPF), viability remains an important part of the plan-making process. The 2019 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.*
>
> *2019 NPPF Paragraph 57*

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

2.5 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2019 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.*
>
> *2019 NPPF Glossary*

2.6 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.*
>
> *2019 NPPF Paragraph 67*

2.7 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.*
>
> *2019 NPPF Paragraph 119*

2.8 The 2019 NPPF does not include technical guidance on undertaking viability work. This is included within the Planning Practice Guidance (PPG), the viability sections of which were updated in July 2018 and again in May 2019. The relevant CIL sections of the PPG were updated in September 2019.

Planning Practice Guidance

2.9 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...*

2.10 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*

2.11 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.

2.12 The core requirement to consider viability links to paragraph 56 of the 2019 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*

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

2.14 The updated PPG includes 4 main sections:

Section 1 - Viability and plan making

2.15 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*

2.16 This Update takes a proportionate approach, building on the Council's existing evidence (and the evidence that supports the London Plan), 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*

2.17 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*

2.18 Consultation forms part of this study.

> *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*

2.19 A range of levels of policy requirements have been tested against a range of levels of developer contributions (including CIL).

> *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*

2.20 Consultation forms part of this study. The Council is considering a range of potential strategic sites however this work is at an early stage. In due course, the Borough Council will further engage with the promoters of the selected Strategic Sites.

2.21 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*

2.22 This study is based on typologies[1] that have been developed by having regard to the potential development sites that are most likely to be identified through the emerging Plan. The testing

[1] 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.*

includes typologies that may inform the selection of strategic sites, either being representative of the whole site or of parts of sites. 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*

2.23 This study 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*

2.24 The Strategic Sites are not tested at this stage as they have not been identified. In due course they will be considered individually. For the purpose of this Viability Update, 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*

2.25 Consultation has formed part of the preparation of this Update. This study specifically considers the total cumulative cost of all relevant policies (including national policies and policies from the London Plan).

> *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.*

Section 2 - Viability and decision taking

2.26 It is beyond the scope of this study to consider viability in decision making. It is however important to note that this study will form the starting point for future development management consideration of viability.

Section 3 - Standardised inputs to viability assessment

2.27 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*

2.28 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*

2.29 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.

2.30 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*

2.31 All these costs are taken into account.

2.32 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*

2.33 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*

2.34 The approach adopted in this study 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*

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

2.36 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*

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

Section 4 - Accountability

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

2.39 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

2.40 The Council has adopted CIL, and this study includes an assessment as to whether or not there is scope to formally review 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.

2.41 The CIL Regulations came into effect in April 2010 and have been subject to several subsequent amendments[2]. CIL Regulation 14 (as amended) sets out the core principle for setting CIL.

> *Setting rates*
>
> *(1) In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between—*
>
> *(a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and*
>
> *(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.*
>
> *(2) In setting rates …*

2.42 Viability testing in the context of CIL is to assess the '*effects*' on development. Ultimately the test that will be applied to CIL is as set out in the examination section of the PPG. On preparing the evidence base on economic viability, the Guidance says:

> *A charging authority should be able to explain how their proposed levy rate or rates will contribute towards new infrastructure to support development across their area. Charging*

[2] **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 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*.

> *authorities will need to summarise their viability assessment. Viability assessments should be proportionate, simple, transparent and publicly available in accordance with the viability guidance. Viability assessments can be prepared jointly for the purposes of both plan making and preparing charging schedules. This evidence should be presented in a document (separate from the charging schedule) that shows the potential effects of the proposed levy rate or rates on the viability of development across the authority's area. Where the levy is introduced after a plan has been made, it may be appropriate for a local authority to supplement plan viability evidence with assessments of recent economic and development trends, and through working with developers (e.g. through local developer forums), rather than by procuring new evidence.*
>
> *PPG 25-019-20190901*

2.43 This study has drawn on the existing available evidence. In due course, this study will form one part of the evidence that LB Enfield will use if a decision is made to formally review CIL. The Council would also need consider other 'existing available evidence', the comments of stakeholders and wider priorities.

2.44 From April 2015, councils were restricted in relation to pooling S106 contributions from more than five developments[3] (where the obligation in the s106 agreement / undertaking is a reason for granting consent). CIL Regulations were amended from September 2019 lifting these restrictions. Payments requested under the s106 regime must 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.

2.45 CIL, once introduced, is mandatory on all developments within the categories and areas where the levy applies. This is unlike s106 agreements (including Affordable Housing) which are negotiated with developers on a site by site basis (subject to the restrictions in CIL Regulation 122 and within paragraphs 10-007 and 10-008 of the PPG). This means that CIL must not prejudice the viability of most sites.

Wider Changes Impacting on Viability

2.46 There have been a number of changes at a national level since the Council's existing viability work. Paragraph 63 of the 2019 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.*

2.47 In this context, major development is as set out in the Glossary to the 2019 NPPF:

[3] CIL Regulations 123(3)

> ***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.*

2.48 No part of the Borough is defined as being within a Designated Rural Area. A threshold of 10 units is assumed to apply.

Affordable Home Ownership

2.49 The 2019 NPPF (paragraph 64) 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 ownership[4], 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 64, 2019 NPPF*

2.50 To some extent the flexibility around tenure spilt has been reduced with the Government's consultation[5] in January 2021. Amongst other things this clarified that that 10% relates to all the homes on a site. This is assumed to apply.

First Homes Consultation

2.51 In February 2020, the Government launched a consultation on First Homes. The Government's *Changes to the current planning system – Consultation on changes to planning policy and regulations* (MHCLG, August 2020) has provided some clarity in this regard:

> *48. The Government intends to set out in policy that a minimum of 25 per cent of all affordable housing units secured through developer contributions should be First Homes. This will be a national threshold, set out in planning policy....*
>
> *59. The minimum discount for First Homes should be 30% from market price which will be set by an independent registered valuer. The valuation should assume the home is sold as an open market dwelling without restrictions. Local authorities will have discretion to increase the discount to 40% or 50%. This would need to be evidenced in the local plan making process.*

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

[5] 29th January 2021. NPPF draft for consultation (publishing.service.gov.uk)

> *61. In line with other affordable housing tenures, we intend to introduce an exemption from the Community Infrastructure Levy (CIL) for First Homes. We intend to introduce this national exemption through regulations.*

2.52 This requirement has been tested.

Environmental Standards

2.53 Early in October 2019, the Government launched a consultation on 'The Future Homes Standard'[6]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The outcome of the consultation was announced during January[7] and is considered in Chapter 8 below.

Biodiversity

2.54 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'. Within the current iteration of the Bill, it is anticipated that all consented developments (with a few exceptions), will be mandated to deliver a biodiversity net gain of 10%.

2.55 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 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. The costs of this type of requirement are 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' 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*

[6] 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

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

> *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 proposal 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 (February 2021) 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*[8]. This consultation does not alter the place of viability within the planning system or the approach to viability testing. It does however seek views on the introduction a new National Design Code.

2.61 The proposed 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.

Viability Guidance

2.62 There is no specific technical guidance on how to test viability in the 2019 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[9] that support the methodology HDH has

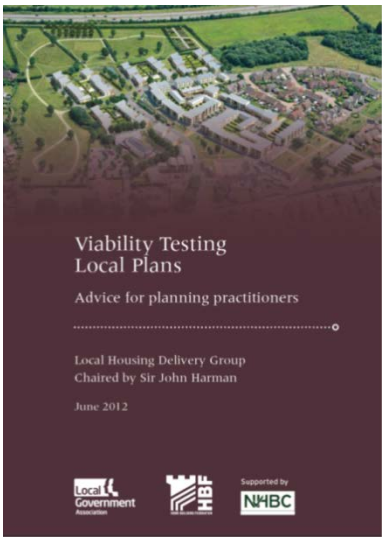
[8] National Planning Policy Framework and National Model Design Code: consultation proposals - GOV.UK (www.gov.uk)

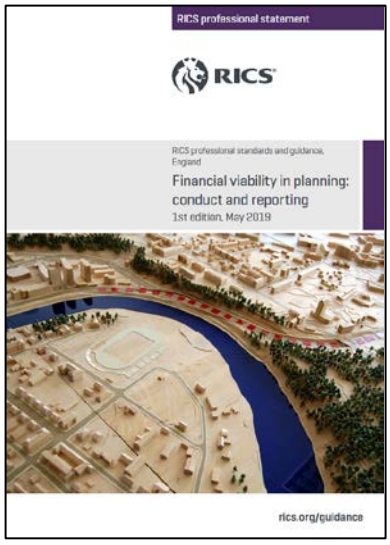
[9] Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve; APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/ A/12/2179141, Oxenholme 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.

developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[10] (known as the **Harman Guidance**).

2.63 The planning appeal decisions and the HCA good practice publication[11] 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.

2.64 The Harman Guidance and *Financial viability in planning*, *RICS guidance note, 1st edition* (GN 94/2012) which was published during August 2012 (known as the **RICS Guidance**) set out the principles of viability testing. Additionally, the Planning Advisory Service (PAS) provides viability guidance and manuals for local authorities.





2.65 There is common ground between the 2012 RICS Guidance and the Harman Guidance, but they are not consistent. The RICS Guidance recommends against the 'EUV plus a margin' – which is the methodology recommended in the Harman Guidance and required by the updated PPG.

2.66 The Harman Guidance advocates an approach based on Threshold Land Value (Threshold Land Value is equivalent to Benchmark Land Value as referred to in the updated PPG):

2.67 The RICS Guidance dismisses the Threshold Land Value approach. As set out in Chapter 1 above, *Financial viability in planning*, *RICS guidance note, 1st edition* (GN 94/2012) is not consistent with the 2019 NPPF and updated PPG so is subject to a full review. Relatively little weight is given to this RICS Guidance. As this report was being completed in late March 2021, the RICS published a new Guidance Note, *Assessing Viability in planning under the National*

[10] 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).

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

Planning Policy Framework 2019 for England, 1st Edition (RICS, March 2021). This is effective from the 1st July 2021 so does not apply to this report. This new Guidance Note cancels *Financial Viability in planning (1st edition), RICS guidance note 2012*. We confirm that this report is generally in accordance with this further draft guidance (in as far as it relates to plan-wide viability assessments).

2.68 In line with the updated PPG, this study 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 (as endorsed by LGA and PAS).

2.69 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 February 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

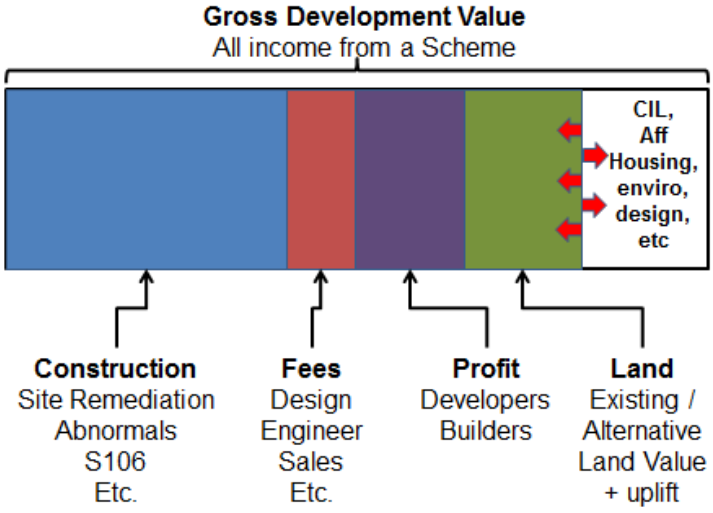
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)

=

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 and 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 informed assumption has to be made about the 'uplift' above the EUV which would make the landowner sell.

3.6 This study 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 2019 NPPF and CIL Regulations. 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 and when such sites have been identified, 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 actually 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.*
>
> *PPG 10-014-20190509*

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)[12] and the case is sometimes held up as a firm precedent, however, as confirmed in the Oxenholme Road Appeal (October 2013)[13], the methodology set out in Shinfield is site specific and should only be given limited weight. More recently, further clarification has been provided in the Territorial Army Centre, Parkhurst Road, Islington Appeal (June 2017)[14], which has subsequently been confirmed by the High Court[15]. This also notes the importance of comparable data but stresses the importance of the quality of the

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

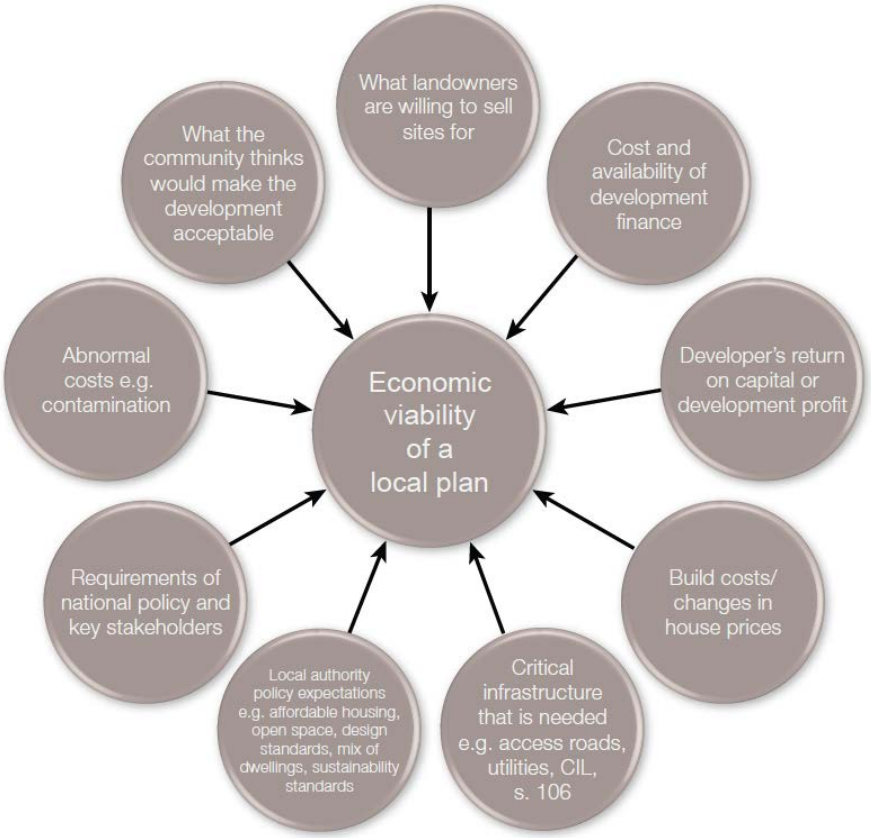
[13] APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)

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

[15] 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)

comparable evidence. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.

3.12 This study 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 2019 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. These studies include:

a. *Enfield Small Sites Research, Detailed Report and Case Study Findings* (AECOM, Ben Hunt Planning, JLL, Farrells, January 2021).

b. *London Borough of Enfield Council Viability Assessment- Community Infrastructure Levy (CIL) and Proposed Submission Development Management Document (DMD)* (Dixon Searle, April 2013).

c. The *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017).

3.15 These assessments were subject to independent examination. On this basis, it is clear that the existing viability evidence is sound and is the appropriate starting point for this update.

3.16 The Council also holds, 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. The approach taken is to draw on this existing evidence and to consolidate it. It is important to note that these figures are the figures submitted by developers for discussion at the start of the viability process, and are not necessarily the figures agreed between the parties.

3.17 In some cases, the appraisals are based on detailed cost plans that are not directly comparable with the BCIS. Only where the figures are comparable on a like for like basis, are they presented. This information was not presented in the pre-consultation draft iteration of this update.

Table 3.1 Review of Development Management Viability Appraisals.

	Bush Hill Park	Edmonton	Ponder's End	East Enfield	Ponder's End	Enfield Chase	Edmonton Green	New Southgate
Date	Nov-18	Dec-18	Oct-19	Jul-20	May-20	Aug-20	Dec-20	Oct-20
Ha	0.080938891			4.2		0.33	9.55	0.54
Existing Use	2 retail units, garages	Ex pub	High rise towers etc	Retail Park	10 flats	Car dealership etc	Mixed, retail, pub, parking, offices, bus station, residential	Gas holder
Residential Units	18	55	309	1587	49	59	1468	183
Storeys	4	6				7	4 to 30	
GIA (m2)	1,146		24586	45631	272 net saleable	6121		12297m2 net saleable
				16.5% to 26.6%net saleable				
	13x basement parking	61 parking		+ A B & D uses	26 parking			
Market Value £/m2	£6,665,000	£23,765,000			£4,843		£6,000	£6,146
Market Value £	£5,816	£5,974	£5,223	£6,006, and £6,458		1 bed - £6,522, 2 bed £6,770, 3 bed £5,844		
Affordable Value £/m2	About £4,435		Redacted					
London Affordable Rent				£2,099	£2,777		£1,550	
London Shared Ownership				£4,198	£2,960		£4,380	
Build to rent				£5,382/m2 based on 25% costs / 3.57% yield			£265.65/year/m2 based on 25% costs / 3.57% yield	
Other		Parking £50,000/space		Parking at £15,000/space		£10,000 underground, £5,000 overground		
		Retail £ £215/m2/annum, 6.25% yield						
Construction								
Residential	£1,830		BCIS	£2,368 all in.		£2,798 all in		
Basement	£1,000							
Contingency	0%	5%		5%	5%		5%	5%
Abnormals								£2,600,000
Demolition	about 2%							
Benchmark Land Value								
Purchase price	£1,225,000		Redacted					
EUV £	£1,225,000	£520,000	Redacted	£48,000,000	£3,680,000	£1,750,000	£59,400,000	£235,000pa @ 6.5% + £3,100,000
EUV £/ha	£15,134,875		Redacted			£5,303,030	£6,219,895	
Premium		20%	Redacted	15% or 20%		30%	20%	
BLV		£624,000	Redacted	£55,200,000		£2,275,000	£71,280,000	£1,000,000
Acquisition	0%		1% + 0.8%	6.8% inc SDLT				
Fees	10.0%	12.0%	Redacted	11.0%	12.5%	10.0%	10.0%	12.0%
CIL	Yes	Yes	Redacted	Yes	Yes	yes		Yes
Sales		1.5% + 0.5%	Redacted	2% + 1% + 0.5%	1% + 1.5% + 0.5%	1.5% / 0.5%	1% + 1.5% + 0.25%	1% + 1.5% + 0.5%
Developer's Return	20%	20%	Redacted	20% / 6% / 15%	20% / 6%	20%	20% / 6% (PRS & non res 15%)	20% (non res 15%)
Finance		7%	7%	6.50%	7%	6.50%		6.75

Source: Review of appraisals submitted through Development Management.

3.18 The Borough Council also holds evidence of what is being collected from developers under the s106 regime. This is being collected by the Council outside this study[16].

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 February 2021 when a presentation was given, and an early draft of this report and a questionnaire were circulated. Several workshops were also held with Council housing and planning officers. 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. **Appendix 5** includes the notes taken at the consultation event.

3.20 The comments of the consultees are reflected through this report and the assumptions adjusted where appropriate. 3 written responses were received. The main points from the consultation were:

a) That the approach and methodology is in line with the national requirements for the consideration of viability.

b) That the value assumptions of residential development are appropriate, although further consideration may need to be given to a more fine-grained approach.

c) That the costs assumptions were appropriately considered and agreed.

d) That large greenfield sites are likely to need detailed and bespoke testing in due course.

3.21 The consultation process has been carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance.

Viability Process

3.22 The assessment of viability as required under the 2019 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*

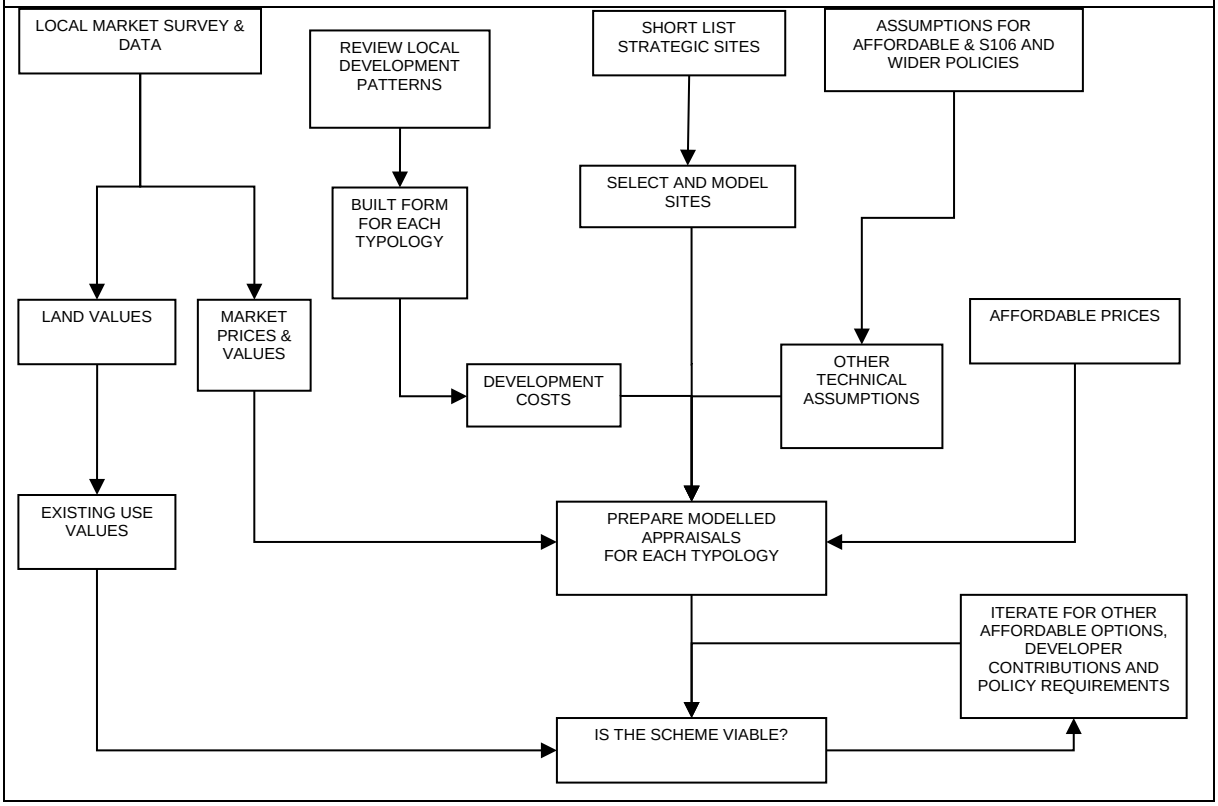
[16] Paragraphs 10-020-20180724 to 10-028-20180724 of the PPG introduce reporting requirements in this regard. In particular 10-027-20180724 says:

> *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*

all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106'.

3.23 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of typologies, 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 2021

3.24 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 study is set out, in the later parts of Chapter 6 below.

3.25 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 study, it may be necessary to revisit viability and consider the impact of any further or different requirements.

3.26 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing is used, as required by the 2019 NPPF and CIL Regulations[17]. 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 and to assist the Council in considering CIL.

[17] 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 study 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 Borough reflects national trends, but there are local factors that underpin the market including:

a. Enfield is a North London Borough that stretches from Tottenham in the South to the M25 in the North. The Lee Valley forms the eastern boundary. The area includes development typical of outer London, and more suburban development.

b. The north of the Borough is rolling greenbelt. This includes several golf courses as well as other significant green areas within the area.

c. The Borough is well connected to Central London with the Piccadilly Tube Line running up the western side of the Borough. Overland lines run north / south through the middle of the Borough, connecting to Kings Cross, the Lee Valley Line runs up the east side of the Borough connecting Enfield Lock and Meridian Park before running into Central London and Turkey Street/Enfield Town to Silver Street connect on into Central London.

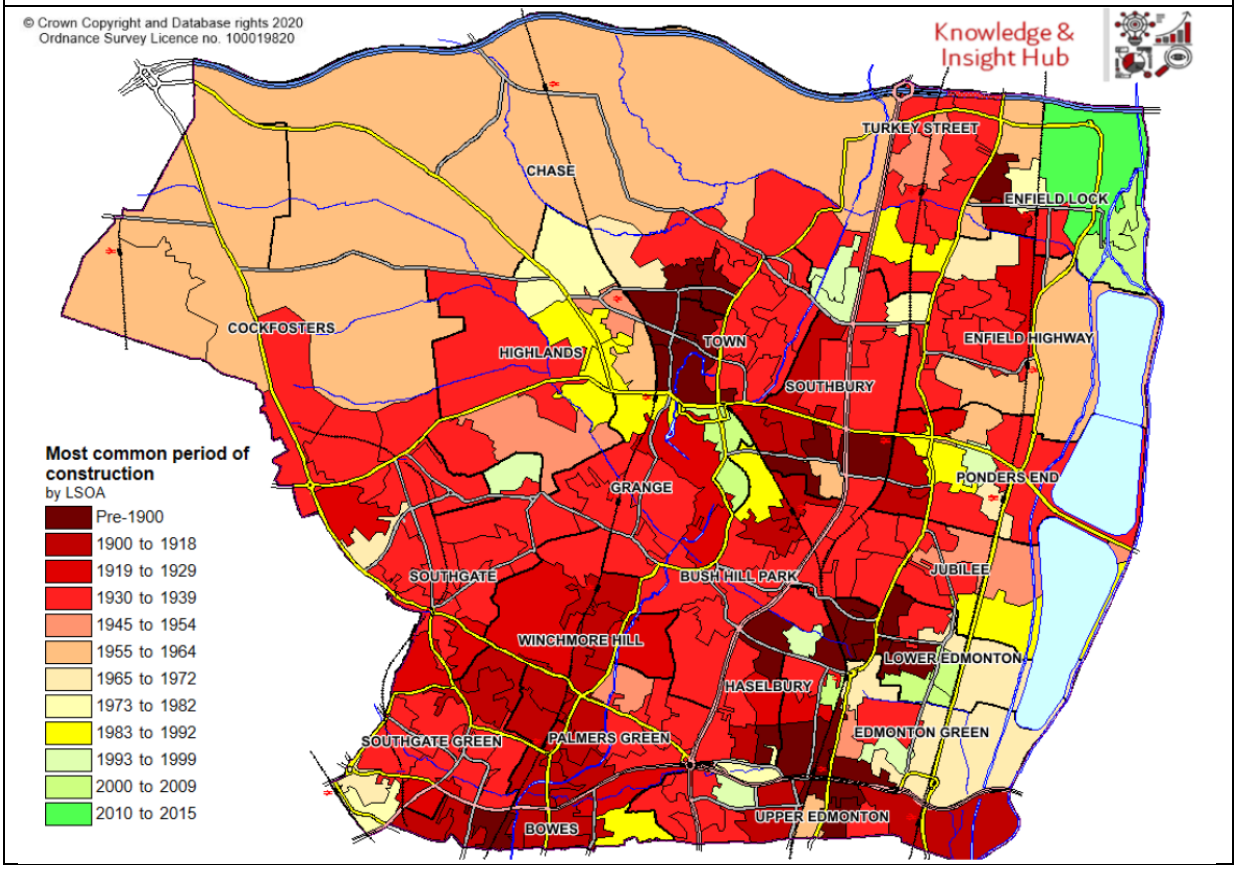
d. The northern parts of the Borough are well connected to the M25 and then on to the wider motorway network. The A111 (Cockfosters Road) and A10 are both major accessways through the Borough, as is the North Circular (A406).

e. The Council is facilitating the Meridian Water site. Meridian Water is a major £6bn, 25-year London regeneration programme led by Enfield Council, bringing about 10,000 homes and a substantial amount of workspace by the Lee Valley Regional Park. The aspiration is for this to be a very high-quality scheme that, alongside attractive new homes, delivers public spaces community facilities. The development now has a new railway station, unlocking the area for commuters, with better connections south to Stratford and London Liverpool Street, and north to Stansted and Cambridge. The Council owns about three quarters of the land.

f. The Borough includes a number of distinct centres, the principle one being the town of Enfield. Edmonton Green in the south-east is also a popular and well-used centre. These tend to be linked depending on when the areas were developed. Values vary significantly across the Borough. The eastern part of the Borough running from Enfield Lock & Turkey Street Wards in the north, to Upper Edmonton in the south has generally lower values. The western and northern areas of the Borough (Cockfosters, Winchmore Hill, Southgate, Grange Bush Hill Park, Grange, Palmers Green) have the

highest values. The remaining areas being the southern section of the Borough (Bowes and Southgate Green Wards, south of A406) and Enfield Town and adjoining areas tend to be in the mid-range.

Figure 4.1 Most Common Period Of Construction



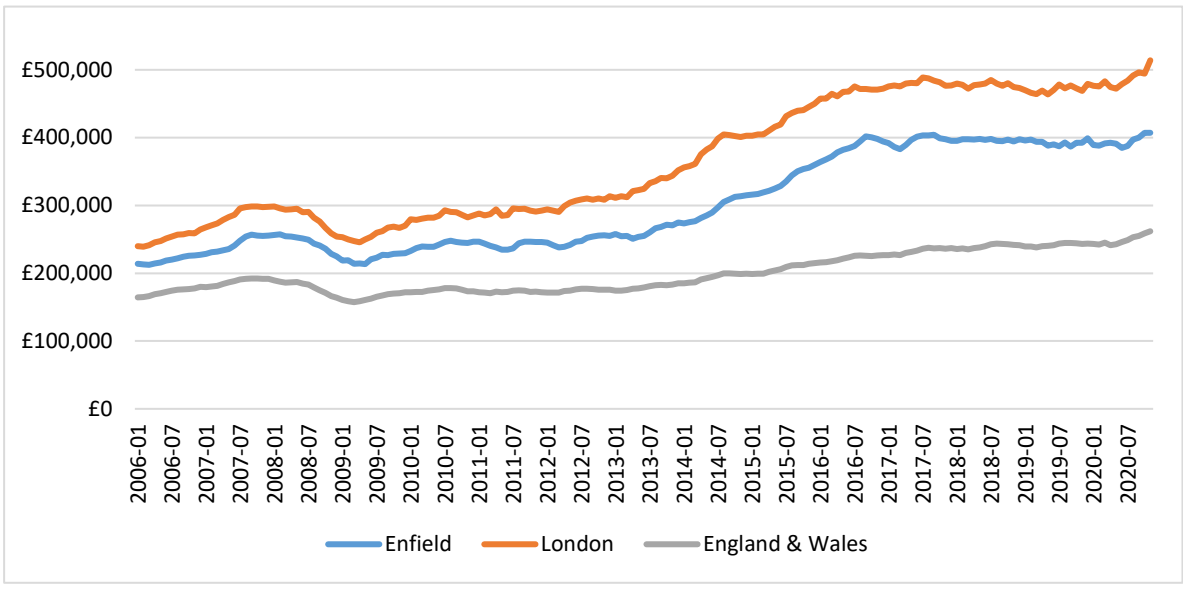
Source: Enfield Council Knowledge and Insight Hub (2020)

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 2008 (see the following graph) and then fell considerably in the 2007/2009 recession during what became known as the 'Credit Crunch'. Average house prices in the Borough did not recover to their pre-recession peak until mid 2013 (the time that the 2013 Viability Assessment was undertaken), but are now about 58% above the 2008 peak. These increases are substantial but are less than those seen across London (74%) over the same period. Across England and Wales, average house prices have increased by 40%.

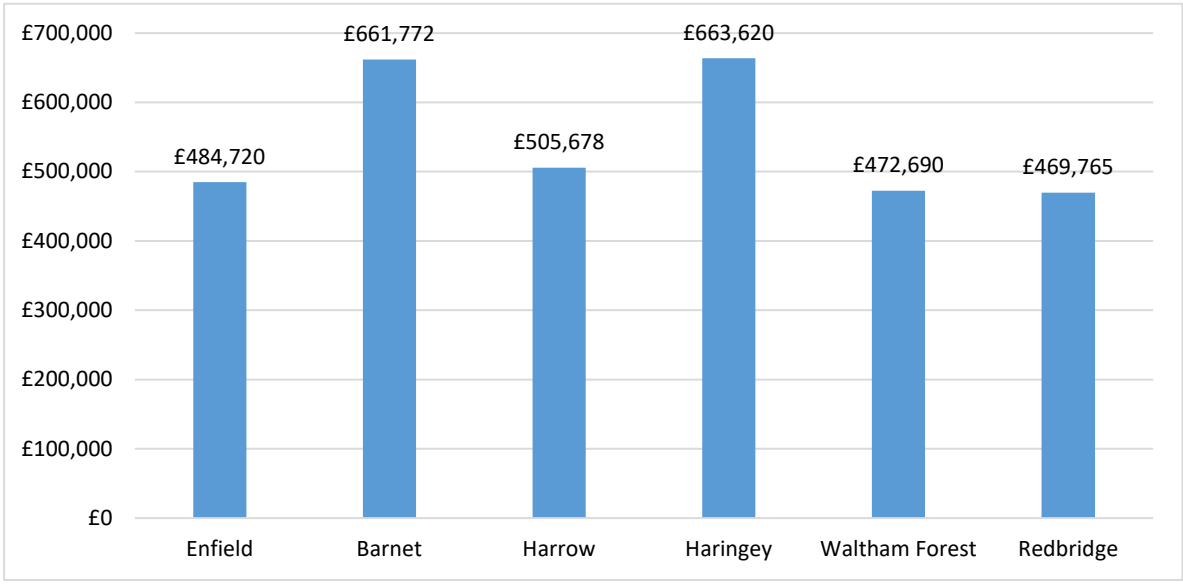
Figure 4.2 Average House Prices (£)



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

4.5 The average for London as a whole is skewed by the very high values in Central London. The average prices in Enfield are a little above Waltham Forest and Redbridge and somewhat less than the other North London Boroughs, although these average figures smooth some very significant differences within the Boroughs.

Figure 4.3 North London Boroughs - Average House Prices (£)



Source: Mean house prices for administrative geographies: HPSSA dataset 12 (Release 9th December 2021).

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 and the Stamp Duty 'holiday'. 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 2020 RICS UK Residential Market Survey[18] said:

> *The December 2020 RICS UK Residential Survey results continue to point to rising activity across the market, even if the pace of growth has softened noticeably compared with earlier in H2. That said, sales expectations have retreated according to the most recent feedback, with respondents anticipating the latest lockdown restrictions (and the related economic challenges), coupled with the ending of the Stamp Duty holiday, to weigh on activity going forward.*
>
> *In terms of new buyer demand, a headline net balance of +15% of survey participants saw an increase in enquiries during December. Although still positive and therefore indicative of some degree of uplift in demand, this latest reading is down from +26% last time out and has now moderated in five successive reports.*
>
> *Meanwhile, the flow of new instructions being listed onto the sales market continued to pick-up over the month, albeit modestly, evidenced by a national net balance of +7% of respondents reporting an increase. Alongside this, the number of appraisals being undertaken remains higher than in the comparable period of 2019, with the December net balance also coming in at +7%. Nevertheless, in both cases, these indicators have softened over recent months in another sign that momentum has eased of late.*

4.10 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for LB Enfield is 42nd (out of 336) at £484,720[19].

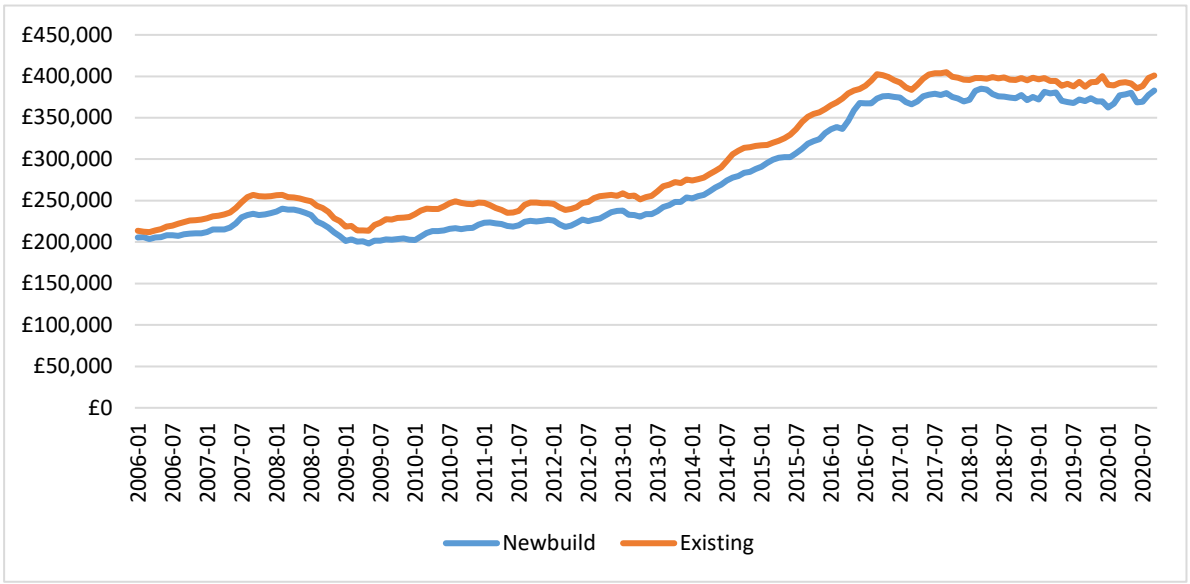
[18] https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/

[19] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 9th December 2021).

To set this in context, the Council at the middle of the rank (167th – Hambleton), has an average price of £273,358. The Enfield median price is lower than the average at £410,000[20].

4.11 This study concerns new homes. The figure above shows that prices in the Borough have seen a significant recovery since the bottom of the market in 2009. A characteristic of the data is that the values of newbuild homes have increased at a similar rate to that for existing homes. The Land Registry shows that the average price paid for newbuild homes in LB Enfield (£382,960) is £18,000 (or 4.4%) less than the average price paid for existing homes (£400,909).

Figure 4.4 Change in House Prices. Existing v Newbuild – LB Enfield

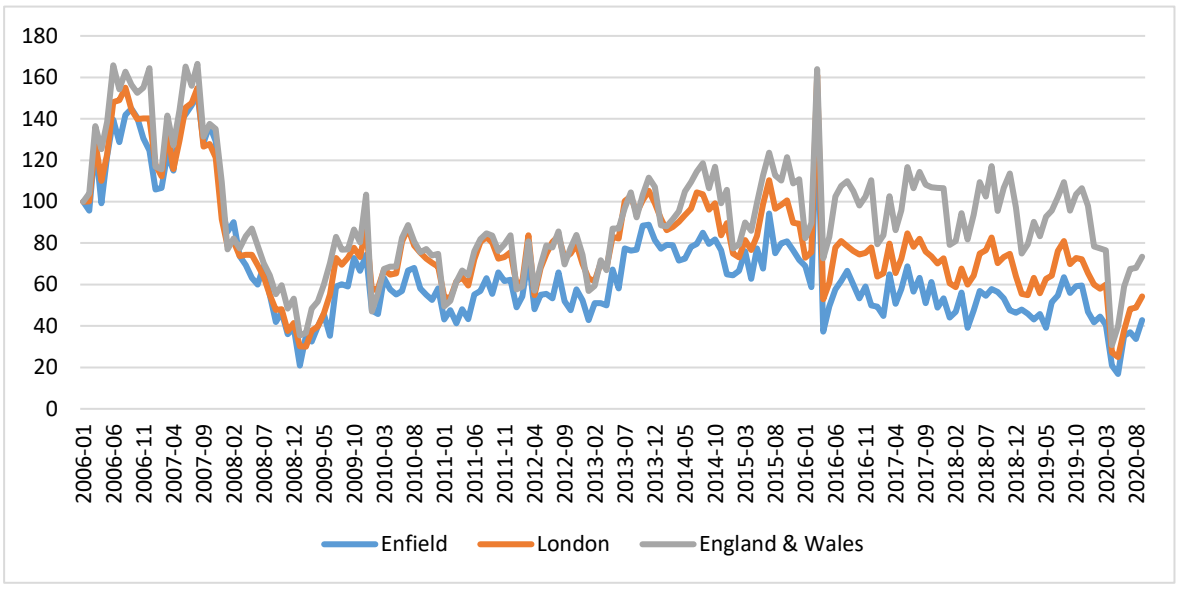


Source: Land Registry (February 2021). Contains public sector information licensed under the Open Government Licence v3.0.

4.12 The rate of sales (i.e. sales per quarter) in the Borough 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 2020. Whilst this covers the first period of the coronavirus pandemic, it is recognised that the next data release may show more of the impact of COVID-19, so it will be necessary for the Council to monitor the longer-term trends in this regard.

[20] Median house prices for administrative geographies: HPSSA dataset 9 (Release 9th December 2021)

Figure 4.5 Sales per Quarter – Indexed to January 2006



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

4.13 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.

4.14 A further uncertainty is around the ongoing coronavirus pandemic. There are real material uncertainties around the values of property 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. There is mixed feedback about the property market. 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 and the Government's restrictions, have found their ability to secure a loan restricted.

4.15 At the time of this update there is no statistical evidence of a fall in house prices. The economy is in a period of uncertainly and it is not the purpose of this assessment to forecast of how house prices and values may change in the future, it is necessary to set the report in the wider context and provide sensitivity testing.

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)				
2020	2021	2022	2023	2024				2020	2021	2022	2023	2024
City forecasters												
-	-	-	-	-	Nov	*	Barclays Capital	* Nov	-	-	-	-
-	-	-	-	-	Nov	*	Bloomberg Economics	* Nov	-	-	-	-
-	-	-	-	-	Nov	*	Citigroup	* Nov	-	-	-	-
3.3	0.0	-1.7	-0.6	3.6	Nov	*	Commerzbank	* Nov	-9.4	-5.2	-2.5	-2.3	-0.3
-	-	-	-	-	Nov	*	HSBC	* Nov	-	-	-	-	-
-	-	-	-	-	Aug		Natwest Markets	Aug	-	-	-	-	-
Non-City forecasters													
-	-	-	-	-	Nov	*	Beacon Economic Forecasting	* Nov	-	-	-	-	-
-	-	-	-	-	Nov	*	European Commission	* Nov	-	-	-	-	-
1.5	-3.0	-0.4	4.7	4.4	Nov	*	Experian	* Nov	-	-	-	-	-
2.3	-1.0	2.9	3.5	3.5	Nov	*	EY ITEM Club	* Nov	-	-	-	-	-
0.4	-3.9	2.0	-	-	Nov	*	Heteronomics	* Nov	0.3	-2.0	-1.3	-	-
-	-	-	-	-	Nov	*	Kern Consulting	* Nov	-	-	-	-	-
-	-	-	-	-	Nov	*	Liverpool Macro Research	* Nov	-	-	-	-	-
0.5	1.3	5.9	3.7	2.3	Nov	*	NIESR	* Nov	-	-	-	-	-
1.5	-6.3	-3.2	3.8	5.8	Nov	*	Oxford Economics	* Nov	-4.9	-3.9	-2.7	-1.5	-0.7
1.6	-2.1	0.9	3.0	3.9			Independent average		-4.7	-3.7	-2.2	-1.9	-0.5
1.6	-2.1	0.9	3.0	3.9			New forecasts		-4.7	-3.7	-2.2	-1.9	-0.5
3.3	1.3	5.9	4.7	5.8			Highest		0.3	-2.0	-1.3	-1.5	-0.3
0.4	-6.3	-3.2	-0.6	2.3			Lowest		-9.4	-5.2	-2.7	-2.3	-0.7
-0.7	-3.8	9.6	7.8	6.1			OBR - central economic scenario						

Source: *Forecasts for the UK economy: a comparison of independent forecasts No400* (HM Treasury, November 2020. Table M9: Medium-term forecasts for house price inflation and the output gap

4.17 There is clearly uncertainty in the market, although, generally, the expectation is that house prices return to growth relatively quickly. This report is carried out at current costs and values. Sensitivity testing has been carried out.

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

Table 4.2 Savills September 2020 Property Price Forecasts

		2021	2022	2023	2024	5 Year
Mainstream UK		0%	4.0%	6.5%	4.5%	20.4%
London		0.0%	1.0%	4.0%	2.0%	12.7%

Source: Savills UK Residential – Revisions to our mainstream residential market forecasts (30th September 2021)[21]

4.19 In this context is relevant to note that the Nationwide Building Society reported an 'unexpectedly rapid' recovery in the housing market with the increase in August being the highest since February 2004, when house prices rose by 2.7%. As a result, annual house price growth accelerated to 3.7%, from 1.5% in July. Similarly, the Halifax Building Society reported:

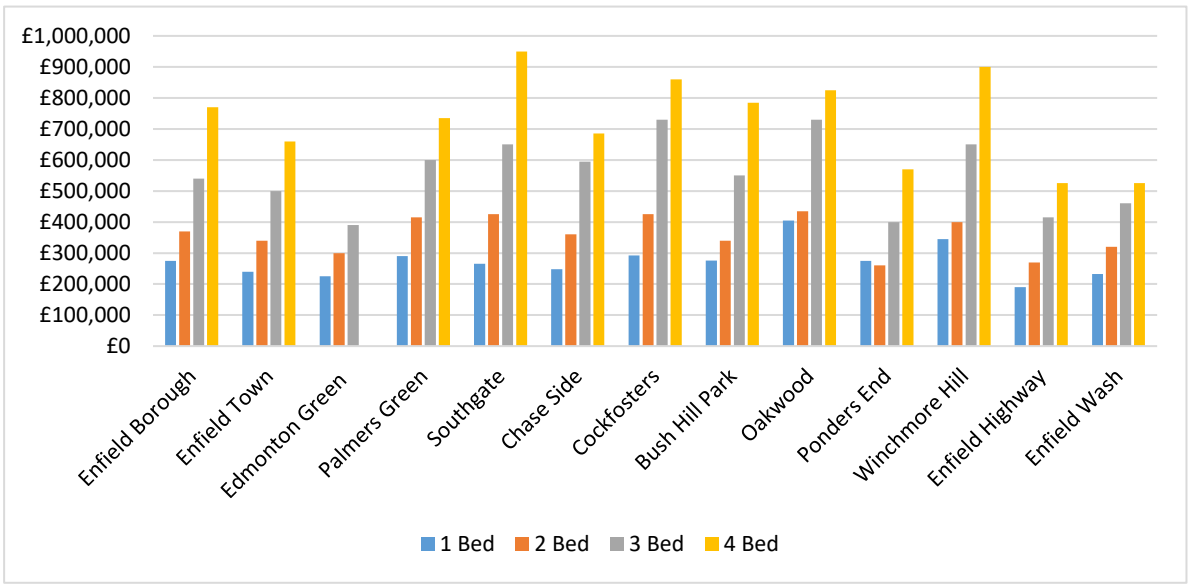
> *The average UK house price now tops a quarter of a million pounds (£250,457) for the first time in history, as annual house price inflation rose to 7.5% in October, its highest rate since mid-2016. Underlying the pace of recent price growth in the market is the 5.3% gain over the past four months, the strongest since 2006.*
>
> *Halifax House Price Index. 6th November 2020*

The Local Market

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

[21] revisions-to-our-mainstream-residential-market-forecasts-300920.pdf (savills.co.uk)

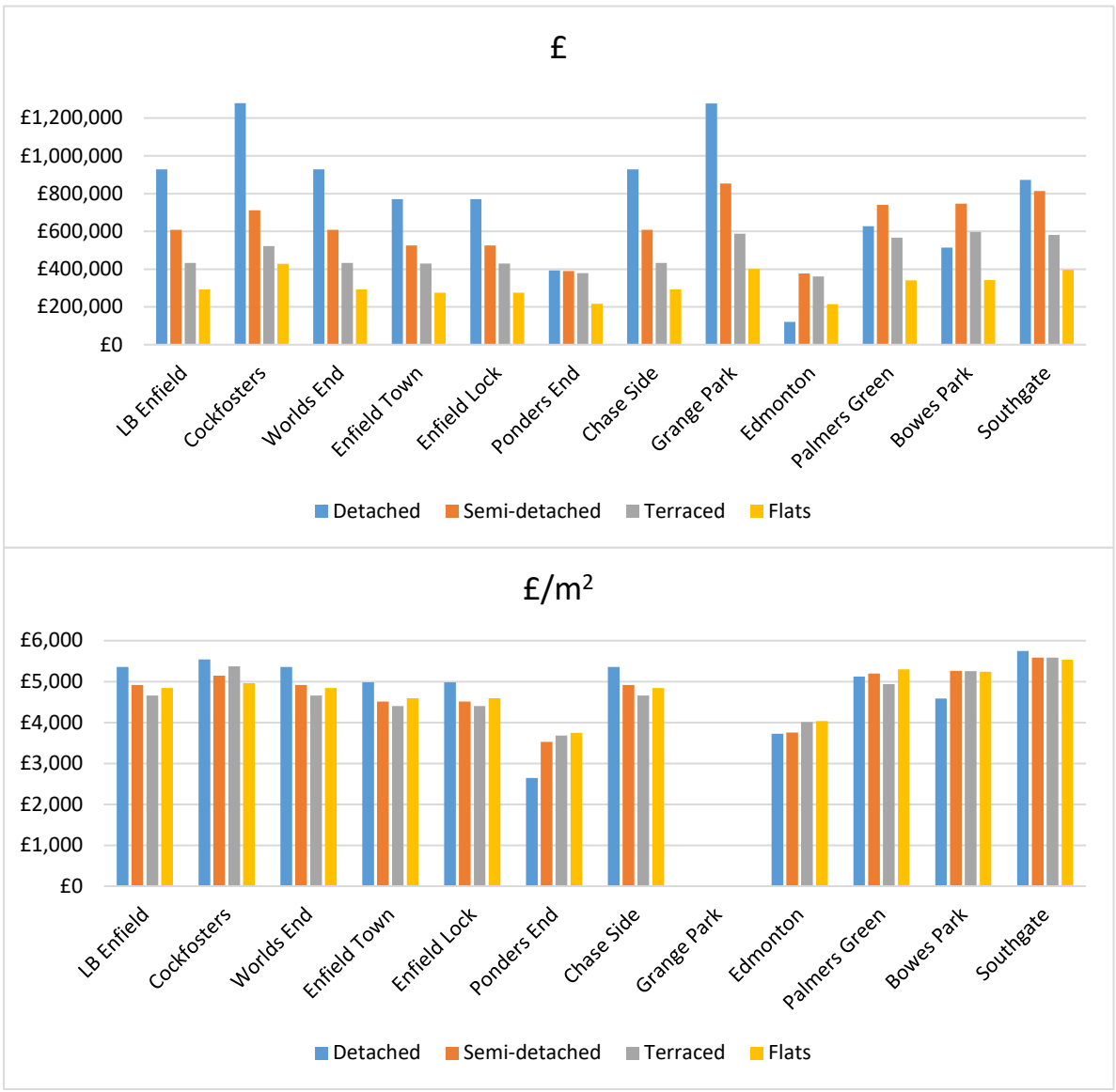
Figure 4.6 Median Asking Prices (£)



Source: Rightmove.co.uk (February 2021)

4.21 The above data are 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.

Figure 4.7 Residential Values



Source: Zoopla.co.uk (February 2021)

4.22 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 using the following data sources:

Table 4.3 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

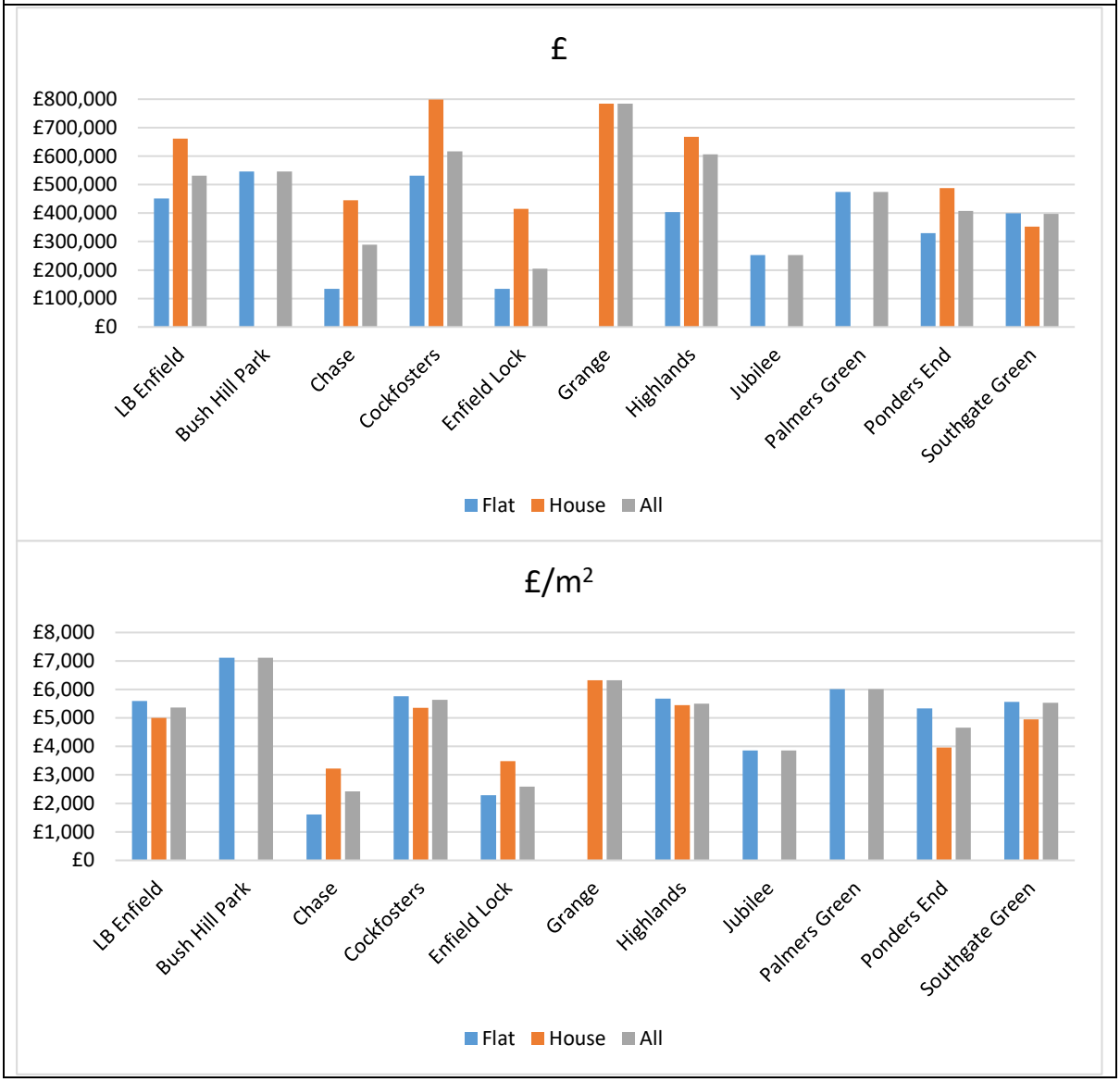
Source: Landmark

4.23 This data includes the records of just over 8,000 sales since the start of 2017. Of these, floor areas are available for about 7,000 sales and the number of bedrooms is available for about 4,900 sales. The data is available for newbuild and existing homes and by ward and summarised as follows:

Table 4.4 Landmark Data – Sample Sizes			
	Count of Sale Value	Count of Bedrooms	Count of £/m^2
Newbuild	387	26	381
Non-Newbuild	7,639	4,843	6,596
All	8,026	4,869	6,977

Source: Landmark (January 2021)

Figure 4.8 Residential Prices Paid – From January 2017



Source: Landmark (January 2021)

4.24 The full data tables are set out in **Appendix 6** below. This data shows that on average newbuild homes are a similar price to existing homes, being just 3% more expensive than existing homes when considered on a £/m^2 basis. Non-newbuild houses and flats have broadly similar prices (houses are about 2% more expensive), when considered on a £/m^2 basis. The situation in the newbuild sector is quite different with newbuild flats, being on average 12% more expensive than non-newbuild flats, when considered on a £/m^2 basis.

4.25 It is important to note that some of the sample sizes are small so care should be taken when considering a very fine grained approach.

4.26 The above data uses floor sizes taken from the EPC Register. The HBF Guidance raises concerns about the use of EPC data highlighting a discrepancy between unit sizes on the EPC Register saying:

> *Internal areas obtained from Energy Performance Certificates are used in revenue / coverage calculations. However, these generally do not represent actual Gross Internal Area as the calculation methodology is different.*

4.27 We understand that this relates, at least in part, to internal garages for the purpose of this study (which is mainly concerned with houses rather than flats). Internal garages are not included within the EPC area but can be included in the developers' own records. Whilst some new homes do have internal garages this is a minority (23 out of the 89 (25%) of those being advertised for sale at the time of this report). Bearing in mind the need to establish the values on a £/m^2 basis, this data can still be given weight.

4.28 Further, the HBF Guidance suggests that the EPC information may not be reliable and understated the size of the buildings in question – with the consequence of overstating the value when considered on a £/m^2 basis. Whilst we note these concerns, we have checked the guidance for undertaking EPCs which states[22]:

> *When undertaking internal dimensions measure between the inner surfaces of the external or party walls. Any internal elements (partitions, internal floors, walls, roofs) are disregarded.*
>
> *In general, rooms and other spaces, such as built in cupboards, should be included in the calculation of the floor area where these directly accessible from the occupied dwelling. However, unheated spaces clearly divided from the dwelling should not be included.*

4.29 The DCLG guidance describes the floor area as follows[23]:

> *The total useful floor area is the total area of all enclosed spaces measured to the internal face of the external walls, that is to say it is the gross floor area as measured in accordance with guidance issued to surveyors:*
>
> *a. the area of sloping surfaces such as staircases, galleries, raked auditoria, and tiered terraces should be taken as their area on the plan; and*
>
> *b. areas that are not enclosed, such as open floors, covered ways and balconies, are excluded.*

4.30 As set out in Chapters 2 and 3 above, the work in this study is based on existing available evidence and is proportionate. It is our firm view that the use of EPC data is appropriate in a study of this type. As with any dataset there are bound to be discrepancies and occasions where there is an element of human error, however the substantial sample size and use of averages should minimise this.

4.31 The HBF Guidance suggests that the Land Registry was not a good source for newbuild homes saying that it does not show the incentives that were included (such as Stamp Duty contributions, flooring, white goods, turfing, costs/losses associated with part exchange transactions, mortgage subsidy schemes run by some developers, etc). The prices recorded by the Land Registry is the Price Paid. It is accepted that some developers offer incentives that are not reflected in the price recorded on the Land Registry. As set out below, sales

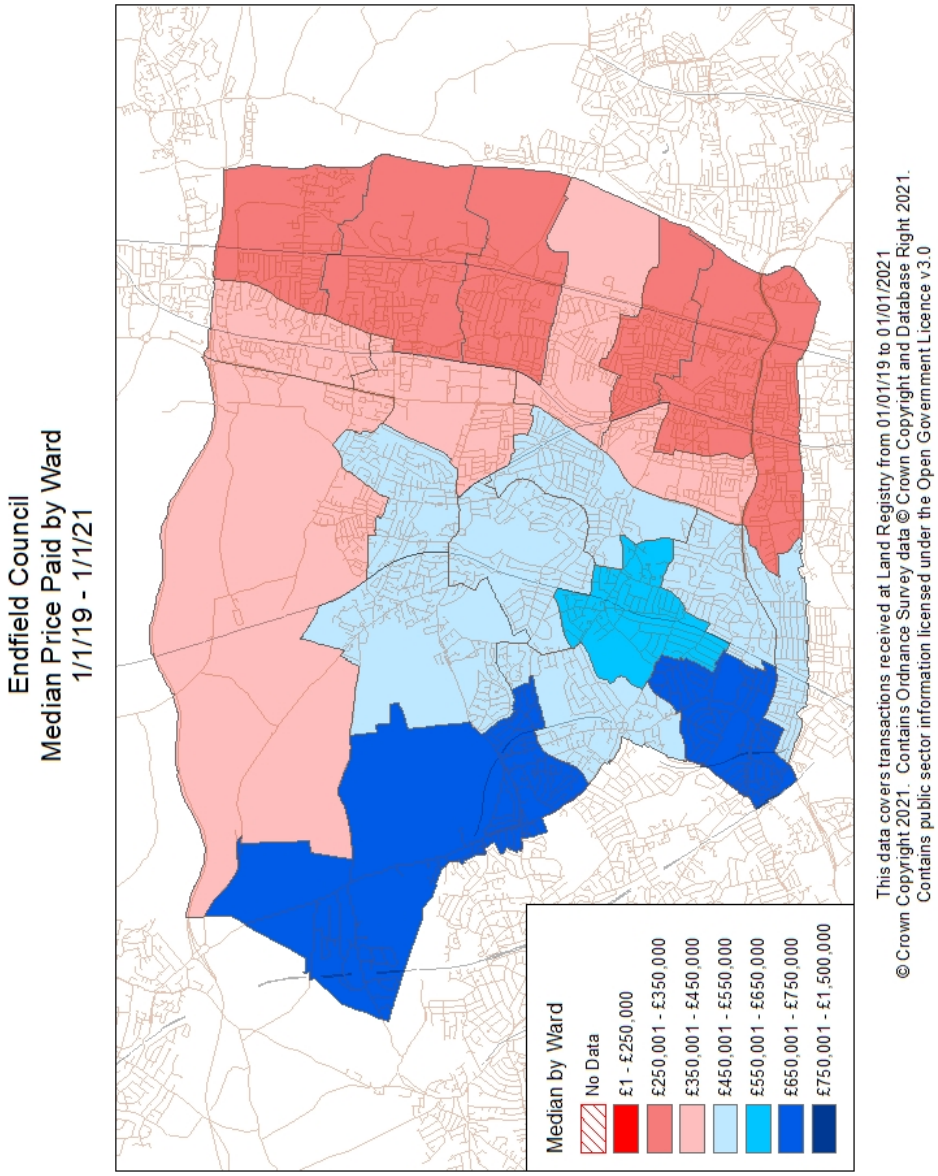
[22] Page 6, Energy Performance Certificates for Existing Dwellings. RdSAP Manual. Version 8.0

[23] Improving the energy efficiency of our buildings. A guide to energy performance certificates for the marketing, sale and let of dwellings. April 2014, Department for Communities and Local Government.

offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers.

4.32 The different types of dwelling have significantly different values. The geographical differences in prices are illustrated in the following map.

Figure 4.9 Median Prices – All Properties



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

4.33 Further maps are included within **Appendix 7** that show the average prices, for flats and houses, on a £/m^2 basis.

4.34 The ONS provides data at ward level for median house prices as set out in the following table.

Table 4.5 Median Price Paid (Newly Built Dwellings) by Ward
Year Ending March 2020 (£)

	All	Detached	Semi-detached	Terraced	Flats
Bowes	£500,000		£670,975	£575,000	£304,000
Bush Hill Park	£485,000	£681,500	£580,000	£480,000	£332,500
Chase	£405,000	£607,500	£560,000	£414,000	£260,000
Cockfosters	£712,500	£1,620,000	£767,500	£650,000	£395,000
Edmonton Green	£325,000		£385,000	£370,000	£229,000
Enfield Highway	£366,000		£382,500	£376,000	£250,000
Enfield Lock	£340,000	£420,000	£381,000	£351,000	£219,000
Grange	£582,000	£960,000	£772,498	£545,000	£327,500
Haselbury	£370,000		£412,500	£375,000	£210,000
Highlands	£480,585	£600,000	£650,000	£590,000	£330,000
Jubilee	£355,000		£412,500	£360,000	£198,250
Lower Edmonton	£350,000		:	£360,000	£235,000
Palmers Green	£502,500		£612,500	£530,000	£361,000
Ponders End	£349,000		£373,000	£363,000	£320,000
Southbury	£370,000		£410,000	£410,000	£272,000
Southgate	£505,000	£830,000	£767,500	£480,500	£380,000
Southgate Green	£710,000	£975,000	£895,000	£590,000	£355,000
Town	£465,000		£550,000	£475,000	£310,000
Turkey Street	£380,000		£415,000	£372,500	£188,000
Upper Edmonton	£347,498		£400,000	£371,000	£245,000
Winchmore Hill	£620,000		£812,000	£655,000	£369,000

Source: HPSSA Dataset 37 (Data Release 9th December 2020)

Newbuild Asking Prices

4.35 This study 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.

4.36 At the time of this research there were 61 new homes being advertised for sale in the Borough. The analysis of these shows that asking prices for newbuild homes vary very considerably, starting at £100,000 and going up to £2,495,000. The average is £845,556. These are summarised in the following table and set out in detail in **Appendix 8**.

Table 4.6 Average (mean) Newbuild Asking Prices						
		Detached	Flats	Semi-detached	Terraced	All
All	£	£1,680,000	£773,765	£574,988	£798,106	£845,556
	£/m²	£5,812	£7,851	£6,179	£6,439	£7,589
Cockfosters	£				£795,000	£795,000
	£/m²					
Enfield	£	£1,970,000	£598,731	£574,988	£727,980	£785,334
	£/m²		£5,882	£6,179	£6,478	£5,991
Hadley Wood	£		£1,148,203			£1,148,203
	£/m²		£9,101			£9,101
Palmers Green	£		£571,714			£571,714
	£/m²		£7,765			£7,765
Southgate	£		£677,474		£974,975	£776,641
	£/m²		£7,658		£6,419	£7,245
Winchmore Hill	£	£1,462,500	£628,119			£794,995
	£/m²	£5,812	£7,675			£7,302
Windmill Hill	£		£783,738			£783,738
	£/m²		£7,747			£7,747

Source: Market Survey (February 2021)

4.37 During the course of the research, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that significant discounts are not available, and were unlikely to be available (possibly in the context of the SDLT holiday). When pressed, it appeared that the discounts and incentives are available at 3% to 5% of the asking prices. It would be prudent to assume that prices achieved, net of incentives offered to buyers, are 3% less than the above asking prices.

4.38 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

4.39 In the *Enfield Small Sites Research, Detailed Report and Case Study Findings* (AECOM, Ben Hunt Planning, JLL, Farrells, January 2021) values of £4,950/m² to £5,888/m² were used for market housing.

4.40 It is necessary to form a view about the appropriate prices for the schemes to be appraised in the study. 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) Larger Brownfield Sites. These larger sites are sufficiently large to create their own sense of place so are likely to have higher values than in the surrounding neighbourhood. 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) Smaller Brownfield Sites. The value of the new homes developed are likely to be driven by the specific situation of the scheme. The value will be more strongly influenced by the specific site characteristics, the immediate neighbours and environment. Development is likely to be of a higher density than the greenfield sites and be based around schemes of flats, semi-detached housing and terraces.

c) Flatted Schemes. This is considered to be a separate development type that is only likely to take place in the town centres. These are modelled as conventional development and on a Build to Rent basis (see below).

d) Large Greenfield Sites. These include the potential Strategic Sites. They are sufficiently large to generate their own sense of place, that may generate values that are different to those in the immediate locality. These are likely to be developed as a broad mix, including family housing. They are only likely to include a low proportion of flats. These are only likely to come forward in the northern part of the Borough.

e) Medium Greenfield Sites. These are the greenfield sites in the range of 10 to 200 units that are likely to be brought forward by a single developer.

f) Small Greenfield Sites. These areas are on the urban fringe. A premium value is applied to these.

4.41 It is important to note that this is a broad brush, high level study to test LB Enfield'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. Regard is given to the average values as per the PPG:

> *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*

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.

4.43 It is necessary to consider the impact of Help to Buy[24] [25] on the newbuild housing market. The price paid reported in the Land Registry data set out above is the price paid to the developer, so this is the correct figure use, however Help to Buy may be having a market wide impact of bolstering the prices paid for newbuild homes. Further, should Help to Buy be withdrawn, then some buyers that are able to access the housing market with Help to Buy may no longer be able to do so, and the resulting fall in demand could result is a drop in sales rates and/or a drop in values of newbuild houses.

4.44 Based on the MHCLG data tables[26] there were 215 properties purchased under Help to Buy in the area in the two years to Q2 2020 (being the most recent data that is available), which averages at 27 per quarter.

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

Higher Value — The western and northern areas of the Borough (Chase, Cockfosters, Highlands, Grange, Palmer's Green, Southgate, Winchmore Hill).

Medium Value — The areas not included in the higher and lower values.

Lower Value — The eastern part of the Borough running from Enfield Lock in the north, to Upper Edmonton in the south.

Table 4.7 2021 Pre-consultation Residential Price Assumptions – £/m²

		Higher Value	Medium Value	Lower Value
1	Large Greenfield	£6,000		
2	Medium Greenfield	£6,000		
3	Small Greenfield	£7,000		
4	Larger Urban	£6,350	£5,500	£4,550
5	Flatted Development	£6,700	£5,250	£5,050
6	Small Previously Developed Land (PDL)	£7,000	£6,000	£5,500

Source: HDH (February 2021)

4.46 It is relevant to note that the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017) placed the west of the Borough in Residential Value

[24] With a Help to Buy: Equity Loan the Government lends the buyer up to 20% of the cost of a newly built home, so the buyer only needs a 5% cash deposit and a 75% mortgage to make up the rest. Interest is not charged on the 20% loan for the first five years. In the sixth year, the buyer is charged a fee of 1.75% of the loan's value. The fee then increases every year, according to the Retail Prices Index plus 1%.

[25] Help to Buy is subject to a £600,000 cap in London (Help to Buy)

[26] Help to Buy (equity loan scheme) statistics: data to 31 March 2020 - GOV.UK (www.gov.uk)

Band D (£5,609/m^2 to £7,384/m^2 – mid point £6,250/m^2) and the east of the Borough in Residential Value Band E (£2,384/m^2 to £5,609/m^2 – mid point £4,250/m^2).

4.47 Through the February 2021 viability consultation there was a general consensus that the value assumptions of residential development are appropriate, although further consideration may need to be given to a more fine grained approach. It is accepted that values do vary within the areas, they also vary within schemes, for example relative to height of the flat within a building, the views (green parkland or countryside v industrial sites) etc. Having said this, we do not believe that the evidence supports a further break down of the market areas. It is clear that prices do not change on hard lines, rather through fuzzy boundaries, we do believe that the further disaggregation of the areas is not supported by the available evidence.

Ground Rents

4.48 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 study, no allowance is made for residential ground rents[27].

Build to Rent

4.49 This is a growing development format (and one that is expected within the Meridian Water project). The Build to Rent sector is a different sector to mainstream housing.

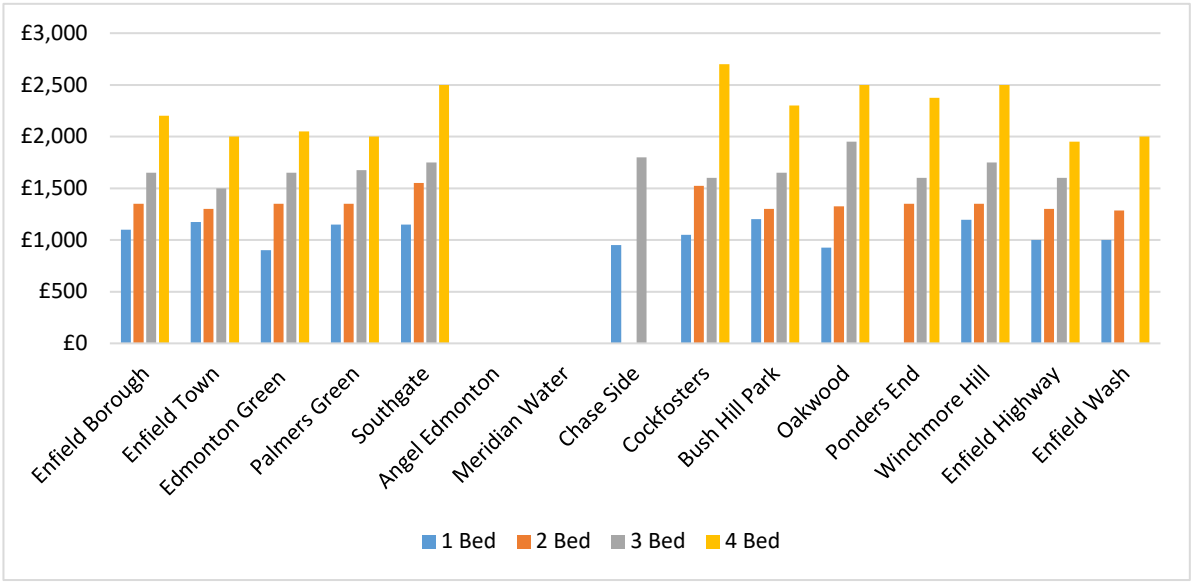
4.50 The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. The value of the units in the PRS (where their use is restricted to PRS and they cannot be used in other tenures) is, in large part, the worth of the income that 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.*

4.51 In estimating the likely level of rent, we have undertaken a survey of market rents across the Borough.

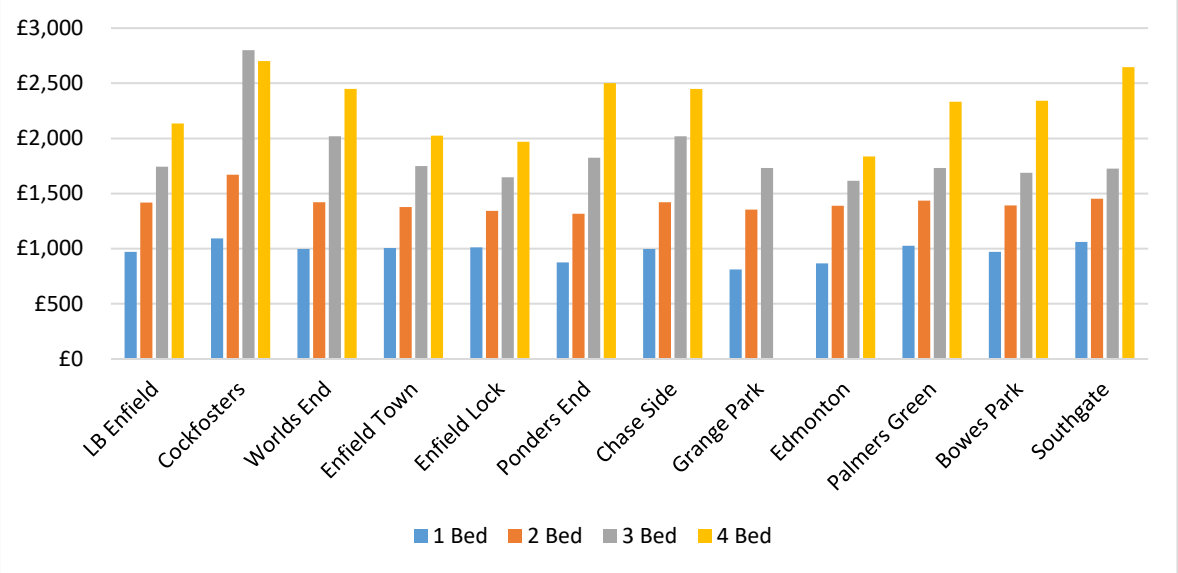
[27] In October 2018 the Communities Secretary announced that majority of newbuild houses should be sold as freehold and new leases to be capped at £10. https://www.gov.uk/government/news/communities-secretary-signals-end-to-unfair-leasehold-practices

Table 4.8 Median Asking Rents advertised on Rightmove (£/month)				
	1 bed	2 beds	3 beds	4 beds
Enfield Borough	£1,100	£1,350	£1,650	£2,200
Enfield Town	£1,175	£1,300	£1,500	£2,000
Edmonton Green	£900	£1,350	£1,650	£2,050
Palmers Green	£1,150	£1,350	£1,675	£2,000
Southgate	£1,150	£1,550	£1,750	£2,500
Angel Edmonton				
Meridian Water				
Chase Side	£950		£1,800	
Cockfosters	£1,050	£1,525	£1,600	£2,700
Bush Hill Park	£1,200	£1,300	£1,650	£2,300
Oakwood	£925	£1,325	£1,950	£2,500
Ponders End		£1,350	£1,600	£2,375
Winchmore Hill	£1,195	£1,350	£1,750	£2,500
Enfield Highway	£1,000	£1,300	£1,600	£1,950
Enfield Wash	£1,000	£1,285		£2,000



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

Table 4.9 Average Asking Rents Reported by Zoopla (£/month)				
	1 Bed	2 Bed	3 Bed	4 Bed
LB Enfield	£972	£1,418	£1,744	£2,136
Cockfosters	£1,092	£1,671	£2,801	£2,700
Worlds End	£999	£1,420	£2,018	£2,448
Enfield Town	£1,005	£1,378	£1,749	£2,025
Enfield Lock	£1,013	£1,342	£1,648	£1,969
Ponders End	£875	£1,317	£1,826	£2,500
Chase Side	£999	£1,420	£2,018	£2,448
Grange Park	£811	£1,355	£1,733	
Edmonton	£868	£1,389	£1,617	£1,837
Palmers Green	£1,026	£1,435	£1,732	£2,332
Bowes Park	£972	£1,392	£1,687	£2,340
Southgate	£1,062	£1,454	£1,726	£2,645



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

4.52 The Valuation Office Agency (VOA) collect data on rent levels:

Table 4.10 Rents reported by the VOA - Enfield					
	Count of rents	Mean	Lower quartile	Median	Upper quartile
Room					
Studio	30	£844	£800	£850	£900
1 Bedroom	140	£979	£900	£950	£1,070
2 Bedroom	210	£1,301	£1,200	£1,300	£1,395
3 Bedroom	120	£1,569	£1,450	£1,533	£1,650
4+ Bedroom	40	£1,991	£1,570	£1,826	£2,250

Source: VOA Private rental market summary statistics in England (released 11th December 2020)

4.53 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed.

4.54 Savills in its *Investing in Private Rent* (Savills, 2018) reports a North-South divide:

> *Net initial yields on BTR deals averaged 4.3 per cent between 2015 and 2017. But that hides substantial regional variation. While half that investment took place in London, where yields averaged 3.8 per cent, across Scotland and the north of England the average yield was 4.9 per cent. In London and the South, the income returns from funding deals are higher than on standing investments, as you might expect. In the North, this is not necessarily the case, given issues over the quality of some of the existing rental stock and the rental covenant attached to it, all limited by the fact that we're yet to see any of the purpose-built kit trade yet. As investors focus more on the potential growth of the income stream and less on the track record of local house price growth, we expect yields from purpose-built assets to show less regional variation.*

4.55 Knight Frank in its *Residential Yield Guide* (February 2018) reported a 4.0% to 4.24% yield in Prime Regional Cites (including London) and 5.0% to 5.25% in Secondary Regional Cities.

4.56 Having considered a range of sources, a gross yield of 4% has been assumed. It is also assumed that such development will be flatted and close to the train and tube stations centres. 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. Through the February 2021 consultation process, it was suggested that the initial rental assumptions[28] were too low so these have been increased in line the rent expectations from the Council's own schemes in this sector. It is important to note that these figures are derived from the east of the Borough. Higher rents may prevail on the west and central areas. An allowance of 20% is made for costs (management, voids, bad debts, repairs etc).

4.57 Through the February 2021 consultation process, it was also suggested that yield assumptions may be too high (leading to the values being understated. Reference was made to CBRE *Market View Data (Multifamily Investment Q1 2020)* report that makes reference to a yield of 3.50% and that the previous CBRE report (Q4 2019) also had less than 4% at 3.75% for outer London. In addition the Council's consultants reviewing applicant viability appraisals at the

[28] 1 bed £1,070/month, 2 bed £1,395/month, 3 bed £1,700/month, 4 bed £2,250/month,

development management stage are saying 3.5% to 3.75% may be more appropriate. 4% is likely to be to at the higher end of the yield range, underlining the cautious approach being taken in this assessment.

Table 4.11 Capitalisation of Private Rents			
	1 bed	2 bed	3 bed
Gross Rent (£/month)	£1,350	£1,550	£1,750
Gross Rent (£/annum)	£16,200	£18,600	£21,000
Net Rent (£/annum)	£12,960	£14,880	£16,800
Value	£324,000	£372,000	£420,000
m^2	50	70	84
£/m^2	£6,480	£5,314	£5,000

Source: HDH (April 2021)

4.58 This approach derives a value for private rent, under the Build to Rent format of £5,500/m^2 or so.

4.59 It is relevant to note that the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd, December 2017) uses an approach that assumes that Build to Rent units do not remain in the Private Rented Sector in perpetuity so is not directly comparable.

Affordable Housing

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

Affordable Housing Values

4.61 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.

4.62 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 re-considered.

4.63 In the *Enfield Small Sites Research, Detailed Report and Case Study Findings* (AECOM, Ben Hunt Planning, JLL, Farrells, January 2021) values of £2,723/m^2 to £3,230/m^2 were used for affordable housing.

Social Rent

4.64 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 4.12 General Needs (Social Rent) – Enfield

Average weekly net rent (£ per week) by unit size for Enfield - Large PRPs[29]				£ per week	
Unit Size	**Net rent**	**Social rent rate**	**Service charge**	**Gross rent**	**Unit count**
Non-self-contained	£87.03	£75.18	£44.55	£117.89	306
Bedsit	£78.22	£77.31	£2.36	£80.25	36
1 Bedroom	£100.19	£98.66	£20.39	£117.61	907
2 Bedroom	£117.74	£115.88	£13.04	£128.16	2,250
3 Bedroom	£138.95	£135.61	£6.37	£141.85	1,954
4 Bedroom	£153.15	£153.50	£4.63	£156.45	366
5 Bedroom	£158.05	£160.80	£4.12	£161.67	33
6+ Bedroom	£170.74	£174.35	£7.76	£176.78	9
All self-contained	£124.74	£122.52	£12.23	£133.08	5,555
All stock sizes	£122.77	£120.02	£13.94	£132.29	5,861

Owned stock. Large PRPs only - unweighted. Excludes Affordable Rent and intermediate rent, but includes other units with an absolute exception for the WRWA 2016. Stock outside England is excluded.

Source: Table 9, RSH SDR 2019 – Data Tool[30]

4.65 This study 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 study, the value of Social Rents is assessed assuming 10% management costs, 4% voids and bad debts and 6% repairs. These are capitalised at 4%.

[29] 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.

[30] https://www.gov.uk/government/statistics/statistical-data-return-2018-to-2019 (October 2020)

Table 4.13 Capitalisation of Social Rents				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Rent (£/week)	£100.19	£117.74	£138.95	£153.15
Rent (£/annum)	£5,210	£6,122	£7,225	£7,964
Net Rent	£4,168	£4,898	£5,780	£6,371
Value	£98,068	£115,247	£136,008	£149,907
m^2	50	70	84	97
£/m^2	£1,961	£1,646	£1,619	£1,545

Source: HDH (February 2021)

4.66 On this basis, a value of £1,800/m^2 across the study area would be assumed, although it is assumed that the affordable housing provided is under the Affordable Rent tenure (see below).

4.67 The *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017) does not provide a figure for Social Rent, rather looking at London Affordable Rent (and London Living Rent).

Affordable Rent

4.68 The Government introduced Affordable Rent in 2010 as a 'new' type of Affordable Housing. Under Affordable Rent, a rent of no more than 80% of the market rent for that unit can be charged. In the development of Affordable Housing for rent, 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.

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

4.70 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 Borough is in the Outer North London BRMA.

Table 4.14 BRMA LHA Caps (£/week)	
Shared Accommodation	£113.11
One Bedroom	£246.24
Two Bedrooms	£299.18
Three Bedrooms	£368.22
Four Bedrooms	£437.26

Source: VOA (February 2021)

4.71 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 4.15 Affordable Rent General Needs - Enfield

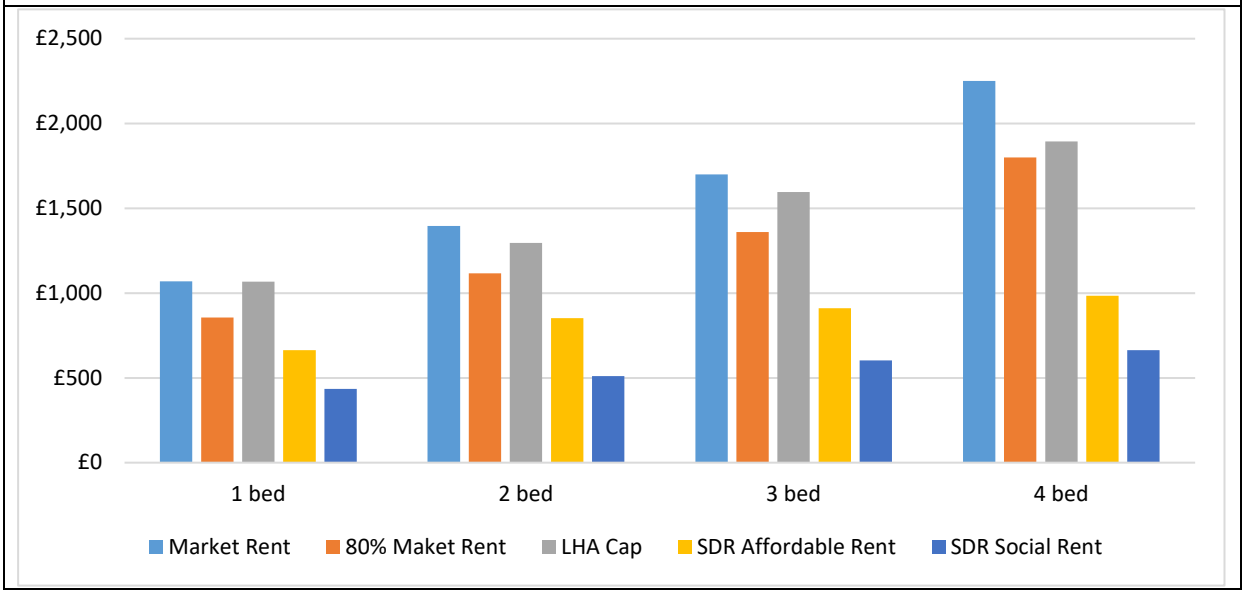
Average weekly gross rent (£ per week) and unit counts by unit size for Enfield	£ per week	
Unit Size	**Gross rent**	**Unit count**
Non-self-contained	£185.03	10
Bedsit	£129.01	1
1 Bedroom	£153.23	149
2 Bedroom	£196.55	305
3 Bedroom	£210.10	128
4 Bedroom	£227.24	85
5 Bedroom	£0.00	0
6+ Bedroom	£0.00	0
All self-contained	£193.29	668
All stock sizes	£193.17	678

Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.

Source: Table11, RSH SDR 2019 – Data Tool[31]

4.72 The rents can be summarised as follows.

Figure 4.10 Rents by Tenure – £/Month



[31] https://www.gov.uk/government/statistics/statistical-data-return-2018-to-2019

Source: Market Survey, HCA Statistical Return and VOA (February 2020)

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

Table 4.16 Capitalisation of Affordable Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/month)	£856	£1,116	£1,360	£1,800
Gross Rent (£/annum)	£10,272	£13,392	£16,320	£21,600
Net Rent	£8,218	£10,714	£13,056	£17,280
Value	£205,440	£267,840	£326,400	£432,000
m^2	50	70	84	97
£/m^2	£4,109	£3,826	£3,886	£4,454

Source: HDH (November 2020)

4.74 Using this method to assess the value of Affordable Housing, under the Affordable Rent tenure, a value of £4,000/m^2 or so is derived. This figure is somewhat above the assumption used in the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd, December 2017) and the In the *Enfield Small Sites Research, Detailed Report and Case Study Findings* (AECOM, Ben Hunt Planning, JLL, Farrells, January 2021). Whilst we would expect affordable housing values to have increased since the evidence was prepared to support the London Plan, it is notable that viability assessments submitted through the development management process all have lower figures than this. Having considered this further a value of £2,500/m^2 is assumed for London Affordable Rent.

Affordable Home Ownership

4.75 Intermediate products for sale include Shared Ownership and shared equity products[32]. 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%[33] per annum rent payable on the equity retained. The rental income is capitalised at 4% having made a 2% management allowance.

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

[32] For the purpose of this assessment, it is assumed that the 'affordable home ownership' products, as referred to in paragraph 64 of the 2019 NPPF, fall into this definition,

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

Table 4.17 Value of Shared Ownership Housing at 30% to 80% of Proportion Sold

Market Value			% Sold		Rent			Value		
m2	£/m2	£	%	£	%	£/year	£	£	£/m2	**% OMV**
95	5,500	522,500	10%	52,250	2.50%	11,756	288,028	340,278	3,582	**65.13%**
95	5,500	522,500	20%	104,500	2.50%	10,450	256,025	360,525	3,795	**69.00%**
95	5,500	522,500	30%	156,750	2.50%	9,144	224,022	380,772	4,008	**72.88%**
95	5,500	522,500	40%	209,000	2.50%	7,838	192,019	401,019	4,221	**76.75%**
95	5,500	522,500	50%	261,250	2.50%	6,531	160,016	421,266	4,434	**80.63%**
95	5,500	522,500	60%	313,500	2.50%	5,225	128,013	441,513	4,648	**84.50%**
95	5,000	475,000	10%	47,500	2.50%	10,688	261,844	309,344	3,256	**65.13%**
95	5,000	475,000	20%	95,000	2.50%	9,500	232,750	327,750	3,450	**69.00%**
95	5,000	475,000	30%	142,500	2.50%	8,313	203,656	346,156	3,644	**72.88%**
95	5,000	475,000	40%	190,000	2.50%	7,125	174,563	364,563	3,838	**76.75%**
95	5,000	475,000	50%	237,500	2.50%	5,938	145,469	382,969	4,031	**80.63%**
95	5,000	475,000	60%	285,000	2.50%	4,750	116,375	401,375	4,225	**84.50%**

Source: HDH 2021

4.77 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.

4.78 It is important to note that there is an income cap that applies to Shared Ownership properties of £90,000/year[34]. 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 £1,310/month, which caps the mortgage at about £450,000 (assuming a 25 year repayment at 3.5%). Assuming a 10% deposit, this means the maximum price under such products is about £490,000.

Grant Funding

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

Older People's Housing

4.80 Housing for older people is generally a growing sector due to the demographic changes and the aging population. The Council recently approved its own application[35] for a 3 - 4 storey building to provide extracare accommodation of 91 flats (81x1 bed and 10x2 bed) at Reardon Court, 26 Cosgrove Close and approved a scheme[36] on Council owned land for a 75 bed care home at Bridge House, 1 Forty Hill.

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

[35] 19/03802/RE4

[36] 17/03925/FUL

4.81 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.*

4.82 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.

4.83 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 4.18 Worth of Sheltered and Extracare			
Higher	Area (m^2)	£	£/m^2
3 bed semi-detached		£875,000	
1 bed Sheltered	50	£656,250	£13,125
2 bed Sheltered	75	£875,000	£11,667
1 bed Extracare	65	£820,313	£12,620
2 bed Extracare	80	£1,093,750	£13,672
Medium	Area (m^2)	£	£/m^2
3 bed semi-detached		£650,000	
1 bed Sheltered	50	£487,500	£9,750
2 bed Sheltered	75	£650,000	£8,667
1 bed Extracare	65	£609,375	£9,375
2 bed Extracare	80	£812,500	£10,156
Lower	Area (m^2)	£	£/m^2
3 bed semi-detached		£475,000	
1 bed Sheltered	50	£356,250	£7,125
2 bed Sheltered	75	£475,000	£6,333
1 bed Extracare	65	£445,313	£6,851
2 bed Extracare	80	£593,750	£7,422

Source: HDH (February 2021)

4.84 We have undertaken a review of older people's schemes within the Borough and surrounding area.

Table 4.19 Older People's Housing Asking Prices						
	1 Bed		2 Bed		All	
	£	£/m²	£	£/m²	£	£/m²
EN1	£188,000	£4,306	£232,500	£3,922	£202,833	£4,210
EN1	£210,000				£210,000	
EN2	£172,498	£3,864	£281,000	£4,388	£226,749	£4,213
EN2	£179,950	£4,579			£179,950	£4,579
EN3	£108,333	£2,233	£256,648	£3,904	£207,210	£3,486
EN3	£175,000				£175,000	
EN4	£207,475		£338,333	£5,752	£285,990	£5,752
N14	£271,650	£4,444	£275,000	£6,000	£272,990	£5,222
N21	£301,500	£5,338	£438,124	£6,389	£369,812	£5,805
N22			£297,800	£5,146	£297,800	£5,146
N9	£134,000		£165,000		£149,500	
(blank)	£175,000	£3,721	£300,000	£4,478	£206,250	£4,099
All	£216,822	£4,334	£319,696	£4,972	£269,131	£4,724

Source: Market Survey (February 2021)

4.85 Based on the above, a value of £6,600/m² is assumed for Sheltered Housing and for Extracare. Extracare is likely to have a higher value, however we have been unable to evidence this.

4.86 No allowance is made for ground rents.

4.87 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 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.

4.88 This approach was confirmed through the February 2021 consultation process.

Student Housing and Shared Living

4.89 There is not currently a large student population in the Enfield and no purpose-built student accommodation. The Council is however considering including an element of such accommodation at Meridian Water, so it is appropriate to consider the viability of student housing in its own right. There is an overlap in the market with the Build to Rent sector which is also considered as a separate development type (the economics of Build to Rent are different from market housing).

4.90 A survey of student housing around Outer London has been carried out. Most students live in mainstream residential housing that is rented in the open market, however some of this is through the academic institutions' approved landlord / letting schemes.

4.91 Two forms of student accommodation have been modelled, the Cluster Flat model and the Studio Flat model. Cluster Flats are groups of rooms (en-suite or not) sharing living space and a kitchen. Studio Flats are slightly larger rooms, including a kitchenette.

4.92 It is difficult to make direct comparisons as some operators let rooms just during term time (allowing other commercial uses in the holidays), some for a 42 week academic year (allowing other commercial uses in the summer), and some operators let for a 51 week year. Across the different sites and operators, the product offered varies from basic to luxurious and this is reflected in the rents. The average rents are:

Table 4.20 – Student Housing – Rent by Type (£/week)

	Cluster	**Studio**	**All**
E1	£260	£328	£301
E2	£286	£347	£337
E3	£220		£220
EC1V	£320	£363	£357
N1	£172	£240	£226
N10		£193	£193
N16	£177	£259	£218
N17	£178	£342	£303
N7		£259	£259
WC1X	£172	£203	£187
All	**£223**	**£321**	**£300**

Source: Market Survey (February 2021)

4.93 The average for cluster flats is £11,350/year and the average for self-contained accommodation is £16,365/year, although it is important to appreciate that this is the average of all units, including those closer to Central London.

4.94 All the above units analysed above are in TFL Zones 1 to 3. Meridian Water is in Zone 4 so commuting would be more expensive and take longer in time, and this is likely to be reflected in the rents.

4.95 There is little evidence of rents for Shared Living. The VOA's *Private rental market summary statistics in England* (released 11th December 2020) suggests rents for studios are about £850 per month. They do not provide a figure for a room in Shared Accommodation but do for some of the neighbouring councils (Haringey - £675/month, Waltham Forest £607/month). These figures are not directly comparable with purpose built Shared Living accommodation, rather being HMO costs. The cost of Shared Living schemes in Central London are typically around

£1,000/month for an en-suite room, and around £1,300/month a for a studio. The closest scheme we can find is in Stratford where rents start at £1,382 per month.

4.96 An assumption of £8,500/room/year is assumed for student accommodation under the studio model. Cluster accommodation is not modelled as the site is rather remote from the universities so is unlikely to be attractive. This figure is broadly in line with the assumption used in the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017). An assumption of £12,000/room/year is assumed for shared living accommodation. This figure is a little higher than the assumption used in the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017), however the market has developed somewhat over the last few years.

4.97 The rents are be discounted by 3% to reflect voids and bad debts at this stage. In deriving the values, the following assumptions are used:

Student Studio:	£8,500	less 3%	£8,245/year
Shared Living:	£12,000	less 3%	£11,640/year

4.98 Having made an allowance for management and repair costs, and capitalised the income at 4%, the following capital values are derived.

Table 4.21 Value of Student Housing and Shared Housing

		Student Studio	Shared Living
Rent		£8,245	£11,640
Management etc	%	25%	30%
Net Rent		£6,184	£8,148
Yield		4.00%	4.00%
Value per room	£	£154,594	£203,700

Source: HDH (February 2021)

4.99 It is necessary to caveat the student accommodation assumptions. Those presented above relate to a normal market, with the normal functioning of the higher education sector. This sector is not currently functioning normally due to the pandemic, with most lectures and seminars being conducted on-line. This is likely to continue have a significant impact on the demand for such accommodation.

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 study. There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward as planned development. In this study 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 Borough, 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 Enfield area reflect national trends:

- *Retail and office availability still rising at a rapid pace*
- *Industrials continue to outperform, as occupier and investor demand strengthens noticeably in Q4*
- *Outlook for capital values and rents increasingly divergent at the sector level.*

The Q4 2020 RICS UK Commercial Property Survey results continue to portray a challenging set of conditions overall, with many parts of the real estate sector still struggling against the economic pressures caused by the pandemic. That said, this headline assessment does not apply to the industrial sector, which, supported by more favourable structural dynamics, has seen activity strengthen once again in Q4.

On the occupier side of the market, a headline net balance of -27% of contributors reported a fall in tenant demand over the quarter. On the face of it, this decline appears less severe than in Q2 and Q3, when net balances of -55% and -33% were posted. However, the disaggregated figures show the latest readings remain steeped in negative territory across both the retail (-78% net balance) and office sectors (-63% net balance). Meanwhile, the industrial sector was solely responsible for driving the slightly less negative headline reading, with a net balance of +41% of respondents citing an improvement in occupier demand (up from +22% last time).

This contrast in fortunes is also evident in the data on availability, as the retail sector posted the sharpest uptick in vacant space (in net balance terms) since the series was formed in 1999. Likewise, the availability of leasable office space rose at the strongest rate since the global financial crisis. Unsurprisingly, incentive packages on offer to tenants were increased significantly in both cases during Q4. At the other end of the scale, industrial availability continued to contract, with the latest net balance falling to -35% from -14% last quarter.

Q4 2020 RICS UK Commercial Property Survey

Non-Residential Market

5.4 The *London Borough of Enfield Employment Land Review Final Repor*t (AECOM October 2018) included a detailed assessment of the local employment markets so that will not be repeated here. This summarised the current situation:

4.2.4 Spatially, four broad strategic corridors can be identified within the Borough defined by the strategic road network:

- *an eastern corridor along the A110 and the parallel A10;*

- *the A406 (North Circular) road running east-west in the south;*
- *the M25 corridor running along much of the north of Enfield; and*
- *the Hertford North railway line corridor.*

4.2.5 Whilst all areas contain employment land to some extent, supply is mostly focused on the eastern, the A406 and M25 corridors.

5.5 The main employment clusters are along the Lee Valley, although employment does take place more widely. At the time of this update there is little speculative non-residential development being undertaken. This is well illustrated by the global communications software company Metaswitch which is significantly expanding its global headquarters in Enfield Town[37].

5.6 This study 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 There is a predominance of logistics uses in the north east of the Borough, particularly close to the M25 / A10 junction.

5.8 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.

5.9 **Appendix 9** includes market data from CoStar.

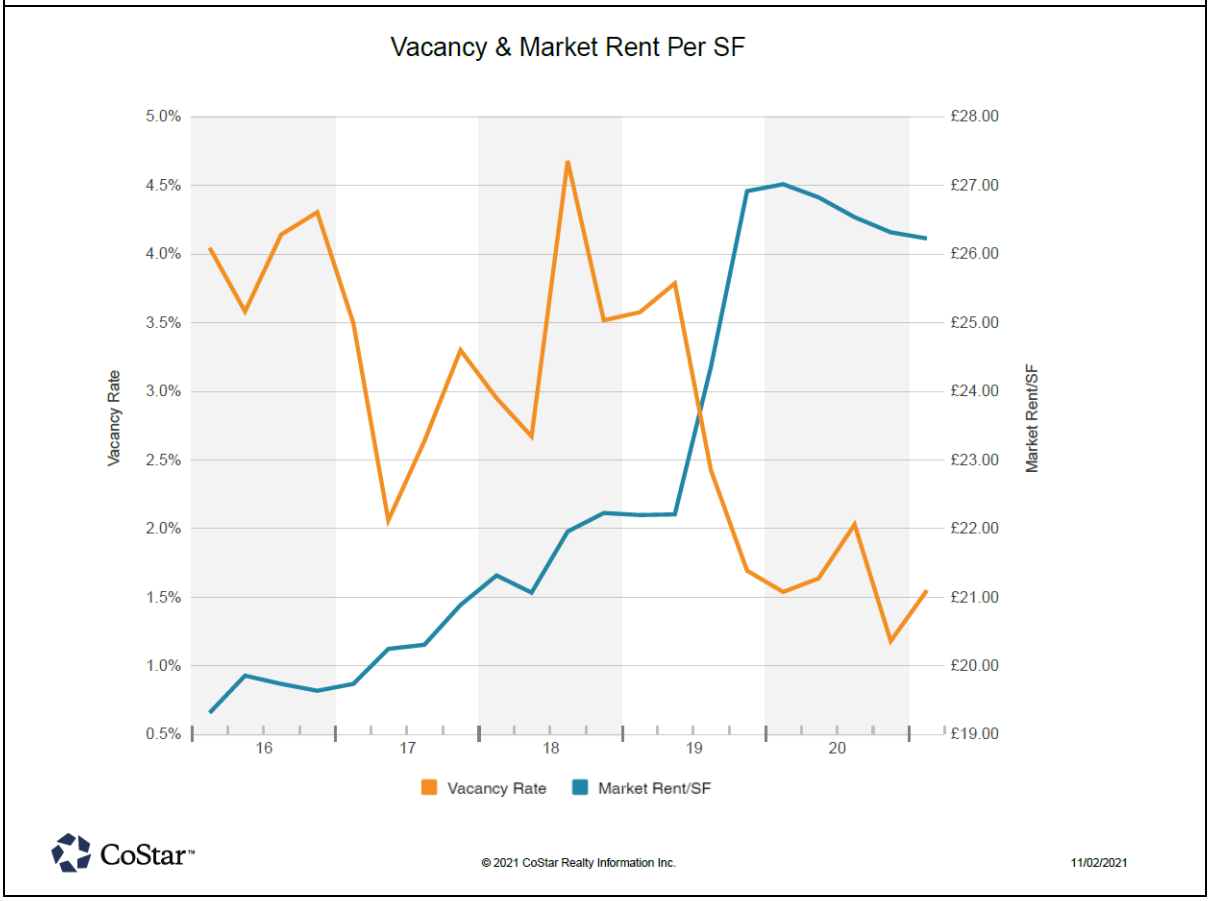
Offices

5.10 Enfield sits in the wider North London market. Offices tend to be mixed in with other uses, either in the town centres and close to the stations, or within the older industrial areas. Limited purpose-built space has come forward on the business parks.

5.11 CoStar data shows a notable increase in rents over the last five years, although these have fallen more recently. There are low levels of vacancies, although these do tend to fluctuate somewhat.

[37] - Metaswitchhas consolidated three buildings into one with relocation in Enfield Town at the Genotin Road car park. The planning ref number is: 18/03009/FUL (Erection of a five storey block of offices (B1a), ground floor business café (B1a/A3) and conference space (B1a/D1), with basement level, ground floor car parking, landscaping and ancillary works).

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



Source: CoStar (February 2021)

5.12 CoStar is currently reporting rents (for all types of office) across Barnet, Enfield and Waltham Forest, of about £225/m^2/year (£21sqft/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 between around £375/m^2/year (£35sqft/year).

5.13 There is little higher quality, more modern, (ie of the type that is most likely to be developed) office space being advertised, but older units in the town centres are typically seeking rents in around of £320/m^2/year (£30/sqft/year).

5.14 CoStar reports an average yield of 4.54% and a median yield of 3.99% across all the transactions (although the sample is small). We would expect new units (or groups of units) to achieve a yield of 5% or so, with smaller units (being a little less attractive to investors) achieving a yield of 6% or so.

5.15 These assumptions are a little different to those used in the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017) where rents of £246/m^2/year (range £54/m^2/year to £560/m^2/year) and a yield of 6.1% were assumed for 'Offices Outer'.

5.16 On this basis new office development would have a value of £7,100/m^2 (£660/sqft) on larger schemes, and about £5,900/m^2 (£550/sqft) on smaller schemes (having allowed for a rent free / void period of 12 months).

5.17 CoStar reports average sales prices of about £4,575/m^2 (£425/sqft), although the sample is dominated by older units, with less good facilities.

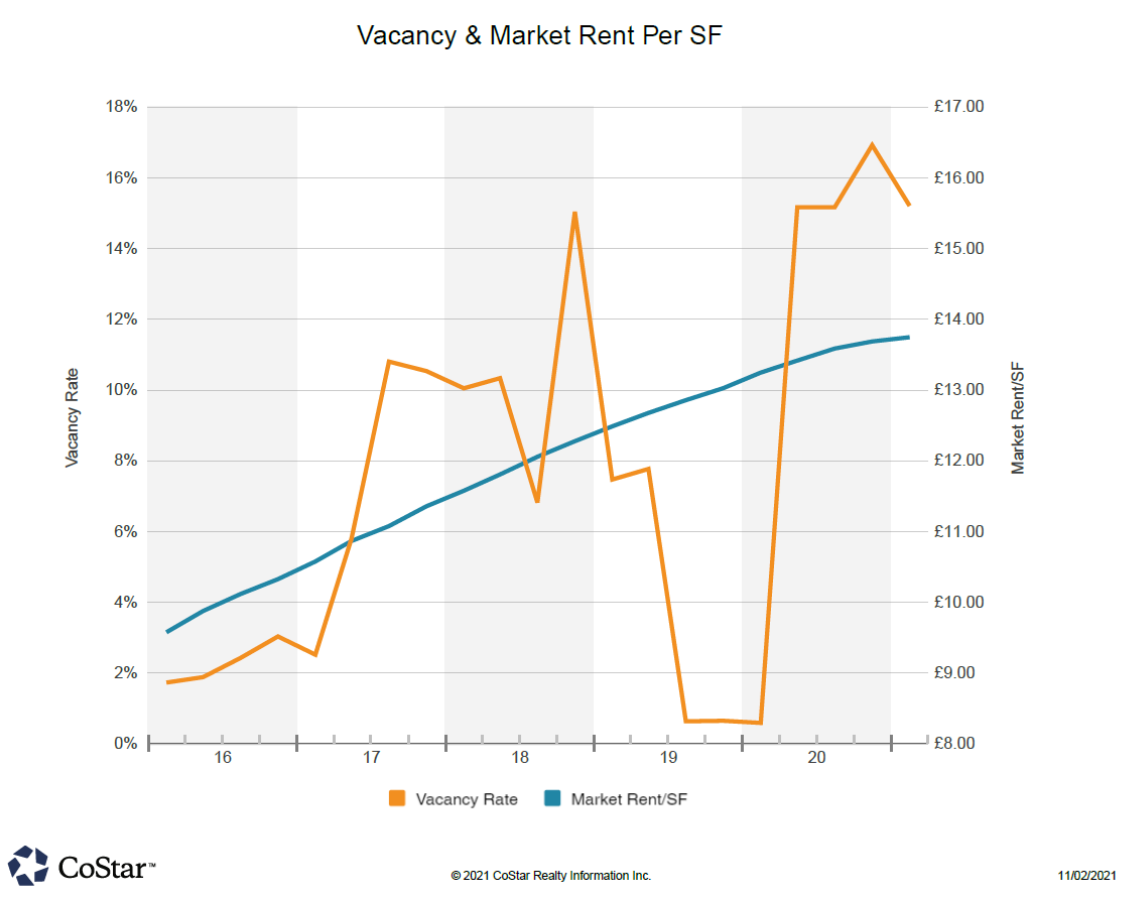
Industrial and Distribution

5.18 Industrial space is concentrated in and around the Lee Valley, but is also found more widely. CoStar data also shows a steady increase in rents over the last five years in the industrial sector, and a recent increase in vacancies. This situation is not recognised by local agents who report that reasonable industrial space remains in strong demand.

5.19 The market is active at the time of this report. British Land (a UK listed REIT) is reported to have exchanged contracts (at £85,000,000) for the acquisition house, a 20,000m2 warehouse let to Waitrose and Crown Records Management. In this context British Land that the site 'offers significant redevelopment potential given the opportunity to increase density'.

5.20 Strong demand is reported for larger format distribution units in the North of the Borough, with good access to the M25.

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



Source: CoStar (February 2021)

5.21 CoStar is currently reporting average rents in LB Enfield (for all types of industrial space) of about £110/m^2/year (£10.25/sqft/year), with the median being a little higher at £138/m^2/year (£12.90/sqft/year). More modern buildings that are well located and with adequate parking are securing rents that are higher.

5.22 Whilst there is little differentiation of rents relative to the size of the units, we have considered very large units in more detail. Due to the lack of local comparables, wider data has been drawn on. We have reviewed several sources.

a. Savills, in *Big Shed Briefing* (Savills, January 2021), reports rents of £7.75/sqft to £20/sqft in London and the Southeast. A prime investment yields, on a national basis, of about 3.75% for multi let units and for distribution is given. It is notable that in the July 2020 iteration, prime investment yields, on a national basis, of about 4.25% for multi let units, and 4.5% for distribution units was quoted.

b. CBRE, in *UK Logistics Market Summary Q4 2020,* reports the following for prime 'Big Box' rent in the South East submarket of £178/m^2pa (£16.50 per sq. ft pa) (3.9% NIY).

c. Knight Frank, in *London & SE Industrial Market Research, 2020 Review,* reports prime rents of £215/m^2pa (£20/sqft) and yields of 4%.

5.23 CoStar reports a average local yield of 4% (median 3.8%). We would expect larger units (or groups of units) to achieve a yield of less 4.5% or so, with smaller units achieving a yield of 5% or so.

5.24 There are several, more modern, (ie of the type that is most likely to be developed) industrial spaces being advertised, quoting asking rents in the range of £140/m^2/year (£13/sqft/year) to £185/m^2/year (£17.20/sqft/year).

5.25 CoStar reports an average yield of 4.54% and a median yield of 3.99% across all the transactions (although the sample is small). We would expect new units (or groups of units) to achieve a yield of 5% or so, with smaller units (being a little less attractive to investors) achieving a yield of 6% or so.

5.26 These assumptions are a little different to those used in the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017) where rents of £129/m^2/year (range £32m^2/year to £334/m^2/year) and a yield of 5.6% were assumed for 'Industrial Outer'.

5.27 On this basis, new industrial development would have a value of £3,400/m^2 (£315/sqft) on larger schemes, and £305/m^2 (£283/sqft) on smaller schemes (having allowed for a rent free / void period of 12 months). Large logistics sheds would have a value of £3,700/m^2 (£345/sqft).

Appraisal Assumptions

5.28 The following assumptions have been used:

Table 5.1 Commercial Values £/m² 2021					
	Rent £/m²	Yield	Rent free period	Derived Value	Assumption
Offices - Large	£375	5.00%	1.0	£7,143	£7,100
Offices - Small	£375	6.00%	1.0	£5,896	£5,900
Industrial - Large	£160	4.50%	1.0	£3,402	£3,400
Industrial - Small	£160	5.00%	1.0	£3,048	£3,050
Logistics	£160	4.00%	2.0	£3,698	£3,700

Source: HDH (February 2021)

6. Land Values

6.1 Chapters 2 and 3 set out the background to, and the methodology used, in this study to assess viability. An important element of the assessment is the value of the land. Under the method set out in the updated 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 study, 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 The *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017) was prepared before the PPG was updated in 2018 and when the use of the EUV Plus approach was mandated. Having said this, reference is made to the EUV Plus approach and this was used to review the following BLV assumptions:

Table 6.1 London Plan Residential benchmark land values (£ per unit)

Value Band	Low	Mid	High
Band A	75,000	190,000	300,000
Band B	40,000	75,000	110,000
Band C	30,000	55,000	80,000
Band D	20,000	35,000	50,000
Band E	10,000	20,000	30,000

Source: Table J2. *London Plan Viability Study – Technical Report* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017)

6.5 The majority of LB Enfield is in Band D, with the east of the Borough being in Band E.

6.6 *London Borough of Enfield Council Viability Assessment- Community Infrastructure Levy (CIL) and Proposed Submission Development Management Document (DMD)* (Dixon Searle, April 2013) set out the following approach:

> *2.11.8 In reviewing the RLVs in comparison with a range of potential land value indications or thresholds such as those we have used, the process is such that with increasing RLVs (and therefore as higher thresholds are met) the viability outcomes may be considered with increasing confidence; they indicate schemes being increasingly likely to be viable and deliverable across a range of site-types and circumstances. In summary, the main steps (comparison levels) considered across the range of scenarios are £1m/ha, £2.2m/ha and £4.15m/ha), however in practice the sums required to secure site release will vary across and potentially outside this overall range.*

6.7 This work predated the 2018 PPG and does not follow the EUV Plus approach.

Existing Use Values

6.8 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 before planning consent is granted, 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.

6.9 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*

6.10 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 study, 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.

6.11 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

6.12 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*[38]. This was prepared by the Valuation Office Agency (VOA) and sets out land values at April 2019. The Enfield figure is £11,220,000/ha. This figure assumes nil Affordable Housing. This is based on a scheme of 120 units (350 habitable rooms) with a net saleable area of 7,800m^2 and a GIA of £8,970m^2.

6.13 There are no larger development sites being publicly marketed in the area at the time of this assessment. There are very few smaller sites. These are four single plots with asking prices in excess of £1,000,000.

6.14 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.

6.15 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 10.** 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).

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

Table 6.2 Price Paid for Consented Development Land

Site	Date approved	ha	All Units	Aff %	£/ha	£/unit
Kingswood Nurseries, Bullsmoor Lane, Enfield, EN1 4SF	24/10/2019	0.71	56	41%		
Bury Lodge Depot, Bury Street West, N9 9LA	14/02/2020	1.86	50	40%		
Capitol House, 794 Green Lanes, N21 2SH	23/07/2019	0.270	91	20%	£25,981,481	£77,088
263 Bullsmoor Lane, Enfield, EN1 4SF	13/08/2019	125.57	27	41%	£13,538	£62,963
Commercial Premises, 179 Hertford Road, Enfield, EN3 5JH	29/04/2019	0.0151	25	28%	£129,139,073	£78,000
26A Derby Road, Enfield, EN3 4AW	13/08/2019	0.011	4	50%	£21,509,590	£59,000
29 Alma Road, PONDERS END, EN3 4UH	20/06/2017	7.910	993	40%		
New Avenue Estate, Including Shepcot House, Beardow Grove, Coverack Close, Oakwood Lodge, Etc	21/06/2018	4.200	408	34%		
Former Middlesex University Campus 188-230 (Even), Ponders End High Street Ponders End Library, Etc	25/11/2016	2.125	167	40%		
1-5 Lynton Court, 80 - 98 Bowes Road, Etc	07/04/2015	0.858	87	0%		
Kingswood Nurseries Bullsmoor Lane, Enfield, EN1 4SF	30/01/2017	0.703	62	8%	£7,382,646	£83,710
1-23, Telford Road, 233-237 Bowes Road, (Known As Site 14), N11 2RA	03/02/2016	0.340	62	77%		
244 - 262, Bowes Road Land Rear Of 194 - 242, Bowes Road, (Known As Site 11), N11 2RA	24/03/2015	0.600	56	27%		
Former Car Park 79 Cecil Road, Enfield EN2 6TJ	19/06/2014	0.321	46	13%	£6,697,819	£46,739
Deimel Fabric Co Ltd Park Avenue, N18 2UH	05/09/2018	0.100	24	100%	£21,000,000	£87,500
18 Brimsdown Avenue, Enfield EN3 5HZ	26/10/2015	0.19	21	52%	£4,473,684	£40,476
1-40 Robin Hall Gardiner Close, Enfield EN3 4LP	13/04/2017	0.549	58	100%	£8,826,811	£83,550
Land To The Rear Of, Southgate Town Hall, 251, Green Lanes, N13 4XD	04/09/2014	0.120	18	100%	£17,458,333	£116,389
39 Drapers Road, Enfield, EN2 8LU	19/05/2016	0.123	11	100%	£7,308,943	£81,727
1-18, Jasper Close, Enfield, EN3 5QG	22/09/2014	0.113	18	100%		
Vacant Site, 9 - 85, Parsonage Lane, Enfield, EN2 0AG	10/09/2014	0.37	29	69%		
Meridian Water Willoughby Lane And Meridian Way, N18	10/07/2017	7.220	725	25%	£2,326,870	£23,172
15 Kestrel House 1 Alma Road Enfield EN3 4QD	31/03/2016	1.503	228	58%		

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

6.16 These values are on a whole site basis (gross area) and range considerably. The average is about £21,000,000/ha (£70,000/unit) and median £8,100,000/ha (£77,500/unit). If the outliers of 263 Bullsmoor Lodge and 179 Hertford Road are disregarded, the average is about £12,300,000/ha (£70,000/unit) and median £8,100,000/ha (£77,500/unit).

6.17 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.*

6.18 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).

6.19 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

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

Table 6.3 Employment Land Values						
		Redbridge	Bexley	Harrow	Bromley	Watford
Industrial Land	£/ha	£4,500,000				
	£/acre	£1,821,000				
Commercial Land: Office Edge of City Centre	£/ha	£2,470,000	£2,470,000	£6,270,000	£2,470,000	£5,245,000
	£/acre	£1,000,000	£1,000,000	£2,537,000	£1,000,000	£2,123,000
Commercial Land: Office Out of Town – Business Park	£/ha	£4,500,000	£4,250,000	-	-	£1,910,000
	£/acre	£1,821,000	£1,720,000			£773,000

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

6.21 CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 11**. The average for LB Enfield is about £3,000,000/ha (£1,226,000/acre).

6.22 The Council is considering several strategies including the redevelopment of existing employment sites as housing. These were not reflected in the pre-consultation draft. In this regard *Land value estimates for policy appraisal* provides the following values.

Table 6.4 Employment Space Values (£/m^2)					
	Redbridge	Bexley	Harrow	Bromley	Watford
Commercial Land: Office Edge of City Centre	£511.29	£511.29	£519.16	£204.52	£1,085.72
Commercial Land: Office Out of Town – Business Park	£375.49	£354.63			£159.37

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

6.23 The value of new employment uses is considered in Chapter 5 above, are the values for newly developed office and industrial space, rather than the type of space that may be redundant or unsuitable for modern employment and are therefore more likely to be redeveloped into other uses. The Costar data used in Chapter 5 shows that the lower quartile sale price is £2,450/m^2 for office sites and £1,430/m^2 for industrial sites. These are notably more than those suggested by *Land value estimates for policy appraisal*.

6.24 A figure of £3,000,000/ha is assumed for industrial land. Additionally, when modelling conversions and redevelopment of sites, values of £2,450/m^2 for office sites and £1,430/m^2 for industrial sites are used.

Agricultural and Paddocks

6.25 *Land value estimates for policy appraisal* (MHCLG, August 2020) provides a value figure for agricultural land in the area of £25,000/ha.

6.26 We have checked this assumption:

a. Savills *GB Farmland*[39] 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*[40] states '*that average arable values remain unchanged from 12 months ago at £9,200/acre*'.

c. Carter Jonas *Farmland Market Update*[41] reports *'average arable land values shifted down slightly to end the year on £8,539 per acre (£21,100/ha)'.*

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

6.28 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 £100,000/ha is used for sites of up to 0.5ha on the edge of the built-up area.

Existing Use Value Assumptions

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

Table 6.5 Existing Use Value Land Prices - 2021

PDL	£3,000,000/ha
Office Redevelopment	£2,450/m^2
Industrial Redevelopment	£1,430/m^2
Agricultural	£25,000/ha
Paddock	£100,000/ha

Source: HDH (February 2021)

6.30 This approach was confirmed through the February 2021 consultation process.

Benchmark Land Values

6.31 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:

Benchmark land value should:

[39] savills-mim-ukfarmland2019.pdf

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

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

- *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

6.32 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

6.33 It is useful to consider the assumptions used in other studies in other parts of London in development plans (albeit from before the PPG was updated in July 2018). These are set out in the table below.

6.34 In this 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 £500,000/ha.

6.35 Whilst few comments were made in this regard through the consultation, a developer did suggest that the Brownfield/Urban Site assumption be increased to EUV Plus 22% and the Greenfield Site assumption be increased to EUV Plus £550,000/ha. No reasoning was given, nor evidence provided.

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 Enfield. The cost figure for 'Estate Housing – Generally' is £1,439/m^2 and the costs for Flats - Generally is £1,674/m^2, at the time of this study. 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'[42]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. This is considered in Chapter 8 below with the requirements of the London Plan.

[42] 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

Table 7.1 BCIS Costs- £/m² gross internal floor area						
Rebased to London Borough of Enfield (118; sample 35)						
£/m² study						
Description: Rate per m² gross internal floor area for the building Cost including prelims.						
Last updated: 30-Jan-2021 00:40						
	£/m² gross internal floor area					
(Maximum age of projects)	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest
810.1 Estate housing						
Generally (15)	1,493	722	1,275	1,439	1,634	5,227
Single storey (15)	1,676	954	1,420	1,617	1,875	5,227
2-storey (15)	1,444	722	1,258	1,408	1,577	3,129
3-storey (15)	1,538	930	1,257	1,477	1,732	3,091
4-storey or above (15)	3,140	1,524	2,522	2,817	4,193	4,641
810.11 Estate housing detached (15)	1,929	1,121	1,443	1,645	1,924	5,227
810.12 Estate housing semi detached						
Generally (15)	1,487	883	1,281	1,457	1,636	2,726
Single storey (15)	1,655	1,061	1,421	1,635	1,838	2,726
2-storey (15)	1,447	883	1,280	1,424	1,586	2,491
3-storey (15)	1,416	1,070	1,128	1,388	1,533	2,163
810.13 Estate housing terraced						
Generally (15)	1,535	930	1,263	1,451	1,696	4,641
Single storey (15)	1,715	1,154	1,459	1,622	1,978	2,447
2-storey (15)	1,483	939	1,252	1,425	1,636	3,129
3-storey (15)	1,549	930	1,239	1,452	1,711	3,091
816. Flats (apartments)						
Generally (15)	1,753	869	1,456	1,674	1,979	6,032
1-2 storey (15)	1,666	1,027	1,415	1,588	1,842	3,036
3-5 storey (15)	1,725	869	1,450	1,659	1,962	3,667
6+ storey (15)	2,109	1,288	1,718	1,972	2,279	6,032

Source: BCIS (12th February 2021)

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. In the pre-consultation iteration of this update, the median BCIS costs are used across the typologies, with the lower quartile costs being used for the Strategic Sites (where economies of scale can be achieved).

Other normal development costs

7.5 In addition to the BCIS £/m² 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 study 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 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, 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 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 LB Enfield has adopted CIL and development in Enfield is also subject to the Mayoral CIL. The costs are set out in Chapter 8 below.

7.17 In addition, the Council adopted *Section 106 Supplementary Planning Document* in November 2016. This covers a range of policies, including affordable housing. On the whole the contributions will be site specific, 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

7.18 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full[43].

Interest rates

7.19 The appraisals assume 6.5% 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

[43] 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.

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.

7.20 The 6.5% assumption may seem high given the very low base rate figure (0.01% February 2021). Developers that have a strong balance sheet, and good track record, can undoubtedly borrow 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.

7.21 The assumption of the 6.5%, 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 study a cautious approach is being taken.

7.22 6.5% 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%[44].

b. Barratt - Weighted Average (excluding fees) of 2.8%[45].

c. Vistry (Bovis, Galliford Try and Linden Homes) - LIBOR plus 165-255bsp. USPP Loan 4.03%[46].

d. Redrow - 2.3%[47]

Developers' return

7.23 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.*

[44] Page 150.

[45] Page 172.

[46] Page 139.

[47] Page 120.

> *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.*

7.24 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.

7.25 As a starting point we have reviewed the approach used in the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017). The following assumptions were used:

- Up to 5 storeys 15% of GDV
- 6 to 20 storeys 17.5% of GDV
- Over 20 storeys 20% of GDV
- Affordable Housing 5% of GDV (6% of costs)
- Build to Rent - up to 5 storeys 11% of GDV
- Build to Rent - 6 to 20 storeys 12% of GDV
- Build to Rent - Over 20 storeys 13% of GDV

7.26 Whilst the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017) was undertaken before the PPG was updated in 2018, the above approach is consistent with the updated PPG.

7.27 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.

7.28 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.

7.29 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 a study 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.

7.30 This is a high-level study 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'*.

7.31 In this assessment, the developers' return is assessed as in the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017). In addition, a 15% return is assumed for non-residential development.

Voids

7.32 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.

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

Phasing and timetable

7.34 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.

7.35 It is assumed a maximum, per outlet, delivery rate of 100 units per year for large sites (up to 500 units). On a site with 35% Affordable Housing this equates to 70 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

7.36 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

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

7.38 Stamp duty is calculated at the prevailing rates.

Disposal costs

7.39 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 study 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 adopted *2010-2025 Core Strategy*, and the *Development Management Document (DMD) Adopted November 2014*. At the time of the pre-consultation draft report (February 2021) only the broad policy areas had been identified. We have now been provided with a working draft of the policy wordings that will be further developed to form or *Enfield's new Local Plan,* dated 1st April 2021. It is important to note that the Council's overall strategy will be, at least in part, be a factor of the housing target that is adopted and whether or not there are large scale greenfield releases. Part of the purpose of this viability update is to identify how viability may vary across different land types and the consequence that may have on policy.

8.2 The Enfield Local Plan will sit under the London Plan and provide detail and locally specific policies. 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.

London Plan

8.3 Many of the policies are either general enabling policies or policies that restrict development to particular areas or situations. These do not directly impact on viability. Only those policies that add to the costs of development over and above the normal costs of development are mentioned. Similarly, many of the policies require the provision of supporting infrastructure and mitigation measures. On the whole these will be delivered through CIL or via the s106 / s278 regimes, i.e. through developer contributions. The approach to developer contributions is set out at the end of this chapter.

GG4 Delivering the homes Londoners' need

8.4 This includes a strategic target of 50% affordable housing. Having said this, detail is provided in Policy H4 Delivering affordable housing, Policy H5 Threshold approach to applications and Policy H6 Affordable housing tenure, (which superseded Homes for Londoners Affordable Housing) and Viability SPD 2017 which provide the following clarification:

> *The threshold level of affordable housing on gross residential development is initially set at:*
>
> *1) a minimum of 35 per cent; or*
>
> *2) 50 per cent for public sector land where there is no portfolio agreement with the Mayor; or*
>
> *3) 50 per cent for Strategic Industrial Locations*

8.5 The preferred mix is as follows:

> *1) a minimum of 30 per cent low-cost rented homes, as either London Affordable Rent or Social Rent, allocated according to need and for Londoners on low incomes*

2) a minimum of 30 per cent intermediate products which meet the definition of genuinely affordable housing, including London Living Rent and London Shared ownership

3) the remaining 40 per cent to be determined by the borough as low-cost rented homes or intermediate products (defined in Part A1 and Part A2) based on identified need.

8.6 Thresholds for smaller sites are tested.

8.7 The London Borough of Enfield Council Local Housing Need Assessment 2020 sets out the following housing mix:

Table 8.1 Baseline Tenure and Size Mix

Number of Bedrooms	Market (50%)	Affordable (50%)	All
1	6.4%	14.7%	10.6%
2	21.9%	35.3%	28.6%
3	41.4%	42.8%	42.1%
4	30.1%	7%	18.6%
All	100%	100%	100%

Source: Table 8.2 London Borough of Enfield Council Local Housing Need Assessment 2020

8.8 The base modelling is based on a 70% / 30% Affordable Rent / Intermediate Housing mix as per draft policy *SP5: Delivering genuinely affordable housing and tenure split and increasing the support and mix of affordable housing* of the emerging Local Plan. This aligns with the requirement for least 10% Affordable Home Ownership (as per paragraph 64 of the 2019 NPPF). A range of affordable housing requirements, including 50% and a range of tenure mixes are also tested. The effect of First Homes at a range of discounts is also tested.

Policy D4 Delivering good design

8.9 This is a broad policy that interlinks with the Government's consultation on the 31st January 2021, under the title *National Planning Policy Framework and National Model Design Code: consultation proposals*[48]. Neither the proposed National Design Code, nor the requirements of this policy add to the cost of development over and above those already covered in the base costs (including for fees). 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.

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

Policy D5 Inclusive design

8.10 This policy includes provisions with regard to accessibility. It is assumed that these can be achieved through building to the standards as set out in the draft Approved Document M amendments included at Appendix B4[49] of the Building Regulations. The costs of these are considered in more detail below (Policy D7).

Policy D6 Housing quality and standards

8.11 This policy covers a range of requirements.

8.12 A set of sizes that are consistent with the Nationally Described Space Standard (NDSS) technical requirements are specified. This specifies the following unit sizes[50]:

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)

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

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

8.13 In this study the units are assumed to be in line with the NDSS or larger and that the broader requirements of the policy can be achieved within these standards.

8.14 In addition, the last part of this policy seeks that 'a minimum of 5 sq.m. of private outdoor space should be provided for 1-2 person dwellings and an extra 1 sq.m. should be provided for each additional occupant, and it must achieve a minimum depth and width of 1.5m.

Policy D7 Accessible housing

8.15 In summary this policy requires that 10% new homes should be built to Building Regulations M4(3) standard: Category 3 standards and the balance to meet requirement M4(2) of Part M of the Building Regulations: Category 2 for accessible and adaptable dwellings where practical.

8.16 Lifetime Homes Standards have been superseded and the scope for councils to introduce additional standards are constrained to those within the optional Building Regulations. The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4[51]) 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)[52], reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility
- Category 2 – Dwellings which provide enhanced accessibility and adaptability (Part M4(2)).
- Category 3 – Dwellings which are accessible and adaptable for occupants who use a wheelchair (Part M4(3)).

8.17 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[53]. The cost of Category 2 is taken to be £521[54] (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed[55] by 17.1% to £11,840/dwelling and £610/dwelling respectively.

8.18 These requirements have been tested.

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

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

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

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

[55] BCIS Index 1Q 2014, Q1 2021.

Policy D12 Fire safety

8.19 Whilst not a requirement of policy, the supporting text (3.12.6) makes reference to sprinkler systems. There are few up to date published costs of such systems (beyond Wales where they are a requirement). The costs of installation depend very much on the level of local water pressure. Where there is adequate water pressure the additional cost is estimated to be about £1,000 per house. Where there is inadequate local water pressure it is necessary to incorporate water storage and pumping to ensure the sprinklers work effectively. This will vary depending on the size and design of the scheme, although £2,500/dwelling may be typical. The Council advised of a cost of £1,897/unit on its own flatted development, including the common areas.

8.20 A cost of £2,000/ unit is tested in this regard.

Policy H1 Increasing housing supply

8.21 Whilst this policy sets the overall housing requirement (12,460 for Enfield (including 3,530 on small sites over 10 years) it does not impose or introduce specific requirements, a wide range of typologies has been tested to ensure that a full understanding of the effect of local regional (i.e. London) and local policies can be understood.

Policy H4 Delivering affordable housing, Policy H5 Threshold approach to applications, Policy H6 Affordable housing tenure

8.22 See GG4 Delivering the homes Londoners need above.

Policy H10 Housing size mix

8.23 The housing mix is based on the mix set out in the Table 8.2 London Borough of Enfield Council Local Housing Need Assessment 2020. See *GG4 Delivering the homes Londoners need* above.

Policy H11 Build to Rent

8.24 In modelling Build to Rent the value of the affordable element is taken to be at Discounted Market Rent (DMR) at an affordable rent.

Policy H13 Specialist older persons housing

8.25 As set out in Chapter 4 above, 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.*

8.26 These definitions are used. The requirement for affordable housing is tested.

Policy H15 Purpose-built student accommodation

8.27 This policy requires affordable housing provision similarly to mainstream housing (as set out above). This is tested.

8.28 The policy also does not impose particular design standards, however it does include a requirement that:

> *... the majority of the bedrooms in the development including all of the affordable student accommodation bedrooms are secured through a nomination agreement for occupation by students of one or more higher education provider.*

8.29 Speculative student accommodation is unlikely to be brought forward in Enfield, as there are no higher education establishments.

Policy H16 Large-scale purpose-built shared living

8.30 This policy covers Shared Living / Co Living accommodation. This policy requires affordable housing provision similarly to mainstream housing (as set out above). This is tested.

Social Infrastructure

8.31 It is assumed that the requirements of the policies in the Social Infrastructure chapter will be met through developer contributions as set out towards the end of this chapter.

8.32 There is a requirement for 10m^2 of play space per child as calculated using the GLA Population Yield Calculator. Using a mix informed by the Council's LHMA this suggests that a little under one child per unit is assumed. This gives rise to relatively high requirements. Whilst it is assumed these will be provided on site on greenfield sites, it is assumed that the requirement will be met through a financial contribution on the higher density brownfield sites.

Economy

8.33 The policies in this chapter are generally enabling policies that do not specifically increase the costs of development over and above those allowances made elsewhere.

8.34 A range of typologies have been tested to be representative of employment uses that are likely to come forward in the LB Enfield.

8.35 Enfield Council is not currently proposing to introduce affordable workspace, so this is not tested.

Policy G5 Urban Greening & Policy G6 Biodiversity and access to nature

8.36 When it comes to implementation, the requirements of these policies are related. Increased biodiversity is not specifically required. The emerging national standards are greater and more specific.

8.37 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 Bill has been delayed due to the coronavirus pandemic. Within the current iteration of the Bill, it is anticipated 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.

8.38 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.

8.39 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.

> *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.*

8.40 The Government's impact assessment[56] suggests an average cost in the region of £22,000/ha, (including fees) for residential development and £15,000/ha (including fees) for non-residential development. This would represent an increase in the site costs of about 0.66%.

Policy SI 2 Minimising greenhouse gas emissions

8.41 This is a broad policy that forms part of the strategy of lowering carbon emissions.

> *Major development should be net zero-carbon. This means reducing greenhouse gas emissions in operation and minimising both annual and peak energy demand in accordance with the following energy hierarchy:...*
>
> *A minimum on-site reduction of at least 35 per cent beyond Building Regulations is required for major development. Residential development should achieve 10 per cent, and non-residential development should achieve 15 per cent through energy efficiency measures. Where it is*

[56] 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

clearly demonstrated that the zero-carbon target cannot be fully achieved on-site, any shortfall should be provided, in agreement with the borough, either:

1) through a cash in lieu contribution to the borough's carbon offset fund, or

2) off-site provided that an alternative proposal is identified, and delivery is certain.

8.42 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. The costs will depend on the specific changes made and are considered in Chapter 3 of the Government Consultation[57]:

3.9. Following discussion with our technical working group and assessment of the modelling analysis, two options for the 2020 CO_2 and primary energy targets are proposed for consultation. The options below are presented in terms of CO_2 reduction to aid comparison with current standards. We plan to use either option 1 or option 2 as the basis of the new primary energy and CO_2 targets for new dwellings, with option 2 as the government's preferred option:

*a. **Option 1 - 'Future Homes Fabric'.** This would be a 20% reduction in CO_2 from new dwellings, compared to the current standards. This performance standard is based on the energy and carbon performance of a home with:*

i. Very high fabric standards to minimise heat loss from windows, walls, floors and roofs (typically with triple glazing). This would be the same fabric requirement as we currently anticipate for the Future Homes Standard

ii. A gas boiler

iii. A waste water heat recovery system

This would add £2557 to the build-cost of a new home and would save households £59 a year on energy bills. The estimated impact on housebuilding is discussed in the impact assessment.

*b. **Option 2 - 'Fabric plus technology'**. This would be a 31% reduction in CO_2 from new dwellings, compared to the current standards. This option is likely to encourage the use of low-carbon heating and/or renewables. The performance standard is based on the energy and carbon performance of a home with:*

i. an increase in fabric standards (but not as high an increase as in Option 1, likely to have double rather than triple glazing)

ii. a gas boiler

iii. a waste water heat recovery system.

iv. iv. Photovoltaic panels

Meeting the same specification would add £4847 to the build-cost of a new home and would save households £257 a year on energy bills. The estimated impact on housebuilding is discussed in the impact assessment.

3.10. The option 2 specification would give a CO_2 saving of only 22% for flats due to the standard including solar panels and flats having a smaller roof area per home. The additional cost per flat is also less at £2256.

[57] 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).

> *3.11. In practice, we expect that some developers would choose less costly ways of meeting the option 2 standard, such as putting in low-carbon heating now. This would cost less than the full specification, at £3134 for a semi-detached house.*

8.43 These costs have been indexed. Approximately, Option 2 would add about 2.1%[58] to the base cost of construction. In January 2021 the Government announced its preference to pursue Option 2 through a change in Part L of the Building Regulations, thus making it mandatory. Option 2 is assumed to apply.

8.44 The 35% saving required under the policy goes further than the government's proposals. 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[59] 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.

8.45 This is considered further below under the emerging Local Plan policies.

8.46 The above relates to residential development. The performance of non-residential development is normally assessed using the BREEAM system[60]. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research[61] 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.

8.47 It is timely to note that building to higher standards that result in lower running costs does result in higher values[62].

Policy SI 3 Energy infrastructure

8.48 This is a broad policy, on the whole the costs are covered under the policy above.

8.49 The policy also alludes to District Heating. This is not a requirement, rather an opportunity to maximise savings. There are currently 5 'nodes' to which connections can be made in the

[58] £3,134 x 0.75% = £3,158. £3,158/85m^2 = £37.15/m^2. £37.15/m^2 / £1,744 = 2.1%

[59] Figure 4.10.

[60] 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.

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

[62] 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.)

Borough, run by Energetik. New District Heating schemes are therefore going to require the construction of a central heat plant as well as the distribution network infrastructure.

8.50 There are few published costs of District Heating schemes in modern estate housing. There are savings to be made from not installing gas and boilers in each unit, but these are more than offset by the costs of laying the heat pipes through the site, heat metering etc. Informal discussions with suppliers suggest that the additional costs may be in the range of £3,000 to £7,000 per unit, which is supported by the limited published data[63], depending on the size and shape of the project.

8.51 Energetik have provided the following advice.

a. A boiler and radiators with controls inside a home will cost marginally more than a boiler equivalent, and radiators with controls, probably around £300 more per home.

b. The pipe to the home and its cost will depend on the distance from the existing infrastructure and whether this is part of a block of flats and/or group of houses. This part of the infrastructure is often referred to as the secondary heating network and depends on the size and height of the development. On average a costs of £2,000 per home for flats and £4,000 per home for houses for a secondary heating network. This will offset the incoming gas meter housing and meter rig plus gas pipework distribution to the flats and houses.

c. The cost of us extending our Primary Heating Network to a development is £4,300 per home, whether it be an apartment or house. That cost doesn't change at the moment whether the development is 10m or 6000m from the present network.

d. Normally the developer pays for item a and b above by delivering the work. The developer is invoiced over time until final payment upon connection (by Energetik) for item 3 upon signing a heat agreement with us.

e. Connection to the system can have knock on savings to the fabric of the home as a connection can result in the developer achieving at least a 50% reduction in total carbon towards its 100% saving requirement. At present it has to achieve a 35% reduction on site but can offset the rest by paying £95 per tonne of carbon x 30 years. Energetik have calculated in the past that achieving 40% carbon onsite would cost in the order of £4,500 per home, (hence avoided cost tariff of £4,300 per home).

8.52 This has not been modelled in the base appraisals, but has been tested as a separate cost of £6,000/unit.

[63] There are few published costs in this regard, *Assessment of the Costs, Performance, and Characteristics of UK Heat Networks* (DoE&CC, 2015) provides useful guidance for infrastructure to distribute heat, but not generation.

Policy SI 5 Water infrastructure

8.53 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[64]. This cost was based in 2014 so has been indexed[65] to £6/dwelling.

Policy SI 12 Flood risk management & Policy SI 13 Sustainable drainage

8.54 At a local level Sustainable Urban Drainage Systems (SUDS) will be an important tool to satisfy this policy.

8.55 SUDS aim to limit the waste of water, reduce water pollution and flood risk relative to conventional drainage systems. In this study, 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.

Transport.

8.56 It is assumed that the requirements of the policies in the Transport chapter will be met through developer contributions as set out towards the end of this chapter.

8.57 It is assumed that the requirements for cycle storage can be accommodated on site, without impacting on the planned density assumptions.

8.58 Policy T6 Car parking does not specifically require the provision of EV Charging points, although Policy T6.1 Residential parking requires 20% of parking spaces to have active facilities. These can be costly. A cost of £976/unit[66] has been modelled, although it is important to note that this is for a full installation. The fitting of a 33amp fused spur, to a convenient location, for the later installation of a charger by the householder would be a minimal cost[67].

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

[65] BCIS Index 1Q 2014, Q1 2021.

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

[67] We take this opportunity to comment in relation to EV charging points. This is an area where there is not industry standardisation (Audi cannot use a Tesla point etc), so we would suggest that rather than requiring developers to install charging points, a more pragmatic approach would be to require a 33amp fused spur to be provided to a convenient point for the householder to install the appropriate unit in due course.

The New Enfield Local Plan

8.59 The Council is to introduce several further policies that require standards that are over and above those under the London Plan. As with the London Plan, many of the policies are either general enabling policies or policies that restrict development to particular areas or situations. These do not directly impact on viability. Only those policies that add to the costs of development over and above the normal costs of development are mentioned. Similarly, many of the policies require the provision of supporting infrastructure and mitigation measures. On the whole these will be delivered through CIL or via the s106 / s278 regimes, i.e. through developer contributions. The approach to developer contributions is set out at the end of this chapter.

8.60 The working draft of the policy wordings in the form of *Enfield's new Local Plan,* dated 1st April 2021 will form the basis of the Regulation 18 consultation, but it is important to note that the Council's overall strategy will be, at least in part, a factor of the housing target that is adopted and whether or not there are large scale greenfield releases. Part of the purpose of this viability update is to identify how viability may vary across different land types and the consequence that may have on policy. This includes the intensification of previously developed sites and the possible development of new greenfield sites within the greenbelt. These options are explored through the typologies tested.

8.61 Only the specific policies that add to the cost of development are set out below.

Chapter 2: Good Growth In Enfield

SP SS2: Sustainability and placemaking

8.62 This is a general policy, the detail is provided through the specific polices under 'Place' below.

Chapter 3: Place

SP PL1: Enfield Town, SP PL2: Southbury, SP PL3: Edmonton Green, SP PL4: Angel Edmonton, SP PL5: Meridian Water, SP PL6: Southgate, SP PL7: New Southgate, SP PL8: Crews Hill, SP PL9: Vicarage Farm

8.63 These are general policies that form the direction of development and set out high level requirements, rather than impose specific requirements on developers.

8.64 Section 10 goes on to set out the proposed allocations. These are modelled through the typologies set out in Chapter 9 below.

CHAPTER 4: SUSTAINABLE ENFIELD

SP SE1: Responding to the climate emergency, DM SE2: Sustainable design &d construction

8.65 This is a general policy that does not add to the costs of development taken into account under the London Plan.

DM SE3: Circular economy

8.66 Major development proposals will be required to submit a circular economy statement. It is anticipated this would be a modest requirement that forms part of the normal design and access statement.

DM SE4: Energy, heat and carbon emissions

8.67 It is assumed that all non-residential development is to the BREEAM outstanding standard.

8.68 The costs of connecting to the Energetik district heat system are tested as set out earlier in this chapter.

8.69 In terms of the costs over and above the requirements of the Future Homes Standards Option 2 (31% CO_2 saving) a further £1,000/unit has been added, where it is not practical to connect to the district heating.

DM SE6: Managing flood risk, DM SE337: Water management

8.70 These policies seek to direct design and do not impact directly on viability. The costs of meeting the requirements will be met through normal site design or developer contributions.

DM SE8: Sustainable drainage systems

8.71 This policy does not add to the requirements of the London Plan as set out above.

CHAPTER 5: ADDRESSING EQUALITY AND IMPROVING HEALTH AND WELLBEING

DM SC3: Delivering social and community infrastructure facilities, SP SC1: Improving health and wellbeing of Enfield's diverse communities, SP SC2: Delivering social and community infrastructure facilities

8.72 These policies seek developer contributions. These are considered towards the end of this chapter below.

CHAPTER 6: BLUE AND GREEN ENFIELD

SP BG1: Blue and green infrastructure

8.73 A blue-green infrastructure plan must be submitted alongside major planning applications to demonstrate how the blue and green infrastructure will be conserved and enhanced. This is a normal requirement that does not significantly add to the costs of submitting a planning application.

SP BG3 14: Biodiversity net gain, rewilding and offsetting

8.74 The approach to biodiversity is as set out under the London Plan as set out above.

DM42: Burial and crematorium spaces

8.75 This policy seek developer contributions. These are considered towards the end of this chapter below.

CHAPTER 7: DESIGN AND CHARACTER

SP DE1: Character and design of new development

8.76 This is a general policy that seeks high quality design. This does not increase the cost of development over and above the costs covered in the BCIS Costs or elsewhere in this update.

DM DE4: Tall buildings

8.77 This policy seeks to restrict where tall buildings may come forward. A tall building is taken to be more than 7 x 3m storeys. Enfield has had seen tall buildings of up to 25 storeys coming forward over the last 60 or so years. The policy does not add costs over and above normal costs of development covered under the BCIS costs. Having said this, it does require a number of design requirements. For tall buildings the professional fee assumption is taken to be 10% rather than 8% used more widely.

DM DE6: Design of business premises

8.78 This is a broad policy that seeks to regulate design and does not specifically impact directly on viability.

CHAPTER 8: HOMES FOR ALL

SP H2: Affordable housing

8.79 This policy builds on the requirements of the London Plan, specifically seeking 35% delivery on market led schemes and 50% on sites owned by LBE. The preferred housing mix is 70% social-affordable rent and the balance as intermediate housing, of a suitable size mix.

8.80 The quantum and mix of affordable housing is tested, the size mix being informed by the HMA.

DM H3: Housing mix and type

8.81 This policy seeks the following housing mix:

	Studio/bedsit	**One-bedroom**	**Two-bedrooms**	**Three-bedrooms**	**Four-bedrooms or more**
Social rented	None	Low priority	High priority	High priority	Low priority
Intermediate	None	Medium priority	High priority	Medium priority	Low priority
Market	None	Low priority	Medium priority	High priority	High priority

8.82 The policy also seek that all new homes are in accordance with the NDSS, 10% of which should be built to M4(3) wheelchair accessible dwelling and 90% of new dwellings should be built to M4(2) accessible dwelling standards.

8.83 These requirements are tested.

DM H7: Build to rent accommodation

8.84 This policy specifically seeks a mix of unit sizes. This is reflected in the modelling. We have assumed that the schemes will be available for rent in perpetuity.

DM H8: Purpose-built shared housing and DM H9: Student accommodation

8.85 Whilst these policies do not require on-site provision of affordable housing, they do seek a financial contribution. This is tested.

CHAPTER 9: ECONOMY

DM E7: Local jobs, skills and local procurement

8.86 This policy seeks to ensure local procurement and employment through construction and then subsequently. It is assumed that this will be covered through developer contributions.

DM27: Open space, sport and leisure facilities

8.87 This policy does not impose specific requirements, rather it seeks general improvements. Some of these will be delivered off site. A range of developer contributions are tested.

DM28: Enfield's waterspace network, DM29: Greening of our streets, buildings and space

8.88 These policies do not generally impact on viability.

8.89 This policy seeks to 'use all available roof space and vertical surfaces to install green or brown roofs, living walls and low zero carbon technologies (subject to viability and other planning considerations)'.

8.90 There are numerous practical benefits of such a policy and as well as adding to the costs can provide saving in areas such as water attenuation.

8.91 There are few published costs with regard to green roofs, however, are generally taken to be between £20/m^2 and £50/m^2 over and above the costs of standard construction, although this can vary depending on the specification and the depth of the substrate[68]. The impact of the cost will depend on the number of storeys. The inclusion of green roofs in a scheme can reduce the rate of water runoff. This can reduce the need for water attenuation and SuDS and therefore other costs within schemes..

8.92 The costs of green walling can be substantial and has a considerable impact on the overall design. The commercially available systems tend to be based on panels that are fixed to a steel that surrounds the building and carries the access systems and watering systems. Again, the costs vary depending on the system.

8.93 Whilst green roofs can be installed relatively simply using standard construction techniques that are widely accepted the installation of green walls is more complex and can not be used in some situations due to the impact on fire safety. Additionally there may be issues around the mortgagability of homes where there is a significant ongoing maintenance cost or a lack of familiarity amongst mortgage valuers.

CHAPTER 13: MOVEMENT AND CONNECTIVITY

SP T1: Promoting sustainable transport,

8.94 This policy seek developer contributions. These are considered towards the end of this chapter below.

DM T3: Reducing the impact of private vehicles

8.95 This policy does require minimum place standards. We understand that these are achievable and consistent with the SHLAA.

8.96 We have assumed the provision of charging points as per the London Plan as set out above.

CHAPTER 14: ENVIRONMENTAL PROTECTION

DM ENV1: Local environmental protection

8.97 This site is mainly concerned with ensuring development sites are not harmful. Allowance is made within the brownfield sites for dealing with abnormal costs.

DM ENV2: Improving air quality

8.98 This policy does not impact directly on viability.

[68] What is a Green Roof? Advantages and Disadvantages, Water Attenuation, Loading Guide, Economic Considerations. Version 1: March 2010. Wilmott Dixon

Community Infrastructure Levy and Developer Contributions

8.99 Development in Enfield is subject to the Mayoral CIL[69]. The Borough is in Band 2 so subject to CIL at £60.55/m^2. This is included as a cost and payable as per the adopted instalment policy:

Table 8.3 London Mayoral CIL Instalment Policy

Amount of CIL liability	Number of instalment payments	Amount or proportion of CIL payable in any instalment/time at which payments are due
£100,000 or less	no instalments	total amount payable within 60 days of commencement of development
£100,001 or more	two	• the greater of £100,000 or half the value of the total amount payable within 60 days of commencement of development • the remainder within 240 days of commencement of development

Source: Mayoral Community Infrastructure Levy | London City Hall

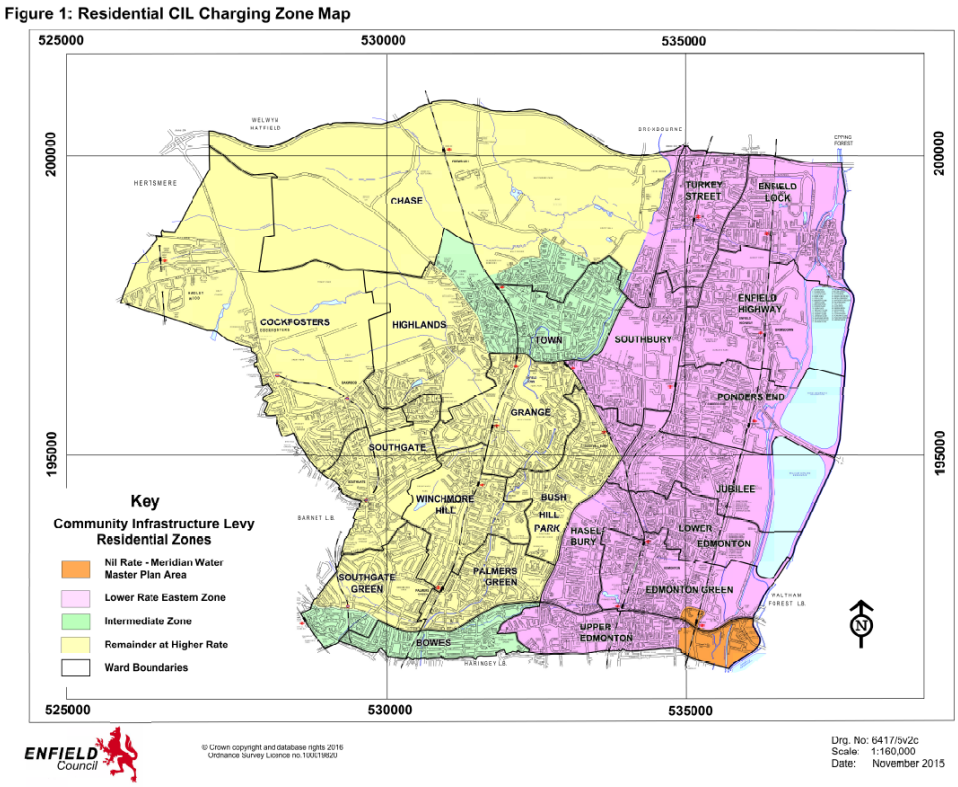
8.100 LB Enfield has adopted CIL. The following rates currently apply:

[69] Annual_CIL_rate_summary_2021_final.pdf (london.gov.uk)

Table 8.4 LB Enfield CIL		
Residential CIL Rates (Comprising all the C3 Residential Use Class)		
Type	**Zone and Use**	**Rate**
RR1	**Meridian Water Masterplan area**	**Nil rate**
RR2	**Lower rate** Eastern corridor (to include the following Wards: Turkey Street, Enfield Lock, Enfield Highway, Southbury, Ponders End, Jubilee, Lower Edmonton, Upper Edmonton, Edmonton Green, Haselbury and parts of the Bush Hill Park and Chase Wards).	**£49.33** per square metre.
RR3	**Intermediate rate** Area south of the A406 and A110 Bowes Road, Bowes Ward and part Southgate Green. Enfield Town (with parts of adjacent Chase and Highlands Wards).	**£74** per square metre.
RR4	**Higher rate** Remainder of the Borough.	**£148** per square metre.
Non- Residential and Commercial CIL Rates		
CR1	**Retail (A1), financial and professional services including betting shops (A2), restaurants and cafes (A3), drinking establishments (A4) and hot food takeaways (A5).**	A borough wide rate of **£74** per square metre.
AR6	**All other uses –** (including offices, industrial, hotels, leisure facilities, community and other uses).	**£0** per square metre.

Source: Annual CIL rate summary 2021-Planning - Enfield.pdf

Figure 8.1 LB Enfield CIL Zones



Source: Annual CIL rate summary 2021-Planning - Enfield.pdf

8.101 This is included as a cost and payable as per the adopted instalment policy:

Table 8.5 LB Enfield CIL Instalment Policy

Amount of CIL Liability	Number of Instalment Payments	Amount or proportion of CIL payable in any instalment/time at which payments are due
£500,000 or less	No Instalments	Total amount payable within 60 days of commencement of development.
£500,001 or more	Two	• The greater of £500,000 or half the value of the total amount payable within 60 days of commencement of development • The remainder within 240 days of commencement of development

Source: Microsoft Word - Enfield CIL Instalment Policy 150216 IM

8.102 We take this opportunity to confirm that CIL would not be payable on affordable housing.

Section 106 Supplementary Planning Document (November 2016)

8.103 The Council also seeks payments from developers to mitigate the impact of the development through improvements to the local infrastructure. In this study it is important that the costs of mitigation are reflected in the analysis.

8.104 In the *London Borough of Enfield Council Viability Assessment- Community Infrastructure Levy (CIL) and Proposed Submission Development Management Document (DMD)* (Dixon Searle, April 2013), an assumption was used of £3,000/unit on sites of 1 to 50 units and £7,5000 on larger sites. In the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017) an allowance of £30/m^2 was made for non-residential development and £1,500/unit for residential development

8.105 The Council adopted Section 106 Supplementary Planning Document in November 2016. This covers a range of policies, including affordable housing. On the whole, the contributions are site specific, in line with restrictions set out on CIL Regulation 122. The following additional costs are sought:

8.106 Public art. An allowance of £20,000 per scheme is tested on schemes of more than 50 units and / or more than 5,000m^2 of non-residential space.

8.107 Employment and Skills. One apprentice per £1,000,000 of cost. An allowance per £1,000,000 of expenditure of £5,000 is made.

8.108 Loss of employment space. An additional cost is allowed for the redevelopment of employment space into residential uses. The cost of £4,500 per 20m^2 of office space and 47m^2 of other employment space is allowed.

8.109 Libraries and community facilities. An allowance of £127 per occupant is used. The occupant density is assessed using the GLA Population Yield Calculator. We have assumed 3 occupants per dwelling.

8.110 We have reviewed s106 payments agreed under recent planning consents. These range from £40/unit to £8,640/unit. The average, across the sites, is £3,532/unit and the median is £2,983/unit. The average across the units is £2,532/unit. Following the February 2021 consultation, the following approach has been taken:

8.111 CIL is the preferred and main mechanism for seeking developer contributions and an important element of this update to is consider whether or not there is scope to review CIL

8.112 That it is necessary to make an allowance for additional developer contributions that may be sought. These are relative to the adopted rates of CIL – so if CIL was reviewed these may be reviewed:

- Small (1-9 units) £2,500 per unit
- Medium (10 -99 units) £5,000 per unit
- Large (100-249 units) £7,500 per unit
- Very Large (250 units) £9,000 per unit

8.113 These costs relate principally to green space provision and mitigation. This is a more nuanced approach that the simple allowance of £3,000/unit (applying to major development sites, but excluding the Strategic Sites) used in the pre-consultation draft iteration of this update.

8.114 A range of higher requirements is also tested.

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 study 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.

9.3 As set out in Chapter 8 above, the new Local Plan will replace the adopted *2010-2025 Core Strategy*, and the *Development Management Document (DMD) Adopted November 2014*. We have been provided with a working draft of the policy wordings in the form of *Enfield's new Local Plan,* dated 1st April 2021. This document will form the basis of the Regulation 18 consultation, but it is important to note that the Council's overall strategy will be, at least in part, a factor of the housing target that is adopted and whether or not there are large scale greenfield releases. Part of the purpose of this viability update is to identify how viability may vary across different land types and the consequence that may have on policy.

Residential Development

9.4 The modelling is based on the Council's SHLAA. This is a working document that is being updated at the time of this report. It includes all the sites that are being and have been considered. The modelling in this report is based on the SHLAA sites, disregarding those sites that have commenced and those sites that have been excluded. It is important to note that just because a site is included in the SHLAA is not an indication as to whether or not it is actually suitable for development or whether or not it will be included in the new Local Plan as it continues to develop.

9.5 The Council is planning to allocate strategic sites (and mixed use strategic sites). These sites will not be modelled individually at this stage, rather the type of development that they are most likely to deliver is modelled.

9.6 The SHLAA does not apply standard densities and gross / net developable area assumptions. The Council has developed a range of typologies and then considered the capacity of individual sites relative to these.

Table 9.1 Summary of SHLAA Sites by Land Use							
	Count	**Area (ha)**			**Capacity**		
	Sites	Sum		Average	Sum		Average
Amenity, parking	7	0.78	0.15%	0.11	35	0.10%	5
Brown	74	115.40	22.31%	1.56	13,741	39.00%	186
Car park	27	7.45	1.44%	0.28	1,035	2.94%	38
Consented	243	37.59	7.27%	0.15	2,203	6.25%	9
Garages	37	3.71	0.72%	0.10	370	1.05%	10
Green	23	241.64	46.72%	10.51	7,673	21.78%	334
Leisure	1	0.33	0.06%	0.33	66	0.19%	66
Meridian	1	8.43	1.63%	8.43	1,314	3.73%	1,314
Meridian - Consented	2	20.03	3.87%	10.02	3,025	8.59%	1,513
Mixed	4	9.84	1.90%	2.46	899	2.55%	225
Other	4	50.33	9.73%	12.58	1,602	4.55%	401
Residential	34	21.72	4.20%	0.64	3,267	9.27%	96
All	**457**	**517.25**		**1.13**	**35,230**		**77**

Source: SHLAA (February 2021)

9.7 Just over half of the SHLAA sites are consented so are not considered further in this report. The modelling is informed by the housing mix identified in the Council's LHNA.

Table 9.2 Baseline Tenure and Size Mix			
Number of Bedrooms	**Market (50%)**	**Affordable (50%)**	**All**
1	6.4%	14.7%	10.6%
2	21.9%	35.3%	28.6%
3	41.4%	42.8%	42.1%
4	30.1%	7%	18.6%
All	100%	100%	100%

Source: Table 8.2 London Borough of Enfield Council Local Housing Need Assessment 2020

9.8 As set out in Chapter 7 above, from this the Council has developed Policy *SP6: Housing mix and type including accessible and adaptable housing* which seeks the following housing mix:

	Studio/bedsit	One-bedroom	Two-bedrooms	Three-bedrooms	Four-bedrooms or more
Social rented	None	Low priority	High priority	High priority	Low priority
Intermediate	None	Medium priority	High priority	Medium priority	Low priority
Market	None	Low priority	Medium priority	High priority	High priority

9.9 We are advised that flatted schemes made up of predominantly 1 and 2 bedroom units are not acceptable and members have been turning such planning applications down. Whilst there is no expectation that the mix identified in the LHNA will be followed rigidly we have had regard to this in the modelling.

9.10 LBE does not specify the density of development. The densities used in the SHLAA range from over 300 units/ha to typical densities of greenfield estate housing being in the region of 30 units/ha. We have assumed 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.

9.11 Within the typologies we have included two large scale greenfield sites. The first of these is 208.33ha with 5,000 units and the second is 42.86ha with 1,200 units. These are modelled with a mix of family housing and some flatted development. We have assumed a net density of 40 units per ha. On the larger site we have assumed a net developable area of 60% and on the smaller site 70%.

9.12 The typologies are summarised in the following tables:

Table 9.3 Summary of Modelled Sites

			Current Use	Units	Area Ha		Density Units/ha		Density
					Gross	Net	Gross	Net	m2/ha
1	V Large Green 5,000	Green	Agricultural	5,000	208.33	125.00	24.00	40.00	3,580
2	V Large Green 1,200	Green	Agricultural	1,200	42.86	30.00	28.00	40.00	3,578
3	Medium Green 50	Green	Agricultural	50	1.90	1.43	26.25	35.00	3,049
4	Small Green 10	Green	Paddock	10	0.29	0.29	35.00	35.00	3,028
5	High Density 1,000	Brown	PDL	1,000	3.85	3.85	260.00	260.00	16,778
6	High Density 350	Brown	PDL	350	1.00	1.00	350.00	350.00	22,586
7	High Density 140	Brown	PDL	140	0.70	0.70	200.00	200.00	12,900
8	High Density 70	Brown	PDL	70	0.35	0.35	200.00	200.00	12,900
9	Medium Density 1,000	Brown	PDL	1,000	7.14	7.14	140.00	140.00	9,034
10	Medium Density 350	Brown	PDL	350	2.69	2.69	130.00	130.00	8,389
11	Medium Density 140	Brown	PDL	140	1.40	1.40	100.00	100.00	6,450
12	Medium Density 70a	Brown	PDL	70	0.93	0.93	75.00	75.00	5,108
13	Medium Density 70	Brown	PDL	70	0.70	0.70	100.00	100.00	6,450
14	Medium Density 35	Brown	PDL	35	0.58	0.58	60.00	60.00	4,087
15	Medium Density 15	Brown	PDL	15	0.20	0.20	75.00	75.00	5,125
16	Medium Density 9	Brown	PDL	9	0.15	0.15	60.00	60.00	4,120
17	Medium Density 5	Brown	PDL	5	0.08	0.08	66.00	66.00	4,290
18	Medium Density 3	Brown	PDL	3	0.09	0.09	35.00	35.00	2,987
19	Low Density 70	Brown	PDL	70	1.75	1.75	40.00	40.00	3,439
20	Low Density 35	Brown	PDL	35	0.88	0.88	40.00	40.00	3,419
21	Low Density 15	Brown	PDL	15	0.38	0.38	40.00	40.00	3,237
22	Low Density 10	Brown	PDL	10	0.25	0.25	40.00	40.00	3,872
23	Low Density 6	Brown	PDL	6	0.15	0.15	40.00	40.00	3,227
24	Low Density 3	Brown	PDL	3	0.08	0.08	40.00	40.00	3,227
25	BTR HD 140	Brown	PDL	140	0.70	0.70	200.00	200.00	12,900
26	BTR 140	Brown	PDL	140	1.40	1.40	100.00	100.00	6,450

Source: HDH (December 2020) (PRS = Private Rented Sector – being modelled as Built to Rent)

9.13 It is important to note that CIL is only applicable to net new development, and conversions and development may qualify for Vacant Building Credit[70]. The rules in this area of planning are complex and is unlikely that both CIL Relief and Vacant Buildings Credit would apply.

Older People's Housing

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

9.15 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.

9.16 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.

Student Housing and Shared Living

9.17 Two forms of student accommodation have been modelled, the Cluster Flat model and the Studio Flat model. Cluster Flats are groups of rooms (en-suite or not) sharing living space and a kitchen. Studio Flats which are slightly larger rooms, including a kitchenette. The Studio Flats are modelled as both student accommodation and under the shared living model.

9.18 We have assumed that the typical Cluster Flat is 15m^2 and the typical Studio Flat 23m^2. We have assumed 26% circulation space in Studio Flat development and 35% in the Cluster Flats. We have run appraisals based on the following range of schemes, based on discussions with officers on the expected development to be forthcoming in the future:

9.19 The analysis was based on a brownfield site in the urban area, being the most likely situation for student housing to come forward.

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

> *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.*

Table 9.4 Student Accommodation –Modelling							
		Cluster Flats			Studios		
Rooms		60	175	500	60	175	500
Room size	m^2	15	15	15	23	23	23
Lettable Area	m^2	900	2,625	7,500	1,380	4,025	11,500
Circulation	%	35%	35%	35%	26%	26%	26%
	m^2	315	919	2,625	359	1,047	2,990
GIA	m^2	1,215	3,544	10,125	1,739	5,072	14,490
Site	ha	0.05	0.25	0.75	0.05	0.25	0.75

Source: HDH

Employment Uses

9.20 The Council is planning to allocate 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.

9.21 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 study due to the great diversity of project that may arise.

9.22 For this study, 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.

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.

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

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 study are one of a number of factors that Enfield 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 study 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 all the policy requirements, unless stated, being following assumptions.

a. Affordable Housing 35% (Intermediate Housing 30%, Affordable Rent 70%)

b. Design 90% Part M4(2), 10% Part M4(3)

		Water efficiency 10% Biodiversity Net Gain Green roofs Future Homes Standard Option 2 Plus London Plan 20% EV Charging
c.	Developer Contributions	CIL – Mayoral and LB Enfield, as per Charging Schedule s106 as £/unit at the following rates: Small (1-9 units) £2,500 Medium (10 -99 units) £5,000 Large (100-249 units) £7,500 Very Large (250 units) £9,000 Public art on larger sites and apprenticeships at £5,000 per £1,000,000 of cost.

10.7 The base appraisals are included in **Appendix 12**. The appraisals are presented for the three price areas identified in Chapter 4 above. Part of the lower price area is the Meridian Waters masterplan area, lies within the £0/m^2 CIL Zone. A further set of appraisals has been run on for this area, but is not presented here (it is presented later in this Chapter, where relevant).

Table 10.1a Residential Typologies, – Residual Values

Higher Value Area

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	V Large Green 5,000	Higher	Green	Agricultural	208.33	125.00	5,000	1,673,896	2,789,827	348,728,400
Site 2	V Large Green 1,200	Higher	Green	Agricultural	42.86	30.00	1,200	3,022,604	4,318,005	129,540,152
Site 3	Medium Green 50	Higher	Green	Agricultural	1.90	1.43	50	3,375,902	4,501,203	6,430,290
Site 4	Small Green 10	Higher	Green	Paddock	0.29	0.29	10	6,432,482	6,432,482	1,837,852
Site 5	High Density 1,000	Higher	Brown	PDL	3.85	3.85	1,000	12,812,144	12,812,144	49,277,476
Site 6	High Density 350	Higher	Brown	PDL	1.00	1.00	350	16,667,289	16,667,289	16,667,289
Site 7	High Density 140	Higher	Brown	PDL	0.70	0.70	140	10,201,497	10,201,497	7,141,048
Site 8	High Density 70	Higher	Brown	PDL	0.35	0.35	70	10,815,649	10,815,649	3,785,477
Site 9	Medium Density 1,000	Higher	Brown	PDL	7.14	7.14	1,000	8,292,607	8,292,607	59,232,907
Site 10	Medium Density 350	Higher	Brown	PDL	2.69	2.69	350	8,892,278	8,892,278	23,940,747
Site 11	Medium Density 140	Higher	Brown	PDL	1.40	1.40	140	6,949,963	6,949,963	9,729,949
Site 12	Medium Density 70a	Higher	Brown	PDL	0.93	0.93	70	7,560,946	7,560,946	7,056,883
Site 13	Medium Density 70	Higher	Brown	PDL	0.70	0.70	70	7,442,197	7,442,197	5,209,538
Site 14	Medium Density 35	Higher	Brown	PDL	0.58	0.58	35	5,961,566	5,961,566	3,477,580
Site 15	Medium Density 15	Higher	Brown	PDL	0.20	0.20	15	7,690,115	7,690,115	1,538,023
Site 16	Medium Density 9	Higher	Brown	PDL	0.15	0.15	9	8,399,175	8,399,175	1,259,876
Site 17	Medium Density 5	Higher	Brown	PDL	0.08	0.08	5	7,918,709	7,918,709	599,902
Site 18	Medium Density 3	Higher	Brown	PDL	0.09	0.09	3	6,386,044	6,386,044	547,375
Site 19	Low Density 70	Higher	Brown	PDL	1.75	1.75	70	5,506,315	5,506,315	9,636,052
Site 20	Low Density 35	Higher	Brown	PDL	0.88	0.88	35	5,455,029	5,455,029	4,773,150
Site 21	Low Density 15	Higher	Brown	PDL	0.38	0.38	15	6,542,576	6,542,576	2,453,466
Site 22	Low Density 10	Higher	Brown	PDL	0.25	0.25	10	6,448,810	6,448,810	1,612,203
Site 23	Low Density 6	Higher	Brown	PDL	0.15	0.15	6	7,072,915	7,072,915	1,060,937
Site 24	Low Density 3	Higher	Brown	PDL	0.08	0.08	3	7,138,642	7,138,642	535,398
Site 25	BTR HD 140	Higher	Brown	PDL	0.70	0.70	140	4,716,318	4,716,318	3,301,423
Site 26	BTR 140	Higher	Brown	PDL	1.40	1.40	140	5,229,708	5,229,708	7,321,591

Source: HDH (April 2021)

Table 10.1b Residential Typologies, – Residual Values

Medium Value Area

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 5	High Density 1,000	Medium	Brown	PDL	3.85	3.85	1,000	3,253,036	3,253,036	12,511,675
Site 6	High Density 350	Medium	Brown	PDL	1.00	1.00	350	2,657,393	2,657,393	2,657,393
Site 7	High Density 140	Medium	Brown	PDL	0.70	0.70	140	1,749,871	1,749,871	1,224,910
Site 8	High Density 70	Medium	Brown	PDL	0.35	0.35	70	2,176,226	2,176,226	761,679
Site 9	Medium Density 1,000	Medium	Brown	PDL	7.14	7.14	1,000	5,667,969	5,667,969	40,485,494
Site 10	Medium Density 350	Medium	Brown	PDL	2.69	2.69	350	6,098,414	6,098,414	16,418,806
Site 11	Medium Density 140	Medium	Brown	PDL	1.40	1.40	140	4,620,319	4,620,319	6,468,447
Site 12	Medium Density 70a	Medium	Brown	PDL	0.93	0.93	70	5,601,024	5,601,024	5,227,623
Site 13	Medium Density 70	Medium	Brown	PDL	0.70	0.70	70	5,010,592	5,010,592	3,507,414
Site 14	Medium Density 35	Medium	Brown	PDL	0.58	0.58	35	4,419,954	4,419,954	2,578,307
Site 15	Medium Density 15	Medium	Brown	PDL	0.20	0.20	15	5,720,703	5,720,703	1,144,141
Site 16	Medium Density 9	Medium	Brown	PDL	0.15	0.15	9	6,436,903	6,436,903	965,535
Site 17	Medium Density 5	Medium	Brown	PDL	0.08	0.08	5	5,772,828	5,772,828	437,335
Site 18	Medium Density 3	Medium	Brown	PDL	0.09	0.09	3	5,022,969	5,022,969	430,540
Site 19	Low Density 70	Medium	Brown	PDL	1.75	1.75	70	4,160,847	4,160,847	7,281,481
Site 20	Low Density 35	Medium	Brown	PDL	0.88	0.88	35	4,134,618	4,134,618	3,617,791
Site 21	Low Density 15	Medium	Brown	PDL	0.38	0.38	15	4,931,013	4,931,013	1,849,130
Site 22	Low Density 10	Medium	Brown	PDL	0.25	0.25	10	4,896,899	4,896,899	1,224,225
Site 23	Low Density 6	Medium	Brown	PDL	0.15	0.15	6	5,546,736	5,546,736	832,010
Site 24	Low Density 3	Medium	Brown	PDL	0.08	0.08	3	5,612,463	5,612,463	420,935
Site 25	BTR HD 140	Medium	Brown	PDL	0.70	0.70	140	2,012,757	2,012,757	1,408,930
Site 26	BTR 140	Medium	Brown	PDL	1.40	1.40	140	3,860,759	3,860,759	5,405,063

Source: HDH (April 2021)

Table 10.1c Residential Typologies, – Residual Values

Lower Value Area

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 5	High Density 1,000	Lower	Brown	PDL	3.85	3.85	1,000	2,047,238	2,047,238	7,873,992
Site 6	High Density 350	Lower	Brown	PDL	1.00	1.00	350	941,509	941,509	941,509
Site 7	High Density 140	Lower	Brown	PDL	0.70	0.70	140	707,960	707,960	495,572
Site 8	High Density 70	Lower	Brown	PDL	0.35	0.35	70	1,108,412	1,108,412	387,944
Site 9	Medium Density 1,000	Lower	Brown	PDL	7.14	7.14	1,000	2,371,739	2,371,739	16,940,995
Site 10	Medium Density 350	Lower	Brown	PDL	2.69	2.69	350	2,647,550	2,647,550	7,128,019
Site 11	Medium Density 140	Lower	Brown	PDL	1.40	1.40	140	1,768,154	1,768,154	2,475,415
Site 12	Medium Density 70a	Lower	Brown	PDL	0.93	0.93	70	3,208,379	3,208,379	2,994,487
Site 13	Medium Density 70	Lower	Brown	PDL	0.70	0.70	70	2,044,469	2,044,469	1,431,129
Site 14	Medium Density 35	Lower	Brown	PDL	0.58	0.58	35	2,536,812	2,536,812	1,479,807
Site 15	Medium Density 15	Lower	Brown	PDL	0.20	0.20	15	3,317,450	3,317,450	663,490
Site 16	Medium Density 9	Lower	Brown	PDL	0.15	0.15	9	5,420,258	5,420,258	813,039
Site 17	Medium Density 5	Lower	Brown	PDL	0.08	0.08	5	4,660,300	4,660,300	353,053
Site 18	Medium Density 3	Lower	Brown	PDL	0.09	0.09	3	4,317,360	4,317,360	370,059
Site 19	Low Density 70	Lower	Brown	PDL	1.75	1.75	70	2,516,920	2,516,920	4,404,610
Site 20	Low Density 35	Lower	Brown	PDL	0.88	0.88	35	2,520,337	2,520,337	2,205,295
Site 21	Low Density 15	Lower	Brown	PDL	0.38	0.38	15	2,999,307	2,999,307	1,124,740
Site 22	Low Density 10	Lower	Brown	PDL	0.25	0.25	10	3,003,805	3,003,805	750,951
Site 23	Low Density 6	Lower	Brown	PDL	0.15	0.15	6	4,756,135	4,756,135	713,420
Site 24	Low Density 3	Lower	Brown	PDL	0.08	0.08	3	4,821,863	4,821,863	361,640
Site 25	BTR HD 140	Lower	Brown	PDL	0.70	0.70	140	2,223,977	2,223,977	1,556,784
Site 26	BTR 140	Lower	Brown	PDL	1.40	1.40	140	3,966,369	3,966,369	5,552,916

Source: HDH (April 2021)

10.8 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.

10.9 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

Higher Value Area

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	V Large Green 5,000	Higher	25,000	525,000	1,673,896
Site 2	V Large Green 1,200	Higher	25,000	525,000	3,022,604
Site 3	Medium Green 50	Higher	25,000	525,000	3,375,902
Site 4	Small Green 10	Higher	100,000	600,000	6,432,482
Site 5	High Density 1,000	Higher	3,000,000	3,600,000	12,812,144
Site 6	High Density 350	Higher	3,000,000	3,600,000	16,667,289
Site 7	High Density 140	Higher	3,000,000	3,600,000	10,201,497
Site 8	High Density 70	Higher	3,000,000	3,600,000	10,815,649
Site 9	Medium Density 1,000	Higher	3,000,000	3,600,000	8,292,607
Site 10	Medium Density 350	Higher	3,000,000	3,600,000	8,892,278
Site 11	Medium Density 140	Higher	3,000,000	3,600,000	6,949,963
Site 12	Medium Density 70a	Higher	3,000,000	3,600,000	7,560,946
Site 13	Medium Density 70	Higher	3,000,000	3,600,000	7,442,197
Site 14	Medium Density 35	Higher	3,000,000	3,600,000	5,961,566
Site 15	Medium Density 15	Higher	3,000,000	3,600,000	7,690,115
Site 16	Medium Density 9	Higher	3,000,000	3,600,000	8,399,175
Site 17	Medium Density 5	Higher	3,000,000	3,600,000	7,918,709
Site 18	Medium Density 3	Higher	3,000,000	3,600,000	6,386,044
Site 19	Low Density 70	Higher	3,000,000	3,600,000	5,506,315
Site 20	Low Density 35	Higher	3,000,000	3,600,000	5,455,029
Site 21	Low Density 15	Higher	3,000,000	3,600,000	6,542,576
Site 22	Low Density 10	Higher	3,000,000	3,600,000	6,448,810
Site 23	Low Density 6	Higher	3,000,000	3,600,000	7,072,915
Site 24	Low Density 3	Higher	3,000,000	3,600,000	7,138,642
Site 25	BTR HD 140	Higher	3,000,000	3,600,000	4,716,318
Site 26	BTR 140	Higher	3,000,000	3,600,000	5,229,708

Source: HDH (April 2021)

Table 10.2b Residual Value v BLV Medium Value Area					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	High Density 1,000	Medium	3,000,000	3,600,000	3,253,036
Site 6	High Density 350	Medium	3,000,000	3,600,000	2,657,393
Site 7	High Density 140	Medium	3,000,000	3,600,000	1,749,871
Site 8	High Density 70	Medium	3,000,000	3,600,000	2,176,226
Site 9	Medium Density 1,000	Medium	3,000,000	3,600,000	5,667,969
Site 10	Medium Density 350	Medium	3,000,000	3,600,000	6,098,414
Site 11	Medium Density 140	Medium	3,000,000	3,600,000	4,620,319
Site 12	Medium Density 70a	Medium	3,000,000	3,600,000	5,601,024
Site 13	Medium Density 70	Medium	3,000,000	3,600,000	5,010,592
Site 14	Medium Density 35	Medium	3,000,000	3,600,000	4,419,954
Site 15	Medium Density 15	Medium	3,000,000	3,600,000	5,720,703
Site 16	Medium Density 9	Medium	3,000,000	3,600,000	6,436,903
Site 17	Medium Density 5	Medium	3,000,000	3,600,000	5,772,828
Site 18	Medium Density 3	Medium	3,000,000	3,600,000	5,022,969
Site 19	Low Density 70	Medium	3,000,000	3,600,000	4,160,847
Site 20	Low Density 35	Medium	3,000,000	3,600,000	4,134,618
Site 21	Low Density 15	Medium	3,000,000	3,600,000	4,931,013
Site 22	Low Density 10	Medium	3,000,000	3,600,000	4,896,899
Site 23	Low Density 6	Medium	3,000,000	3,600,000	5,546,736
Site 24	Low Density 3	Medium	3,000,000	3,600,000	5,612,463
Site 25	BTR HD 140	Medium	3,000,000	3,600,000	2,012,757
Site 26	BTR 140	Medium	3,000,000	3,600,000	3,860,759

Source: HDH (April 2021)

Table 10.2c Residual Value v BLV Lower Value Area					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	High Density 1,000	Lower	3,000,000	3,600,000	2,047,238
Site 6	High Density 350	Lower	3,000,000	3,600,000	941,509
Site 7	High Density 140	Lower	3,000,000	3,600,000	707,960
Site 8	High Density 70	Lower	3,000,000	3,600,000	1,108,412
Site 9	Medium Density 1,000	Lower	3,000,000	3,600,000	2,371,739
Site 10	Medium Density 350	Lower	3,000,000	3,600,000	2,647,550
Site 11	Medium Density 140	Lower	3,000,000	3,600,000	1,768,154
Site 12	Medium Density 70a	Lower	3,000,000	3,600,000	3,208,379
Site 13	Medium Density 70	Lower	3,000,000	3,600,000	2,044,469
Site 14	Medium Density 35	Lower	3,000,000	3,600,000	2,536,812
Site 15	Medium Density 15	Lower	3,000,000	3,600,000	3,317,450
Site 16	Medium Density 9	Lower	3,000,000	3,600,000	5,420,258
Site 17	Medium Density 5	Lower	3,000,000	3,600,000	4,660,300
Site 18	Medium Density 3	Lower	3,000,000	3,600,000	4,317,360
Site 19	Low Density 70	Lower	3,000,000	3,600,000	2,516,920
Site 20	Low Density 35	Lower	3,000,000	3,600,000	2,520,337
Site 21	Low Density 15	Lower	3,000,000	3,600,000	2,999,307
Site 22	Low Density 10	Lower	3,000,000	3,600,000	3,003,805
Site 23	Low Density 6	Lower	3,000,000	3,600,000	4,756,135
Site 24	Low Density 3	Lower	3,000,000	3,600,000	4,821,863
Site 25	BTR HD 140	Lower	3,000,000	3,600,000	2,223,977
Site 26	BTR 140	Lower	3,000,000	3,600,000	3,966,369

Source: HDH (April 2021)

10.10 The above appraisals indicate the difference across the areas. Before considering these, it is necessary to consider the costs of each policy.

Cost of Individual Policies

10.11 Each policy requirement that adds to the cost of development leads to a reduction of the Residual Value. This results is the developer being able to pay the landowner less for the land. A set of appraisals has been run with each individual policy requirement. The results are presented for each of the three price areas and show the fall in land values, per hectare.

Table 10.3a Cost of Individual Policies in £/ha					
Higher Value Area	Greenfield	High Density	Medium Density	Low Density	ALL
Water	-222	-1,608	-565	-380	-665
10% BNG	-22,635	-234,350	-65,130	-37,999	-84,181
CO2 -31%	-106,316	-1,100,735	-305,913	-178,480	-395,395
CO2 -31% +Plus	-140,611	-1,455,811	-404,595	-236,054	-522,942
EV Charging	-5,107	-36,976	-13,000	-8,742	-15,295
EV Charging +£1,000	-44,411	-321,533	-113,044	-76,020	-133,004
Sprinklers	-48,852	-353,687	-124,349	-83,622	-146,304
District Heating	-182,086	-1,318,287	-463,482	-311,681	-545,315
Green Roofs	-22,206	0	-33,913	-38,010	-29,936
A&A. 90% Pt M(2), 10% PtM(3)	-44,411	-321,533	-113,044	-76,020	-133,004
Apprentices	-18,937	-177,538	-48,849	-28,390	-63,768
Public Art	-19,392	-25,684	-6,756	-1,782	-11,488
Current CIL	-551,489	-3,430,302	-1,200,233	-761,843	-1,408,503
Appraised s106	-125,874	-1,733,023	-434,029	-156,971	-570,149

Source: HDH (April 2021)

Table 10.3b Cost of Individual Policies in £/ha					
Medium Value Area	Greenfield	High Density	Medium Density	Low Density	ALL
Water		-1,608	-565	-380	-746
10% BNG		-234,350	-65,130	-37,999	-95,371
CO2 -31%		-1,100,735	-305,913	-178,480	-447,955
CO2 -31% +Plus		-1,455,992	-404,595	-236,054	-592,489
EV Charging		-36,976	-13,000	-8,742	-17,148
EV Charging +£1,000		-321,533	-113,044	-76,020	-149,111
Sprinklers		-353,687	-124,349	-83,622	-164,023
District Heating		-1,318,287	-463,482	-311,681	-611,357
Green Roofs		0	-33,913	-38,010	-31,342
A&A. 90% Pt M(2), 10% PtM(3)		-321,533	-113,044	-76,020	-149,111
Apprentices		-177,538	-48,849	-28,390	-71,919
Public Art		-25,684	-6,756	-1,782	-10,050
Current CIL		-2,213,125	-774,353	-491,518	-1,009,253
Appraised s106		-1,735,681	-434,029	-156,971	-651,410

Source: HDH (April 2021)

Table 10.3c Cost of Individual Policies in £/ha					
Lower Value Area	Greenfield	High Density	Medium Density	Low Density	ALL
Water		-1,615	-565	-380	-747
10% BNG		-235,431	-65,130	-37,999	-95,567
CO2 -31%		-1,105,811	-306,130	-178,480	-448,976
CO2 -31% +Plus		-1,462,524	-405,024	-236,054	-593,872
EV Charging		-37,147	-13,000	-8,742	-17,179
EV Charging +£1,000		-323,016	-113,044	-76,020	-149,381
Sprinklers		-355,318	-124,349	-83,622	-164,319
District Heating		-1,324,366	-463,978	-311,681	-612,688
Green Roofs		0	-33,913	-38,010	-31,342
A&A. 90% Pt M(2), 10% PtM(3)		-323,016	-113,044	-76,020	-149,381
Apprentices		-178,357	-48,849	-28,390	-72,068
Public Art		-25,704	-6,756	-1,782	-10,054
Current CIL		-1,807,344	-632,374	-401,397	-824,205
Appraised s106		-1,742,213	-435,006	-156,971	-653,042

Source: HDH (April 2021)

10.12 The cost of some requirements such as the increased water standard or green roofs is modest, at less than £10,000/ha. The costs of other requirements are very much more. The higher density typologies, which are the brownfield typologies, are subject to a greater impact of each policy than the lower density, greenfield typologies. When considering these it is important to note that the above costs are just the cost of incorporating that element of policy compliance, however these changes can have an impact on the wider economics of the project. By way of examples, incorporating green roofs may reduce the requirements for SUDS, using district heating can reduce the cost of reaching zero carbon or building to higher environmental standards may have a positive impact on prices.

10.13 Of particular note in the above are the costs of sprinklers and District Heating. Neither of these are policy requirements (although both are seen as important by the Council in their wider priorities). Sprinklers are encouraged rather than required. Connection to the District Heating system is also encouraged, and, as mentioned above can also be a cost-effective solution to achieve lower carbon development. These items are not included in the subsequent analysis.

10.14 The above analysis does not consider affordable housing. A further set of appraisals has been run to establish the cost of providing affordable housing (in the absence of other policy requirements).

Table 10.4 Cost of 5% Affordable Housing in £/ha	
Greenfield	246,655
High Density	1,176,657
Medium Density	451,494
Low Density	293,465
Build to Rent	727,495
ALL	547,124

Source: HDH (April 2021)

10.15 The results show that a 5% increase in amount of affordable housing on average, across the typologies, leads to a fall in the Residual Value of about £550,000/ha, although this does vary across the typologies (largely being a factor of the density assumptions) and the areas. The significance of this is that for each 5% increase in amount of affordable housing, the developer can afford to pay the landowner about £550,000/ha less.

Affordable Housing v Developer Contributions

10.16 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, a range of assumptions for s106 contributions, over and above CIL, are embedded in the appraisals[71]. This is informed by the typically collected historic payments, as advised by the Council. Bearing in mind the uncertainly in this regard (including the uncertainty due to possible changes in national policy), a range of costs of up to £50,000/unit is tested.

10.17 At the time of this report (April 2021) the Council does not have site specific estimates of the strategic infrastructure and mitigation costs for any particular sites. More detail regarding contributions from potential Strategic Sites will emerge from the Council's wider IDP in due course, the Council will then specifically engage with the promoters of the potential Strategic Sites to establish if they can bear the required infrastructure costs before they are included within the Plan.

10.18 **Appendix 13** includes the appraisal results for the full requirements (without sprinklers and District Heating) with varied levels of affordable housing and varied levels of developer contributions. These are summarised below.

[71] s106 as £/unit at the following rates: Small (1-9 units) £2,500; Medium (10 -99 units) £5,000; Large (100-249 units) £7,500 Very Large (250 units); £9,000.

Table 10.5 Maximum Developer Contributions in Addition to CIL (£/Unit)								
	Higher				**Medium**			
Affordable %	**35%**	**40%**	**45%**	**50%**	**35%**	**40%**	**45%**	**50%**
Greenfield	£50,000	£50,000	£50,000	£50,000				
High Density	£40,000	£35,000	£30,000	£20,000	£0	£0	£0	£0
Medium Density	£45,000	£40,000	£30,000	£25,000	£20,000	£20,000	£10,000	£10,000
Low Density	£50,000	£45,000	£35,000	£25,000	£35,000	£30,000	£20,000	£10,000
BTR	£10,000	£5,000	£0	£0	£0	£0	£0	£0
	Lower				**Meridian Water**			
Affordable %	**35%**	**40%**	**45%**	**50%**	**35%**	**40%**	**45%**	**50%**
Greenfield								
High Density	£0	£0	£0	£0	£0	£0	£0	£0
Medium Density	£0	£0	£0	£0	£0	£0	£0	£0
Low Density	£0	£0	£0	£0				
BTR	£0	£0	£0	£0	£0	£0	£0	£0

Source: HDH (April 2021)

10.19 This analysis highlights the differences between viability across the Borough.

Higher Value - The western and northern areas of the Borough (Chase, Cockfosters, Highlands, Grange, Palmer's Green, Southgate, Winchmore Hill).

10.20 The greenfield sites are likely to be able to bear both higher levels of affordable housing of up to 50%, and substantial levels of developer contributions of at least £50,000/unit, in addition to the current rates of CIL, (£50,000/unit is the maximum amount tested).

10.21 The other types of mainstream housing represented by the higher, medium and lower densities can bear £40,000/unit, in addition to the current rates of CIL, or so in developer contributions at the minimum affordable housing requirement of 35%. At 50% affordable housing these typologies are able to bear at £25,000/unit or so, in addition to the current rates of CIL, in developer contributions.

10.22 The Council can be confident that development that is planned for in this area will be deliverable and forthcoming.

Medium Value - The areas not included in the higher and lower values.

10.23 The medium and lower density typologies, being those that exclude tall buildings, are able to bear £10,000/unit, in addition to the current rates of CIL, in developer contributions at 50% affordable housing. At 35% affordable housing these sites can bear at least £20,000/unit, in addition to the current rates of CIL, in developer contributions.

10.24 Tall building represented by the high-density typologies are likely to be deliverable at 35% affordable housing, but would have limited capacity to bear developer in addition to CIL.

10.25 Build to rent development, when tested against the requirements of the London Plan is not shown as viable. In this regard the PPG includes specific guidance with regard to viability and it is anticipated that the viability of such development will be tested at the development management stage.

10.26 The Council can be confident that development that most development that is planned for in this area will be deliverable and forthcoming. However the Council should be cautious about relying on tall buildings to deliver housing numbers and should only count on such sites where there is evidence that such sites are likely to be forthcoming[72].

Lower Value - The eastern part of the Borough running from Enfield Lock in the north, to Upper Edmonton in the south.

10.27 Delivering development in this lower value area has been historically challenging. Whilst there are numerous sites that have delivered a policy compliant scheme, of both 35% affordable housing and CIL, there are sites where it has been necessary to flex the policy requirement when considering specific planning applications. This is reflected in the appraisal results.

10.28 At 35% affordable housing about half the typologies are shown as being viable and half not. Development in this area may be relatively slow coming forward (which has been the case with Meridian Water). On the larger schemes it is likely that there will continue to need to be a degree on intervention by the Council and the wider public sector (including the GLA).

10.29 When formulating the new Local Plan, the Council should be cautious about relying on development in this area for the time being. Particular regard will need to be given as to the availability of public intervention and the deliverability of the sites.

Redevelopment

10.30 The above analysis is based on the assumption that all the development will be on greenfield sites or land with a value that is of previously development land (at £3,000,000/ha). Some new development may come forward on sites that are being redeveloped. In these cases, the use of the site may be intensified, or existing employment sites taken into residential uses. This may be the redevelopment of office buildings within the towns, or perhaps the

[72] The NPPF defines 'Deliverable' as:

> *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 5 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 5 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 5 years.*

redevelopment of industrial sites. In these cases, the EUV is likely to be significantly higher than that used in the base appraisals.

10.31 It is challenging to present such development in a study of this type. Vacant buildings may be subject to Vacant Buildings Credit[73] (VBC) and CIL may only apply to net new development. The rules around Vacant Building Credit and when CIL is not payable are complex and it is rare that both exemptions would apply on a single site. This means that each site is likely to be quite different and that the policy compliant[74] situation is likely to be different from site to site taking in to account the nature of the site being redeveloped.

10.32 Within Chapter 6 we have considered the Existing Use Value (EUV) assumptions. We have presented EUV assumptions of £2,450/m^2 for office and £1,430/m^2 for industrial uses. These figures are taken from *Land value estimates for policy appraisal 2019*[75] and are per square meter of Gross Internal Space (GIA).

10.33 With a 4 storey office building, with 50% site coverage this equate to about £49m/ha for sites in an existing office use. It is notable that only one typology, with 35% affordable housing and no developer contributions in excess of CIL, generates a Residual Value that is excess of £14m/ha. This would suggest that the Council must be cautious about assuming that the market may bring forward development on sites that are in existing office uses for residential development – even having made allowance for substantial amounts of affordable housing to be offset through VBC.

10.34 With an industrial building (which is most likely to be single storey), with 60% coverage, this equates to about £8.6m/ha for sites with an existing industrial use. It is notable that in the lower value areas in the east of the Borough, with 35% affordable housing and no developer contributions, the highest Residual Value is about £5.7m, so somewhat below the likely value of land in industrial uses. Again, this would suggest that the Council must be cautious about assuming that the market may bring forward development on sites that are in existing industrial uses for residential development.

10.35 We do caveat this advice as the Council has seen the market bringing forward sites that are in active or recent office and industrial uses for residential development. The EUVs mentioned above relate to typical values for typical buildings. In reality the actual EUV will vary tremendously from site to site. An office building that is near to the end of its useful life and

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[73] The PPG provides the following explanation at 23b-026-20190315:

> *What is the vacant building credit?*
>
> *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.*

[74] The PPG provides the following explanation at 10-002-20190509:

> *Policy compliant means development which fully complies with up to date plan policies.*

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

that is vacant, is likely to have a value that is a fraction of a building that remains suitable for modern office use and is let to a financially secure tenant. Further the amount of existing floor space could reduce the requirement for affordable housing or CIL.

10.36 Similarly, to the advice given above, when formulating the new Local Plan, the Council should be cautious about relying on development where it is based on the redevelopment of existing office or industrial buildings. Particular regard will need to be given as to the available on public intervention and the deliverability of the sites.

Affordable Housing Varied Tenure Mix

10.37 The base appraisals, at the start of this chapter, are based on the tenure mix, of 30% Intermediate Housing and 70% Affordable Rent. Not only may this change over time (as the Housing Market Assessment is updated), but this is an area of changing national policy with current requirements for 10% Affordable Ownership (where the 10% is of all the housing) and 25% First Homes (where the 25% is of the affordable housing only).

10.38 Further sets of appraisals have been run with a range of tenure mixes. These are included in **Appendix 14** and summarised below.

Table 10.6 Change in Residual Value for each 10% increase in Affordable Rent within 35% Affordable Housing Requirement

	Higher	Medium	Lower
Greenfield	-95,320		
High Density	-851,057	-461,786	-406,765
Medium Density	-262,722	-183,245	-106,131
Low Density	-131,904	-91,072	-56,286
BTR	-330,156	-244,560	-244,560
ALL	-302,479	-214,325	-159,782

Source: HDH (April 2021)

10.39 With a 35% affordable housing requirement, a 10% decrease in the amount of Intermediate Housing and corresponding 10% increase in the amount of Affordable Rent results in a fall in the Residual Value (i.e. the amount the developer can pay for the land) that is significant, particularly on the higher density sites. A move from the Council's preferred affordable housing mix of 70% affordable housing to rent / 30% intermediate housing to a mix will more (say 50%) intermediate housing would have a marked impact on improving viability.

10.40 When it comes to the decision-making process and determining planning applications, on sites were viability is challenging, it is recommended that consideration is given to adjusting the affordable housing mix as this can have a marked impact on the value of a site.

10% Affordable Home Ownership

10.41 As set out in Chapter 2 above, the 2019 NPPF (paragraph 64) sets out a policy for a minimum of 10% Affordable Home Ownership units on larger sites. This has been tested with a further set of appraisals where the first 10% of the housing on the site is as intermediate housing. These are included in **Appendix 15**.

10.42 The base appraisals are based on the Council's Housing Market Assessment has identified a tenure mix of 30% Intermediate Housing and 70% Affordable Rent. 10% Affordable Home Ownership is the equivalent to a 29% / 71% tenure split at 35% affordable housing, so is broadly in line with the Council's preferred mix. As would be expected, 10% Affordable Home Ownership does not materially impact on viability.

First Homes

10.43 In February 2020, the Government launched a consultation on First Homes. The Government's *Changes to the current planning system – Consultation on changes to planning policy and regulations* (MHCLG, August 2020) has provided some clarity in this regard. A further set of appraisals has been run at 20%, 25% and 30% affordable housing, where 25% of the affordable housing is as a First Home. In addition, the consequence of seeking First Homes to be delivered with a greater discount than the minimum 30% discount is tested. These are included in **Appendix 16** and summarised below.

Table 10.6 Change in Residual Value for each 10% increase in discount applied to First Homes, with 35% Affordable Housing Requirement, where 25% of the Affordable Homes are First Homes

	Higher	Medium	Lower
Greenfield	232,186		
High Density	1,952,768	1,537,459	1,485,900
Medium Density	626,941	541,787	460,834
Low Density	384,665	331,988	284,740
BTR	1,008,634	916,856	916,856
ALL	743,634	699,697	640,641

Source: HDH (April 2021)

10.44 The consequence of seeking the First Homes to be sold at a greater discount than 30% is significant. Based on a 30% affordable housing target, each 10% increase in the discount (i.e. from 30% to 40%) results in a fall in the Residual Value of about £650,000/ha. The Council should be cautious in seeking affordable homes to be subject to a greater than 30% discount as this will adversely impact on viability.

'Preferred' Policy Mix and Sensitivity Testing

10.45 The Council is about to undertake the Regulation 18 consultation on the emerging Local Plan. This will inform the next stage of the plan's development, in particular whether or not to further

consider development within the Green belt. This will be determined by a wide range of factors, including the Council's housing requirement figure (which is yet to be settled). At the time of this report, the Council has not settled on a preferred option.

10.46 In the proceeding analysis the impact of the Council's policy options have been tested separately and cumulatively, and under various options, for example under different tenures. When considering what mix of policies to recommend, the following factors have been taken into account:

a. That it may be preferable to keep general policy requirements consistent across the area, rather than have different areas subject to differing environmental standards or similar. If differential requirements were set, then it would be sensible to follow, as far as possible the established CIL zones.

b. That infrastructure, including education, can be funded, at least in part, by CIL, so it is not necessary to make an allowance for the full, worst case scenario of developer contributions, beyond the allowances made in the base appraisals at the start of this chapter.

c. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now it would be preferable to wait for the Government to set out their future plans and for the Council to have settled on a preferred option for the Local Plan..

d. That an important factor when setting policy is the distribution of potential development sites. In this regard, relatively few development sites are being relied on in the lower value East area.

   Much of the development that is planned in this area is likely to be on land that is subject to public sector interventions (many of the planned allocations are owned by LBE). The extent of these interventions varies, from simply being sites in the Council's ownership, to schemes that are subject to external grant aid, to lower-level interventions such as publicly funded public realm woks that are contributing the regeneration of the more challenging areas.

10.47 Having discussed these with the Council through the iterative viability testing process, a final set of appraisals has been run on the following assumptions.

a.	Affordable Housing	35% (Intermediate Housing 50%, Affordable Rent 50%)
b.	Design	90% Part M4(2), 10% Part M4(3)
		Water efficiency
		10% Biodiversity Net Gain
		Green roofs
		Future Homes Standard Option 2 Plus London Plan
c.	Developer Contributions	CIL – Mayoral and LB Enfield, as per Charging Schedule

s106 as £/unit at the following rates:

Small (1-9 units)	£2,500
Medium (10 -99 units)	£5,000
Large (100-249 units)	£7,500
Very Large (250 units)	£9,000

10.48 With a view to improving viability, the requirements are now based on a 50% Affordable Rent / 50% Intermediate Housing mix, do not include EV Charging Points, further it is assumed that public art and apprenticeships are within the s106 contributions rather than in addition.

10.49 Earlier in this chapter we set out that the development in the higher value area in particular has capacity to bear higher levels of affordable housing and developer contributions, for example a 50% affordable housing requirement in the higher and medium value areas. We understand that the Council will consider this further following the further consideration of the options to form the basis of the Regulation 18 consultation.

10.50 A further set of appraisals has been run on this basis. These are directly comparable to the results set out at the start of this chapter.

Table 10.7a Residual Value v BLV – Recommended Policies Higher Value Area					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	V Large Green 5,000	Higher	25,000	525,000	1,794,407
Site 2	V Large Green 1,200	Higher	25,000	525,000	3,225,713
Site 3	Medium Green 50	Higher	25,000	525,000	3,626,971
Site 4	Small Green 10	Higher	100,000	600,000	6,936,996
Site 5	High Density 1,000	Higher	3,000,000	3,600,000	14,846,624
Site 6	High Density 350	Higher	3,000,000	3,600,000	19,731,252
Site 7	High Density 140	Higher	3,000,000	3,600,000	12,065,737
Site 8	High Density 70	Higher	3,000,000	3,600,000	12,751,720
Site 9	Medium Density 1,000	Higher	3,000,000	3,600,000	9,198,704
Site 10	Medium Density 350	Higher	3,000,000	3,600,000	9,848,460
Site 11	Medium Density 140	Higher	3,000,000	3,600,000	7,761,208
Site 12	Medium Density 70a	Higher	3,000,000	3,600,000	8,206,826
Site 13	Medium Density 70	Higher	3,000,000	3,600,000	8,301,151
Site 14	Medium Density 35	Higher	3,000,000	3,600,000	6,462,452
Site 15	Medium Density 15	Higher	3,000,000	3,600,000	8,318,311
Site 16	Medium Density 9	Higher	3,000,000	3,600,000	8,969,171
Site 17	Medium Density 5	Higher	3,000,000	3,600,000	8,477,623
Site 18	Medium Density 3	Higher	3,000,000	3,600,000	6,851,202
Site 19	Low Density 70	Higher	3,000,000	3,600,000	5,917,419
Site 20	Low Density 35	Higher	3,000,000	3,600,000	5,855,963
Site 21	Low Density 15	Higher	3,000,000	3,600,000	6,543,177
Site 22	Low Density 10	Higher	3,000,000	3,600,000	6,915,112
Site 23	Low Density 6	Higher	3,000,000	3,600,000	7,526,684
Site 24	Low Density 3	Higher	3,000,000	3,600,000	7,592,412
Site 25	BTR HD 140	Higher	3,000,000	3,600,000	6,044,082
Site 26	BTR 140	Higher	3,000,000	3,600,000	5,881,041

Source: HDH (April 2021)

Table 10.7b Residual Value v BLV – Recommended Policies

Medium Value Area

			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	High Density 1,000	Medium	3,000,000	3,600,000	6,021,484
Site 6	High Density 350	Medium	3,000,000	3,600,000	6,644,402
Site 7	High Density 140	Medium	3,000,000	3,600,000	4,108,142
Site 8	High Density 70	Medium	3,000,000	3,600,000	4,590,473
Site 9	Medium Density 1,000	Medium	3,000,000	3,600,000	7,135,214
Site 10	Medium Density 350	Medium	3,000,000	3,600,000	7,548,482
Site 11	Medium Density 140	Medium	3,000,000	3,600,000	5,821,479
Site 12	Medium Density 70a	Medium	3,000,000	3,600,000	6,570,034
Site 13	Medium Density 70	Medium	3,000,000	3,600,000	6,251,512
Site 14	Medium Density 35	Medium	3,000,000	3,600,000	5,175,267
Site 15	Medium Density 15	Medium	3,000,000	3,600,000	6,671,465
Site 16	Medium Density 9	Medium	3,000,000	3,600,000	7,263,389
Site 17	Medium Density 5	Medium	3,000,000	3,600,000	6,639,940
Site 18	Medium Density 3	Medium	3,000,000	3,600,000	5,640,147
Site 19	Low Density 70	Medium	3,000,000	3,600,000	4,805,034
Site 20	Low Density 35	Medium	3,000,000	3,600,000	4,764,237
Site 21	Low Density 15	Medium	3,000,000	3,600,000	5,246,772
Site 22	Low Density 10	Medium	3,000,000	3,600,000	5,623,580
Site 23	Low Density 6	Medium	3,000,000	3,600,000	6,195,321
Site 24	Low Density 3	Medium	3,000,000	3,600,000	6,261,049
Site 25	BTR HD 140	Medium	3,000,000	3,600,000	4,264,187
Site 26	BTR 140	Medium	3,000,000	3,600,000	4,974,028

Source: HDH (April 2021)

Table 10.7c Residual Value v BLV – Recommended Policies Lower Value Area					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	High Density 1,000	Lower	3,000,000	3,600,000	3,306,103
Site 6	High Density 350	Lower	3,000,000	3,600,000	2,763,768
Site 7	High Density 140	Lower	3,000,000	3,600,000	1,823,487
Site 8	High Density 70	Lower	3,000,000	3,600,000	2,277,729
Site 9	Medium Density 1,000	Lower	3,000,000	3,600,000	2,835,984
Site 10	Medium Density 350	Lower	3,000,000	3,600,000	3,139,528
Site 11	Medium Density 140	Lower	3,000,000	3,600,000	2,185,347
Site 12	Medium Density 70a	Lower	3,000,000	3,600,000	3,546,096
Site 13	Medium Density 70	Lower	3,000,000	3,600,000	2,492,539
Site 14	Medium Density 35	Lower	3,000,000	3,600,000	2,790,152
Site 15	Medium Density 15	Lower	3,000,000	3,600,000	3,636,291
Site 16	Medium Density 9	Lower	3,000,000	3,600,000	5,793,758
Site 17	Medium Density 5	Lower	3,000,000	3,600,000	5,033,517
Site 18	Medium Density 3	Lower	3,000,000	3,600,000	4,616,514
Site 19	Low Density 70	Lower	3,000,000	3,600,000	2,733,459
Site 20	Low Density 35	Lower	3,000,000	3,600,000	2,725,439
Site 21	Low Density 15	Lower	3,000,000	3,600,000	3,026,377
Site 22	Low Density 10	Lower	3,000,000	3,600,000	3,242,829
Site 23	Low Density 6	Lower	3,000,000	3,600,000	5,051,805
Site 24	Low Density 3	Lower	3,000,000	3,600,000	5,117,532
Site 25	BTR HD 140	Lower	3,000,000	3,600,000	3,323,416
Site 26	BTR 140	Lower	3,000,000	3,600,000	4,503,643

Source: HDH (April 2021)

10.51 Even on this basis, not all development is viable, particularly that on sites and in the East of the Borough. In these cases, it is recommended that the Council accepts site specific viability assessments at the development management stage.

10.52 The infrastructure cost for the Strategic Sites is not yet known. As an when the this is established it will be necessary to reconsider deliverability to ensure the sites can bear their full strategic infrastructure and mitigation costs. In any event, it is recommended that that the Council engages with the owners, from an early stage, 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.*

10.53 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*

10.54 The Council should be cautions about including sites in the east of the Borough in the plan, and only rely on them to deliver the housing requirements where they can be confident that the sites are actually deliverable. Factors may include a recent planning consent, confirmation from the landowner, the site being in public sector ownership, or there being public sector intervention and/or involvement.

10.55 The brief for this Local Plan Viability Assessment extends to making an assessment of the capacity of development to bear CIL. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now it would be preferable to wait for the Government to set out their future plans. It is however clear that there is capacity to seek increased levels of CIL for some types of development, although this is unlikely to apply in the Lower Value East Area of the Borough or in relation to Tall Buildings.

10.56 As set out above, at this stage we would suggest that the Council is cautious about proceeding with CIL, but reconsiders this as and when the Government's plans in this regard have been clarified.

Standardised Infrastructure Tariff

10.57 As set out in Chapter 2 above, the Government has consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. 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.*

10.58 Two further set of appraisals have been run, the results of which are set out in **Appendix 17**, based on the same assumptions as used in the base appraisals, both with and without affordable housing. The developer contributions are calculated as a proportion of the Gross Development Value (GDV).

10.59 The analysis should be given limited weight as the outcome of the Government's consultation is not yet known. Having said this, the appraisals indicate that with 35% affordable housing the greenfield sites in the higher value areas may be able to bear a contribution of 25% of GDV. The brownfield sites in the Higher Value areas are likely to be able to bear 17.5% of GDV, however the scope is notably less elsewhere. Without affordable housing the brownfield sites in the higher value areas may be able to bear a contribution of 20% of GDV, but elsewhere it would be less.

Changes in Costs and Values

10.60 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 11.3% over the next 3 years[76]. We have tested a range of scenarios with varied increases in build costs.

10.61 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.

10.62 The analysis demonstrates that a relatively small increase in values of 5% or so, has a dramatic impact on viability, with nearly all of the typologies, including those in the lower value area showing as viable. Equally a 5% increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan as few additional typologies fall out of viability as a result of this change. Whilst this indicates that viability is tight, it does suggest that should there be a period of faster house price growth than build cost inflation it may we be worthwhile the Council revisiting viability with a view to reviewing the policy requirements.

10.63 This viability update is carried out at today's costs and values, as is appropriate. It would not be appropriate to build a set of policies that rely on increases in house prices that may or may not happen in the future. It is however timely to note that the public sector interventions, particularly in the east of the Borough and around Edmonton Green, at Meridian Water and elsewhere include elements of estate renewal, improvements to the open spaces, public realm and street scenes and other significant regeneration type projects. These are having a real impact on the neighbourhoods and are beginning to have an impact on values as the relative desirability of areas is improved. The link between the interventions and improvements is difficult to quantify, however, even with the uncertainty around Crossrail 2, there is continued optimism amongst agents that prices will continue to increase (not least, because prices here are relatively low compared to other parts of the northern fringes of London).

Review

10.64 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 LB Enfield's Council's wish to develop housing, and the requirements to fund infrastructure, it is recommended that the Council keeps viability

[76] BCIS General Build Cost Index August 2020 = 361.5, August 2023 = 402.6 (updated September 2020). 402.6-361.5+41.1. 41.1/361.5=11.3%.

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.

10.65 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.*
>
> *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.*
>
> *PPG 10-009-20180724*

10.66 It is recommended that, on sites where the policy requirements are flexed, the Council includes review mechanisms.

Older People's Housing

10.67 As well as mainstream housing, we have considered the Sheltered and Extracare sectors 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 £2,500/unit. The full appraisals are set out in **Appendix 19** below:

Table 10.8 Older People's Housing (Sheltered), Appraisal Results (£/ha)					
			EUV	BLV	Residual Value
Site 1	Green	0%	100,000	600,000	11,809,475
Site 2	Green	10%	100,000	600,000	10,090,853
Site 3	Green	20%	100,000	600,000	8,372,231
Site 4	Green	30%	100,000	600,000	6,653,610
Site 5	**Green**	**35%**	**100,000**	**600,000**	**5,817,784**
Site 6	Green	40%	100,000	600,000	4,934,988
Site 7	Green	45%	100,000	600,000	4,099,162
Site 8	Green	50%	100,000	600,000	3,216,355
Site 9	Brown	0%	3,000,000	3,600,000	10,531,122
Site 10	Brown	10%	3,000,000	3,600,000	8,812,500
Site 11	Brown	20%	3,000,000	3,600,000	7,093,878
Site 12	Brown	30%	3,000,000	3,600,000	5,375,257
Site 13	**Brown**	**35%**	**3,000,000**	**3,600,000**	**4,530,908**
Site 14	Brown	40%	3,000,000	3,600,000	3,656,635
Site 15	Brown	45%	3,000,000	3,600,000	2,812,286
Site 16	Brown	50%	3,000,000	3,600,000	1,938,002

Source: HDH (October 2019)

10.68 Based on this analysis, the development of Sheltered housing on greenfield sites and brownfield sites is able bear 35% affordable housing, in addition to a £2,500/unit s106 contribution and CIL.

Table 10.9 Older People's Housing (Extracare), Appraisal Results (£/ha)					
			EUV	BLV	Residual Value
Site 1	Green	0%	100,000	600,000	10,680,200
Site 2	Green	10%	100,000	600,000	8,755,344
Site 3	Green	20%	100,000	600,000	6,761,742
Site 4	Green	30%	100,000	600,000	4,836,886
Site 5	**Green**	**35%**	**100,000**	**600,000**	**3,874,458**
Site 6	Green	40%	100,000	600,000	2,843,285
Site 7	Green	45%	100,000	600,000	1,880,857
Site 8	Green	50%	100,000	600,000	918,416
Site 9	Brown	0%	3,000,000	3,600,000	9,024,794
Site 10	Brown	10%	3,000,000	3,600,000	7,099,938
Site 11	Brown	20%	3,000,000	3,600,000	5,106,336
Site 12	Brown	30%	3,000,000	3,600,000	3,181,480
Site 13	**Brown**	**35%**	**3,000,000**	**3,600,000**	**2,219,052**
Site 14	Brown	40%	3,000,000	3,600,000	1,187,879
Site 15	Brown	45%	3,000,000	3,600,000	215,867
Site 16	Brown	50%	3,000,000	3,600,000	-793,985

Source: HDH (April 2021)

10.69 Based on this analysis, the development of Extracare housing on greenfield sites is able bear in excess of 35% affordable housing, in addition to a £2,500/unit s106 contribution and CIL. The capacity is less on brownfield sites where the maximum amount of affordable housing is between 20% and 30%.

10.70 In this regard it is timely to note that the PPG acknowledges that older people's housing is different to mainstream housing, giving it as one of the exceptions as to when viability testing may be appropriate at the development management stage.

> *Where up-to-date policies have set out the contributions expected from development, planning applications that fully 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. ...*
>
> *Such circumstances could include, for example ... where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); ...*
>
> *PPG 10-007-20190509*

10.71 With this in mind it is not necessary for the Council to develop a specific affordable housing policy for this type of housing.

Student Housing and Shared Living

10.72 Two forms of student accommodation have been modelled, the Cluster Flat model and the Studio Flat model. Cluster Flats are groups of rooms (en-suite or not) sharing living space and a kitchen. Studio Flats which are slightly larger rooms, including a kitchenette. The Studio Flats are modelled as both student accommodation and under the shared living model. These are only modelled in the brownfield site scenario.

10.73 The full appraisals are set out in **Appendix 20** below:

Table 10.10 Student Housing, Appraisal Results (£/ha)

		EUV	BLV	Residual Value			
	Affordabale Percentage			**0%**	**10%**	**20%**	**30%**
Site 1	Studio 60	3,000,000	3,600,000	20,246,205	13,082,800	5,919,396	-1,512,186
Site 2	Studio 175	3,000,000	3,600,000	12,659,961	8,443,148	4,226,336	-31,387
Site 3	Studio 500	3,000,000	3,600,000	11,940,989	8,000,536	4,060,083	111,730
Site 4	Shared Living 60	3,000,000	3,600,000	59,884,899	48,757,625	37,630,351	26,503,077
Site 5	Shared Living 175	3,000,000	3,600,000	35,782,533	29,253,463	22,724,393	16,195,323
Site 6	Shared Living 500	3,000,000	3,600,000	33,610,358	27,502,969	21,395,579	15,288,189
		EUV	BLV	Residual Value			
	Affordabale Percentage			**35%**	**40%**	**45%**	**50%**
Site 1	Studio 60	3,000,000	3,600,000	-5,289,643	-9,171,282	-13,052,921	-16,934,560
Site 2	Studio 175	3,000,000	3,600,000	-2,243,656	-4,516,681	-6,801,647	-9,086,612
Site 3	Studio 500	3,000,000	3,600,000	-1,955,552	-4,074,754	-6,209,972	-8,358,044
Site 4	Shared Living 60	3,000,000	3,600,000	20,939,440	15,375,803	9,812,166	4,226,748
Site 5	Shared Living 175	3,000,000	3,600,000	12,930,788	9,666,253	6,401,718	3,137,183
Site 6	Shared Living 500	3,000,000	3,600,000	12,234,494	9,180,799	6,127,104	3,073,409

Source: HDH (April 2021)

10.74 This analysis shows that whilst Shared Living accommodation can bear over 35% affordable housing (in addition to CIL), conventional, studio based, student accommodation can only bear 20% or so.

10.75 As set out above, in this regard it is timely to note that the PPG acknowledges that student housing is different to mainstream housing, giving it as one of the exceptions as to when viability testing may be appropriate at the development management stage.

> *Where up-to-date policies have set out the contributions expected from development, planning applications that fully 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. ...*
>
> *Such circumstances could include, for example ... where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); ...*
>
> *PPG 10-007-20190509*

10.76 With this in mind it is not necessary for the Council to develop a specific affordable housing policy for this type of housing.

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 21** 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 study 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	Larger Industrial	Smaller Industrial	Distribution
CIL	£/m2	**60.55**	**60.55**	**60.55**	**60.55**	**60.55**
RESIDUAL VALUE	**Site**		**4,631,351**	**5,112,147**	**187,086**	**6,474,658**
Existing Use Value	£/ha		50,000	50,000	50,000	50,000
Viability Threshold	£/ha		550,000	550,000	550,000	550,000
Residual Value	£/ha		11,578,377	5,112,147	1,870,860	5,665,326
BROWNFIELD		Offices - Central	Offices - Park	Larger Industrial	Smaller Industrial	Distribution
CIL	£/m2	**60.55**	**60.55**	**60.55**	**60.55**	**60.55**
RESIDUAL VALUE	**Site**	**3,791,960**	**3,712,394**	**4,693,081**	**132,313**	**6,276,713**
Existing Use Value	£/ha	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Benchmark Land Value	£/ha	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Residual Value	£/ha	66,359,303	9,280,986	4,693,081	1,323,134	5,492,124

Source: HDH (April 2021)

11.6 To a large extent the above results are reflective of the current market. Office development and industrial are both shown as being viable and both are coming forward.

11.7 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.

11.8 Whilst much of the development that is coming forward in the area is user-led, being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes, it is also being brought forward speculatively. As set out in Chapter 5 above, the market is active at the time of this report. British Land (a UK listed REIT) is reported to have exchanged contracts (at £85,000,000) for the acquisition house, a 20,000m^2 warehouse let to Waitrose and Crown Records Management. In this context British Land said that the site 'offers significant redevelopment potential given the opportunity to increase density'.

Redevelopment

11.9 In the residential chapter above (Chapter 10) we considered redevelopment sites. The above analysis is based on the assumption that all the development will be on greenfield sites or land with a value that is of previously development land (£3,000,000/ha). Much of the development of both employment space is likely to be of sites that are being redeveloped. In these cases, the use of the site may be intensified, or where buildings have come to the end of their useful life simply replaced. In these cased the EUV is likely to be significantly higher.

11.10 Within Chapter 6 we have considered the Existing Use Value (EUV) assumptions. We provided EUV assumptions of £2,450/m^2 for office and £1,430/m^2 for industrial. These figures are taken from *Land value estimates for policy appraisal 2019*[77] and are per square meter of Gross Internal Space (GIA).

11.11 With a 4 storey office building, with 50% site coverage this equate to about £49m/ha for sites in an existing office use. It is notable that only one typology, (town centre offices), generates a Residual Value that is excess of £13m/ha. This would suggest that the Council must be cautious about assuming that the market may bring forward development that are subject to intensification.

11.12 We do caveat this advice as the Council has seen the market bringing forward sites that are in active or recent office and industrial uses for development. The EUVs mentioned above relate to typical values for typical buildings. In reality the actual EUV will vary tremendously from site to site. An office building that is near to the end of its useful life and that is vacant,

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

is likely to have a value that is a fraction of a building that remains suitable for modern office use and is let to a financially secure tenant. Further the amount of existing floor space could reduce the liability for CIL.

11.13 Similarly, to the advice given above, when formulating the new Local Plan, the Council should be cautious about relying on development where it is based on the redevelopment of existing office or industrial buildings. Particular regard will need to be given as to the available on public intervention and the deliverability of the 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 Enfield Council is producing a new a Local Plan and considering a review of CIL. HDH Planning & Development Ltd has been appointed to update the viability elements of the evidence base as required by the 2019 NPPF and relevant guidance. The new Local Plan will set out the contributions expected from development, including the quantum and mix of affordable housing as well as other infrastructure such as education, health, transport, digital, water and green infrastructure. As part of its preparation, the new Local Plan needs to be tested to ensure it is viable and deliverable in line with tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) and the revised Community Infrastructure Levy Regulations. 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.

12.3 This Whole Plan and CIL Viability Update has been prepared to assist the Council with the assessment of the viability of the emerging Local Plan.

Compliance

12.4 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). It is confirmed that this study has been carried out in line with *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)*.

12.5 As this report was being completed, the RICS published a new Guidance Note, *Assessing Viability in planning under the National Planning Policy Framework 2019 for England, 1st Edition* (RICS, March 2021). This is effective from the 1st July 2021 so does not apply to this report. This new Guidance Note cancels *Financial Viability in planning (1st edition), RICS guidance note 2012*. We confirm that this report is generally in accordance with this further guidance (in as far as it relates to plan-wide viability assessments).

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. This assessment is conducted at April 2021 costs and values.

Viability Testing under the 2019 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 2019 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 sites to be allocated in the new Local Plan. Several potential Strategic Sites are also tested.

12.9 The updated PPG sets out that viability should be tested using 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+).*

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 2019 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 plus 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.

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 2019 NPPF, the PPG, the CIL Regulations and CIL Guidance 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 London Borough of Enfield 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. A process was held in early 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.

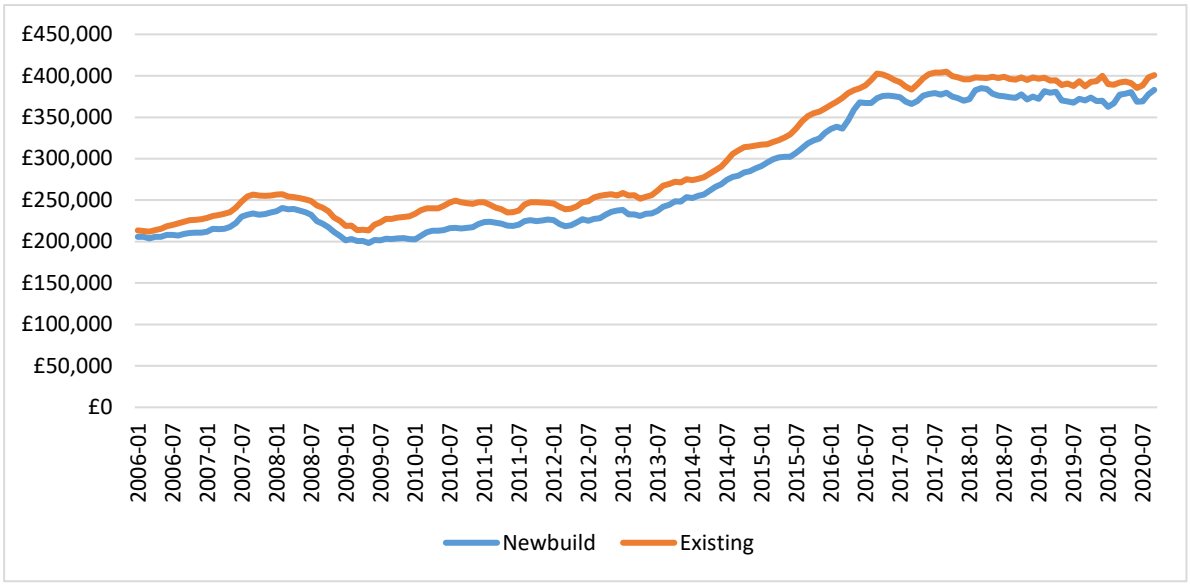
12.17 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for LB Enfield is 42nd (out of 336) at £484,720[78]. To set this in context, the Council at the middle of the rank (167th – Hambleton), has an average price of £273,358. The Enfield median price is lower than the average at £410,000.

12.18 The housing market peaked early in 2008 and then fell considerably in the 2007/2009 recession during what became known as the 'Credit Crunch'. Average house prices in the Borough did not recover to their pre-recession peak until mid-2013, but are now about 58% above the 2008 peak. This increase is substantial but is less than that seen across London (74%) over the same period. Across England and Wales, average house prices have increased by 40%.

[78] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 9th December 2021).

12.19 This study concerns new homes. Prices in the Borough have seen a significant recovery since the bottom of the market in 2009. The values of newbuild homes have increased at a similar rate to that for existing homes. The Land Registry shows that the average price paid for newbuild homes in LB Enfield (£382,960) is £18,000 (or 4.4%) less than the average price paid for existing homes (£400,909).

Figure 12.1 Change in House Prices. Existing v Newbuild – LB Enfield



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

12.20 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. Negotiations around the details of the future relationship with the EU are underway but not concluded, so the future of trade with the EU and wider world are not yet known.

12.21 A further uncertainty is around the ongoing coronavirus pandemic. There are uncertainties around the values of property that are a direct result of the COVID-19 pandemic. There is mixed feedback about the property market. 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 and the Government's restrictions, have found their ability to secure a loan restricted.

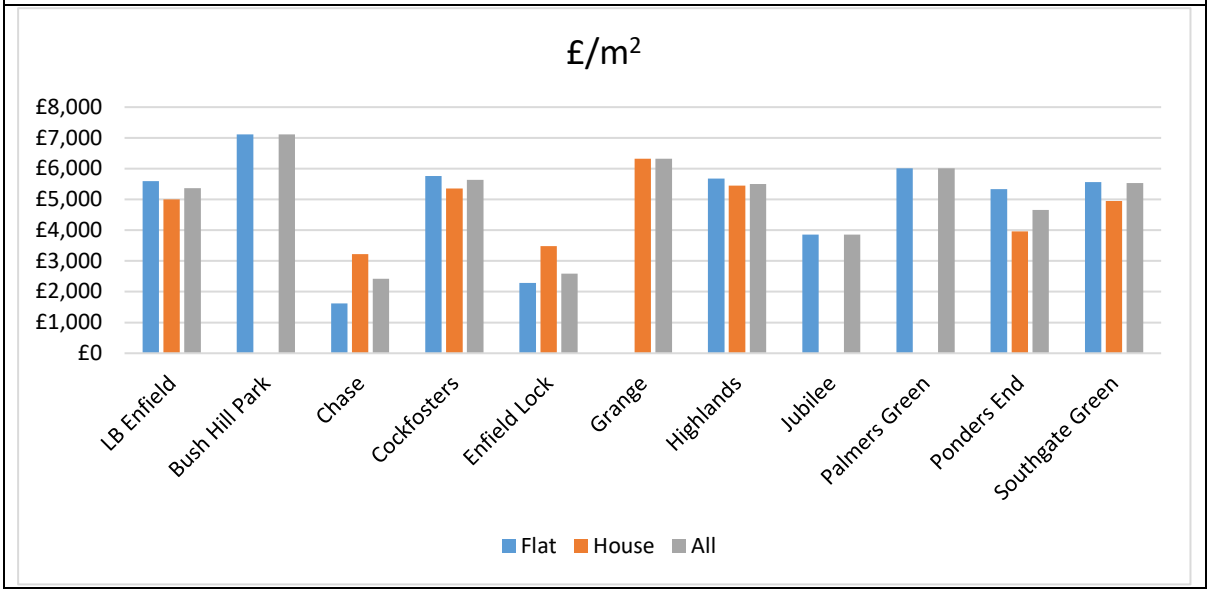
12.22 The economy is in a period of uncertainly and, whilst it is not the purpose of this assessment to forecast of how house prices and values may change in the future, it is necessary to set the report in the wider context and provide sensitivity testing. This report is carried out at current costs and values. Sensitivity testing has been carried out.

The Local Market

12.23 A survey of asking prices across the Borough was carried out. Using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated. As part of the research we have also used data from Landmark. This brings together data from various 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:

12.24 This data includes the records of just over 8,000 sales since the start of 2017. Of these, floor areas are available for about 7,000 sales (and the number of bedrooms is available for about 4,900 sales). The data is available for newbuild and existing homes and by ward and summarised as follows:

Figure 12.2 Residential Prices Paid – From January 2017



Source: Landmark (January 2021)

12.25 This data shows that on average newbuild homes are a similar price to existing homes, being just 3% more expensive than existing homes when considered on a £/m^2 basis. Non-newbuild houses and flats have broadly similar prices (houses are about 2% more expensive), when considered on a £/m^2 basis. The situation in the newbuild sector is quite different with newbuild flats, being on average 12% more expensive than non-newbuild flats, when considered on a £/m^2 basis.

12.26 It is important to note that some of the sample sizes are small so care should be taken when considering a very fine-grained approach.

12.27 Bringing together the evidence, and following the consultation the following price assumptions are used. These assumptions are based on the prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the study area, and the wider data presented.

Higher Value — The western and northern areas of the Borough (Chase, Cockfosters, Highlands, Grange, Palmer's Green, Southgate, Winchmore Hill).

Medium Value — The areas not included in the higher and lower values.

Lower Value — The eastern part of the Borough running from Enfield Lock in the north, to Upper Edmonton in the south.

Table 12.1 Pre-consultation Residential Price Assumptions – £/m²

		Higher Value	Medium Value	Lower Value
1	Large Greenfield	£6,000		
2	Medium Greenfield	£6,000		
3	Small Greenfield	£7,000		
4	Larger Urban	£6,350	£5,500	£4,550
5	Flatted Development	£6,700	£5,250	£5,050
6	Small Previously Developed Land (PDL)	£7,000	£6,000	£5,500

Source: HDH (February 2021)

12.28 Through the February 2021 viability consultation there was a general consensus that the value assumptions of residential development are appropriate, although further consideration may need to be given to a more fine grained approach. It is accepted that values do vary within the areas, they also vary within schemes, for example relative to height of the flat within a building, the views (green parkland or countryside v industrial sites) etc. Having said this, we do not believe that the evidence supports a further break down of the market areas. It is clear that prices do not change on hard lines. We do not believe that the further disaggregation of the areas is not supported by the available evidence.

12.29 In addition to the above a value is assumed, for private rent, under the Build to Rent format of £5,500/m^2.

Affordable Housing

12.30 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 — £1,800/m^2.

b. Affordable Rent — £2,500/m^2.

c. Intermediate Products for Sale — 70% of Open Market Value.

Non-Residential Market

12.31 The following value assumptions have been used:

Table 12.2 Commercial Values £/m² 2020					
	Rent £/m²	Yield	Rent free period		Assumption
Offices - Large	£375	5.00%	1.0	£7,143	£7,100
Offices - Small	£375	6.00%	1.0	£5,896	£5,900
Industrial - Large	£160	4.50%	1.0	£3,402	£3,400
Industrial - Small	£160	5.00%	1.0	£3,048	£3,050
Logistics	£160	4.00%	2.0	£3,698	£3,700

Source: HDH (February 2021)

Land Values

12.32 In this assessment the following Existing Use Value (EUV) assumptions are used.

Table 12.3 Existing Use Value Land Prices - 2021	
PDL	£3,000,000/ha
Office Redevelopment	£2,450/m²
Industrial Redevelopment	£1,430/m²
Agricultural	£25,000/ha
Paddock	£100,000/ha

Source: HDH (February 2021)

12.33 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 £500,000/ha.

Development Costs

12.34 These are the costs and other assumptions required to produce the financial appraisals.

Construction costs: baseline costs

12.35 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for Gloucestershire. The cost figure for 'Estate Housing – Generally' is £1,1439/m². The appropriate cost is used for the relevant building type, so the figure for flatted development (of the appropriate height) is used for flatted development, the figure used for terraced development is that for terraced housing and so on. Likewise, the appropriate figures are used for non-residential development types.

Other normal development costs

12.36 In addition to the BCIS £/m² 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. The effect of using higher costs has also been tested.

Abnormal development costs and brownfield sites

12.37 An additional allowance is made 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

12.38 For residential development we have assumed professional fees amount to 8% of build costs, for non-residential development we have assumed professional fees amount to 8% of build costs.

Contingencies

12.39 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.

S106 Contributions and the costs of infrastructure

12.40 LB Enfield has adopted CIL and development in Enfield is also subject to the Mayoral CIL. The costs of these are reflected in the appraisals. In addition, the Council adopted *Section 106 Supplementary Planning Document* in November 2016. This covers a range of policies, including affordable housing. On the whole the contributions will be site specific, in line with restrictions set out on CIL Regulation 122. Additional costs, are allowed for.

Financial and Other Appraisal Assumptions

12.41 The appraisals assume interest of 6.5% p.a. for total debit balances, No allowance is made for equity provided by the developer.

Developers' return

12.42 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.

12.43 In this assessment, the developers' return is assessed as in the *London Plan Viability Study* (Three Dragons Turner & Townsend Housing Futures Ltd December 2017). In addition, a 15% return is assumed for non-residential development.

- Up to 5 storeys 15% of GDV
- 6 to 20 storeys 17.5% of GDV
- Over 20 storeys 20% of GDV
- Affordable Housing 5% of GDV (6% of costs)
- Build to Rent - up to 5 storeys 11% of GDV
- Build to Rent - 6 to 20 storeys 12% of GDV
- Build to Rent - Over 20 storeys 13% of GDV

Site Acquisition and Disposal Costs

12.44 An allowance 1.5% 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.

Local Plan Policy Requirements

12.45 The specific purpose of this study 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.

12.46 The new Local Plan will replace the adopted *2010-2025 Core Strategy*, and the *Development Management Document (DMD) Adopted November 2014*. At the time of the pre-consultation draft report (February 2021) only the broad policy areas had been identified. We have now been provided with a working draft of the policy wordings that will be further developed to form or *Enfield's new Local Plan,* dated 1st April 2021. It is important to note that the Council's overall strategy will be, at least in part, be a factor of the housing target that is adopted and whether or not there are large scale greenfield releases. Part of the purpose of this viability update is to identify how viability may vary across different land types and the consequence that may have on policy.

12.47 The Enfield Local Plan will sit under the London Plan and provide detail and locally specific policies. 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.

Modelling

12.48 The approach is to model a set of development sites (typologies) that are broadly representative of the type of the residential and non-residential development that is likely to come forward under the new Local Plan.

Residential Appraisals

12.49 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 EUV by a satisfactory margin, being the Benchmark Land Value (BLV).

12.50 Several sets of appraisals have been run. The initial appraisals are based on the full policy on scenario with all the policy requirements, unless stated, being following assumptions.

a.	Affordable Housing	35% (Intermediate Housing 30%, Affordable Rent 70%)
b.	Design	90% Part M4(2), 10% Part M4(3) Water efficiency 10% Biodiversity Net Gain Green roofs Future Homes Standard Option 2 Plus London Plan 20% EV Charging
c.	Developer Contributions	CIL – Mayoral and LB Enfield, as per Charging Schedule s106 as £/unit at the following rates: i. Small (1-9 units) £2,500 ii. Medium (10 -99 units) £5,000 iii. Large (100-249 units) £7,500 iv. Very Large (250 units) £9,000 Public art on larger sites and apprenticeships at £5,000 per £1,000,000 of cost.

12.51 The appraisals are presented for the three price areas identified above. Part of the lower price area is the Meridian Waters masterplan area, lies within the £0/m^2 CIL Zone. A further set of appraisals has been run on for this area, but is only presented where relevant.

Table 12.4a Residential Typologies, – Residual Values

Higher Value Area

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	V Large Green 5,000	Higher	Green	Agricultural	208.33	125.00	5,000	1,673,896	2,789,827	348,728,400
Site 2	V Large Green 1,200	Higher	Green	Agricultural	42.86	30.00	1,200	3,022,604	4,318,005	129,540,152
Site 3	Medium Green 50	Higher	Green	Agricultural	1.90	1.43	50	3,375,902	4,501,203	6,430,290
Site 4	Small Green 10	Higher	Green	Paddock	0.29	0.29	10	6,432,482	6,432,482	1,837,852
Site 5	High Density 1,000	Higher	Brown	PDL	3.85	3.85	1,000	12,812,144	12,812,144	49,277,476
Site 6	High Density 350	Higher	Brown	PDL	1.00	1.00	350	16,667,289	16,667,289	16,667,289
Site 7	High Density 140	Higher	Brown	PDL	0.70	0.70	140	10,201,497	10,201,497	7,141,048
Site 8	High Density 70	Higher	Brown	PDL	0.35	0.35	70	10,815,649	10,815,649	3,785,477
Site 9	Medium Density 1,000	Higher	Brown	PDL	7.14	7.14	1,000	8,292,607	8,292,607	59,232,907
Site 10	Medium Density 350	Higher	Brown	PDL	2.69	2.69	350	8,892,278	8,892,278	23,940,747
Site 11	Medium Density 140	Higher	Brown	PDL	1.40	1.40	140	6,949,963	6,949,963	9,729,949
Site 12	Medium Density 70a	Higher	Brown	PDL	0.93	0.93	70	7,560,946	7,560,946	7,056,883
Site 13	Medium Density 70	Higher	Brown	PDL	0.70	0.70	70	7,442,197	7,442,197	5,209,538
Site 14	Medium Density 35	Higher	Brown	PDL	0.58	0.58	35	5,961,566	5,961,566	3,477,580
Site 15	Medium Density 15	Higher	Brown	PDL	0.20	0.20	15	7,690,115	7,690,115	1,538,023
Site 16	Medium Density 9	Higher	Brown	PDL	0.15	0.15	9	8,399,175	8,399,175	1,259,876
Site 17	Medium Density 5	Higher	Brown	PDL	0.08	0.08	5	7,918,709	7,918,709	599,902
Site 18	Medium Density 3	Higher	Brown	PDL	0.09	0.09	3	6,386,044	6,386,044	547,375
Site 19	Low Density 70	Higher	Brown	PDL	1.75	1.75	70	5,506,315	5,506,315	9,636,052
Site 20	Low Density 35	Higher	Brown	PDL	0.88	0.88	35	5,455,029	5,455,029	4,773,150
Site 21	Low Density 15	Higher	Brown	PDL	0.38	0.38	15	6,542,576	6,542,576	2,453,466
Site 22	Low Density 10	Higher	Brown	PDL	0.25	0.25	10	6,448,810	6,448,810	1,612,203
Site 23	Low Density 6	Higher	Brown	PDL	0.15	0.15	6	7,072,915	7,072,915	1,060,937
Site 24	Low Density 3	Higher	Brown	PDL	0.08	0.08	3	7,138,642	7,138,642	535,398
Site 25	BTR HD 140	Higher	Brown	PDL	0.70	0.70	140	4,716,318	4,716,318	3,301,423
Site 26	BTR 140	Higher	Brown	PDL	1.40	1.40	140	5,229,708	5,229,708	7,321,591

Source: HDH (April 2021)

Table 12.4b Residential Typologies, – Residual Values

Medium Value Area

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 5	High Density 1,000	Medium	Brown	PDL	3.85	3.85	1,000	3,253,036	3,253,036	12,511,675
Site 6	High Density 350	Medium	Brown	PDL	1.00	1.00	350	2,657,393	2,657,393	2,657,393
Site 7	High Density 140	Medium	Brown	PDL	0.70	0.70	140	1,749,871	1,749,871	1,224,910
Site 8	High Density 70	Medium	Brown	PDL	0.35	0.35	70	2,176,226	2,176,226	761,679
Site 9	Medium Density 1,000	Medium	Brown	PDL	7.14	7.14	1,000	5,667,969	5,667,969	40,485,494
Site 10	Medium Density 350	Medium	Brown	PDL	2.69	2.69	350	6,098,414	6,098,414	16,418,806
Site 11	Medium Density 140	Medium	Brown	PDL	1.40	1.40	140	4,620,319	4,620,319	6,468,447
Site 12	Medium Density 70a	Medium	Brown	PDL	0.93	0.93	70	5,601,024	5,601,024	5,227,623
Site 13	Medium Density 70	Medium	Brown	PDL	0.70	0.70	70	5,010,592	5,010,592	3,507,414
Site 14	Medium Density 35	Medium	Brown	PDL	0.58	0.58	35	4,419,954	4,419,954	2,578,307
Site 15	Medium Density 15	Medium	Brown	PDL	0.20	0.20	15	5,720,703	5,720,703	1,144,141
Site 16	Medium Density 9	Medium	Brown	PDL	0.15	0.15	9	6,436,903	6,436,903	965,535
Site 17	Medium Density 5	Medium	Brown	PDL	0.08	0.08	5	5,772,828	5,772,828	437,335
Site 18	Medium Density 3	Medium	Brown	PDL	0.09	0.09	3	5,022,969	5,022,969	430,540
Site 19	Low Density 70	Medium	Brown	PDL	1.75	1.75	70	4,160,847	4,160,847	7,281,481
Site 20	Low Density 35	Medium	Brown	PDL	0.88	0.88	35	4,134,618	4,134,618	3,617,791
Site 21	Low Density 15	Medium	Brown	PDL	0.38	0.38	15	4,931,013	4,931,013	1,849,130
Site 22	Low Density 10	Medium	Brown	PDL	0.25	0.25	10	4,896,899	4,896,899	1,224,225
Site 23	Low Density 6	Medium	Brown	PDL	0.15	0.15	6	5,546,736	5,546,736	832,010
Site 24	Low Density 3	Medium	Brown	PDL	0.08	0.08	3	5,612,463	5,612,463	420,935
Site 25	BTR HD 140	Medium	Brown	PDL	0.70	0.70	140	2,012,757	2,012,757	1,408,930
Site 26	BTR 140	Medium	Brown	PDL	1.40	1.40	140	3,860,759	3,860,759	5,405,063

Source: HDH (April 2021)

Table 12.4c Residential Typologies, – Residual Values

Lower Value Area

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 5	High Density 1,000	Lower	Brown	PDL	3.85	3.85	1,000	2,047,238	2,047,238	7,873,992
Site 6	High Density 350	Lower	Brown	PDL	1.00	1.00	350	941,509	941,509	941,509
Site 7	High Density 140	Lower	Brown	PDL	0.70	0.70	140	707,960	707,960	495,572
Site 8	High Density 70	Lower	Brown	PDL	0.35	0.35	70	1,108,412	1,108,412	387,944
Site 9	Medium Density 1,000	Lower	Brown	PDL	7.14	7.14	1,000	2,371,739	2,371,739	16,940,995
Site 10	Medium Density 350	Lower	Brown	PDL	2.69	2.69	350	2,647,550	2,647,550	7,128,019
Site 11	Medium Density 140	Lower	Brown	PDL	1.40	1.40	140	1,768,154	1,768,154	2,475,415
Site 12	Medium Density 70a	Lower	Brown	PDL	0.93	0.93	70	3,208,379	3,208,379	2,994,487
Site 13	Medium Density 70	Lower	Brown	PDL	0.70	0.70	70	2,044,469	2,044,469	1,431,129
Site 14	Medium Density 35	Lower	Brown	PDL	0.58	0.58	35	2,536,812	2,536,812	1,479,807
Site 15	Medium Density 15	Lower	Brown	PDL	0.20	0.20	15	3,317,450	3,317,450	663,490
Site 16	Medium Density 9	Lower	Brown	PDL	0.15	0.15	9	5,420,258	5,420,258	813,039
Site 17	Medium Density 5	Lower	Brown	PDL	0.08	0.08	5	4,660,300	4,660,300	353,053
Site 18	Medium Density 3	Lower	Brown	PDL	0.09	0.09	3	4,317,360	4,317,360	370,059
Site 19	Low Density 70	Lower	Brown	PDL	1.75	1.75	70	2,516,920	2,516,920	4,404,610
Site 20	Low Density 35	Lower	Brown	PDL	0.88	0.88	35	2,520,337	2,520,337	2,205,295
Site 21	Low Density 15	Lower	Brown	PDL	0.38	0.38	15	2,999,307	2,999,307	1,124,740
Site 22	Low Density 10	Lower	Brown	PDL	0.25	0.25	10	3,003,805	3,003,805	750,951
Site 23	Low Density 6	Lower	Brown	PDL	0.15	0.15	6	4,756,135	4,756,135	713,420
Site 24	Low Density 3	Lower	Brown	PDL	0.08	0.08	3	4,821,863	4,821,863	361,640
Site 25	BTR HD 140	Lower	Brown	PDL	0.70	0.70	140	2,223,977	2,223,977	1,556,784
Site 26	BTR 140	Lower	Brown	PDL	1.40	1.40	140	3,966,369	3,966,369	5,552,916

Source: HDH (April 2021)

12.52 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.

12.53 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.

Table 12.5a Residual Value v BLV - Higher Value Area					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	V Large Green 5,000	Higher	25,000	525,000	1,673,896
Site 2	V Large Green 1,200	Higher	25,000	525,000	3,022,604
Site 3	Medium Green 50	Higher	25,000	525,000	3,375,902
Site 4	Small Green 10	Higher	100,000	600,000	6,432,482
Site 5	High Density 1,000	Higher	3,000,000	3,600,000	12,812,144
Site 6	High Density 350	Higher	3,000,000	3,600,000	16,667,289
Site 7	High Density 140	Higher	3,000,000	3,600,000	10,201,497
Site 8	High Density 70	Higher	3,000,000	3,600,000	10,815,649
Site 9	Medium Density 1,000	Higher	3,000,000	3,600,000	8,292,607
Site 10	Medium Density 350	Higher	3,000,000	3,600,000	8,892,278
Site 11	Medium Density 140	Higher	3,000,000	3,600,000	6,949,963
Site 12	Medium Density 70a	Higher	3,000,000	3,600,000	7,560,946
Site 13	Medium Density 70	Higher	3,000,000	3,600,000	7,442,197
Site 14	Medium Density 35	Higher	3,000,000	3,600,000	5,961,566
Site 15	Medium Density 15	Higher	3,000,000	3,600,000	7,690,115
Site 16	Medium Density 9	Higher	3,000,000	3,600,000	8,399,175
Site 17	Medium Density 5	Higher	3,000,000	3,600,000	7,918,709
Site 18	Medium Density 3	Higher	3,000,000	3,600,000	6,386,044
Site 19	Low Density 70	Higher	3,000,000	3,600,000	5,506,315
Site 20	Low Density 35	Higher	3,000,000	3,600,000	5,455,029
Site 21	Low Density 15	Higher	3,000,000	3,600,000	6,542,576
Site 22	Low Density 10	Higher	3,000,000	3,600,000	6,448,810
Site 23	Low Density 6	Higher	3,000,000	3,600,000	7,072,915
Site 24	Low Density 3	Higher	3,000,000	3,600,000	7,138,642
Site 25	BTR HD 140	Higher	3,000,000	3,600,000	4,716,318
Site 26	BTR 140	Higher	3,000,000	3,600,000	5,229,708

Source: HDH (April 2021)

Table 12.5b Residual Value v BLV - Medium Value Area					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	High Density 1,000	Medium	3,000,000	3,600,000	3,253,036
Site 6	High Density 350	Medium	3,000,000	3,600,000	2,657,393
Site 7	High Density 140	Medium	3,000,000	3,600,000	1,749,871
Site 8	High Density 70	Medium	3,000,000	3,600,000	2,176,226
Site 9	Medium Density 1,000	Medium	3,000,000	3,600,000	5,667,969
Site 10	Medium Density 350	Medium	3,000,000	3,600,000	6,098,414
Site 11	Medium Density 140	Medium	3,000,000	3,600,000	4,620,319
Site 12	Medium Density 70a	Medium	3,000,000	3,600,000	5,601,024
Site 13	Medium Density 70	Medium	3,000,000	3,600,000	5,010,592
Site 14	Medium Density 35	Medium	3,000,000	3,600,000	4,419,954
Site 15	Medium Density 15	Medium	3,000,000	3,600,000	5,720,703
Site 16	Medium Density 9	Medium	3,000,000	3,600,000	6,436,903
Site 17	Medium Density 5	Medium	3,000,000	3,600,000	5,772,828
Site 18	Medium Density 3	Medium	3,000,000	3,600,000	5,022,969
Site 19	Low Density 70	Medium	3,000,000	3,600,000	4,160,847
Site 20	Low Density 35	Medium	3,000,000	3,600,000	4,134,618
Site 21	Low Density 15	Medium	3,000,000	3,600,000	4,931,013
Site 22	Low Density 10	Medium	3,000,000	3,600,000	4,896,899
Site 23	Low Density 6	Medium	3,000,000	3,600,000	5,546,736
Site 24	Low Density 3	Medium	3,000,000	3,600,000	5,612,463
Site 25	BTR HD 140	Medium	3,000,000	3,600,000	2,012,757
Site 26	BTR 140	Medium	3,000,000	3,600,000	3,860,759

Source: HDH (April 2021)

Table 12.5c Residual Value v BLV - Lower Value Area					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	High Density 1,000	Lower	3,000,000	3,600,000	2,047,238
Site 6	High Density 350	Lower	3,000,000	3,600,000	941,509
Site 7	High Density 140	Lower	3,000,000	3,600,000	707,960
Site 8	High Density 70	Lower	3,000,000	3,600,000	1,108,412
Site 9	Medium Density 1,000	Lower	3,000,000	3,600,000	2,371,739
Site 10	Medium Density 350	Lower	3,000,000	3,600,000	2,647,550
Site 11	Medium Density 140	Lower	3,000,000	3,600,000	1,768,154
Site 12	Medium Density 70a	Lower	3,000,000	3,600,000	3,208,379
Site 13	Medium Density 70	Lower	3,000,000	3,600,000	2,044,469
Site 14	Medium Density 35	Lower	3,000,000	3,600,000	2,536,812
Site 15	Medium Density 15	Lower	3,000,000	3,600,000	3,317,450
Site 16	Medium Density 9	Lower	3,000,000	3,600,000	5,420,258
Site 17	Medium Density 5	Lower	3,000,000	3,600,000	4,660,300
Site 18	Medium Density 3	Lower	3,000,000	3,600,000	4,317,360
Site 19	Low Density 70	Lower	3,000,000	3,600,000	2,516,920
Site 20	Low Density 35	Lower	3,000,000	3,600,000	2,520,337
Site 21	Low Density 15	Lower	3,000,000	3,600,000	2,999,307
Site 22	Low Density 10	Lower	3,000,000	3,600,000	3,003,805
Site 23	Low Density 6	Lower	3,000,000	3,600,000	4,756,135
Site 24	Low Density 3	Lower	3,000,000	3,600,000	4,821,863
Site 25	BTR HD 140	Lower	3,000,000	3,600,000	2,223,977
Site 26	BTR 140	Lower	3,000,000	3,600,000	3,966,369

Source: HDH (April 2021)

12.54 The appraisals indicate the differences across the Borough. Before considering these, it is necessary to consider the costs of each policy.

Cost of Individual Policies

12.55 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 with each individual policy requirement.

12.56 The cost of some requirements such as the increased water standard or green roofs is modest, at less than £10,000/ha. The costs of other requirements are very much more. The higher density typologies, which are the brownfield typologies, are subject to a greater impact of each policy than the lower density, greenfield typologies. When considering these it is important to note that the additional costs are just the cost of incorporating that element of policy compliance, however these changes can have an impact on the wider economics of the project. By way of examples, incorporating green roofs may reduce the requirements for

SUDS, using district heating can reduce the cost of reaching zero carbon or building to higher environmental standards may have a positive impact on prices.

12.57 Of particular note are the costs of sprinklers and District Heating. Neither of these are policy requirements (although both are seen as important by the Council in their wider priorities). Sprinklers are encouraged rather than required. Connection to the District Heating system is also encouraged, and, as mentioned above can also be a cost-effective solution to achieve lower carbon development. These items are not included in the subsequent analysis.

12.58 A further set of appraisals has been run to establish the cost of providing affordable housing (in the absence of other policy requirements). The results show that a 5% increase in amount of affordable housing on average, across the typologies, leads to a fall in the Residual Value of about £550,000/ha, although this does vary across the typologies (largely being a factor of the density assumptions) and the areas. The significance of this is that for each 5% increase in amount of affordable housing, the developer can afford to pay the landowner about £550,000/ha less.

Affordable Housing v Developer Contributions

12.59 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.

Table 12.6 Maximum Developer Contributions in Addition to CIL (£/Unit)

	Higher				Medium			
Affordable %	**35%**	**40%**	**45%**	**50%**	**35%**	**40%**	**45%**	**50%**
Greenfield	£50,000	£50,000	£50,000	£50,000				
High Density	£40,000	£35,000	£30,000	£20,000	£0	£0	£0	£0
Medium Density	£45,000	£40,000	£30,000	£25,000	£20,000	£20,000	£10,000	£10,000
Low Density	£50,000	£45,000	£35,000	£25,000	£35,000	£30,000	£20,000	£10,000
BTR	£10,000	£5,000	£0	£0	£0	£0	£0	£0
	Lower				**Meridian Water**			
Affordable %	**35%**	**40%**	**45%**	**50%**	**35%**	**40%**	**45%**	**50%**
Greenfield								
High Density	£0	£0	£0	£0	£0	£0	£0	£0
Medium Density	£0	£0	£0	£0	£0	£0	£0	£0
Low Density	£0	£0	£0	£0				
BTR	£0	£0	£0	£0	£0	£0	£0	£0

Source: HDH (April 2021)

12.60 This analysis highlights the differences between viability across the Borough.

a. In the Higher value area (the western and northern areas of the Borough (Chase, Cockfosters, Highlands, Grange, Palmer's Green, Southgate, Winchmore Hill)) the greenfield sites are likely to be able to bear both higher levels of affordable housing of up to 50%, and substantial levels of developer contributions of at least £50,000/unit, in addition to the current rates of CIL, (£50,000/unit is the maximum amount tested).

   The other types of mainstream housing represented by the higher, medium and lower densities can bear £40,000/unit, in addition to the current rates of CIL, or so in developer contributions at the minimum affordable housing requirement of 35%. At 50% affordable housing these typologies are able to bear at £25,000/unit or so, in addition to the current rates of CIL, in developer contributions.

   The Council can be confident that development that is planned for in this area will be deliverable and forthcoming.

b. In the Medium value area (the areas not included in the higher and lower values) the medium and lower density typologies, being those that exclude tall buildings, are able to bear £10,000/unit, in addition to the current rates of CIL, in developer contributions at 50% affordable housing. At 35% affordable housing these sites can bear at least £20,000/unit, in addition to the current rates of CIL, in developer contributions.

   Tall building represented by the high-density typologies are likely to be deliverable at 35% affordable housing, but would have limited capacity to bear developer in addition to CIL.

   Build to rent development, when tested against the requirements of the London Plan is not shown as viable. In this regard the PPG includes specific guidance with regard to viability and it is anticipated that the viability of such development will be tested at the development management stage.

   The Council can be confident that development that most development types in this area will be deliverable and forthcoming. However, the Council should be cautious about relying on tall buildings to deliver housing numbers and should only count on such sites where there is evidence that such sites are likely to be forthcoming.

c. In the Lower value area (the eastern part of the Borough running from Enfield Lock in the north, to Upper Edmonton in the south) delivering development has been challenging historically. Whilst there are numerous sites that have delivered a policy compliant scheme, of both 35% affordable housing and CIL, there are sites where it has been necessary to flex the policy requirement when considering specific planning applications. This is reflected in the appraisal results.

   At 35% affordable housing about half the typologies are shown as being viable. Development in this area may be relatively slow coming forward (which has been the case with Meridian Water). On the larger schemes it is likely that there will continue to need to be a degree on intervention by the Council and the wider public sector (including the GLA).

When formulating the new Local Plan, the Council should be cautious about relying on development in this area for the time being. Particular regard will need to be given as to the availability of public intervention and the deliverability of the sites.

12.61 The above analysis is based on the assumption that all the development will be on greenfield sites or land with a value that is of previously development land (at £3,000,000/ha). Some new development may come forward on sites that are being redeveloped. In these cases, the use of the site may be intensified, or existing employment sites taken into residential uses. This may be the redevelopment of office buildings within the towns, or perhaps the redevelopment of industrial sites. In these cases, the EUV is likely to be significantly higher than that used in the base appraisals.

12.62 It is challenging to present such development in a study of this type. Vacant buildings may be subject to Vacant Buildings Credit (VBC) and CIL may only apply to net new development. The rules around Vacant Building Credit and when CIL is not payable are complex and it is rare that both exemptions would apply on a single site. This means that each site is likely to be quite different and that the policy compliant situation is likely to be different from site to site taking in to account the nature of the site being redeveloped.

12.63 We have considered the Existing Use Value (EUV) assumptions. With a 4 storey office building, with 50% site coverage this equate to about £49m/ha for sites in an existing office use. It is notable that only one typology, with 35% affordable housing and no developer contributions in excess of CIL, generates a Residual Value that is excess of £14m/ha. This would suggest that the Council must be cautious about assuming that the market may bring forward development on sites that are in existing office uses for residential development – even having made allowance for substantial amounts of affordable housing to be offset through VBC.

12.64 With an industrial building (which is most likely to be single storey), with 60% coverage, this equates to about £8.6m/ha for sites with an existing industrial use. It is notable that in the lower value areas in the east of the Borough, with 35% affordable housing and no developer contributions, the highest Residual Value is about £5.7m, so somewhat below the likely value of land in industrial uses. Again, this would suggest that the Council must be cautious about assuming that the market may bring forward development on sites that are in existing industrial uses for residential development.

12.65 We do caveat this advice as the Council has seen the market bringing forward sites that are in active or recent office and industrial uses for residential development. The EUVs mentioned above relate to typical values for typical buildings. In reality the actual EUV will vary from site to site. An office building that is near to the end of its useful life and that is vacant, is likely to have a value that is a fraction of a building that remains suitable for modern office use and is let to a financially secure tenant. Further the amount of existing floor space could reduce the requirement for affordable housing or CIL.

12.66 Similarly, to the advice given above, when formulating the new Local Plan, the Council should be cautious about relying on development where it is based on the redevelopment of existing

office or industrial buildings. Particular regard will need to be given as to the available on public intervention and the deliverability of the sites.

Affordable Housing Varied Tenure Mix

12.67 The base appraisals are based on the tenure mix, of 30% Intermediate Housing and 70% Affordable Rent. Not only may this change over time (as the Housing Market Assessment is updated), but this is an area of changing national policy with current requirements for 10% Affordable Ownership (where the 10% is of all the housing) and 25% First Homes (where the 25% is of the affordable housing only). Further sets of appraisals have been run with a range of tenure mixes.

12.68 With a 35% affordable housing requirement, a 10% decrease in the amount of Intermediate Housing and corresponding 10% increase in the amount of Affordable Rent results in a fall in the Residual Value (i.e. the amount the developer can pay for the land) that is significant, particularly on the higher density sites. A move from the Council's preferred affordable housing mix of 70% affordable housing to rent / 30% intermediate housing to a mix will more (say 50%) intermediate housing would have a marked impact on improving viability.

12.69 When it comes to the decision-making process and determining planning applications, on sites were viability is challenging, it is recommended that consideration is given to adjusting the affordable housing mix as this can have a marked impact on the value of a site.

12.70 The 2019 NPPF (paragraph 64) sets out a policy for a minimum of 10% Affordable Home Ownership units on larger sites. This has been tested with a further set of appraisals where the first 10% of the housing on the site is as intermediate housing. The base appraisals are based on the Council's Housing Market Assessment has identified a tenure mix of 30% Intermediate Housing and 70% Affordable Rent. 10% Affordable Home Ownership is the equivalent to a 29% / 71% tenure split at 35% affordable housing, so is broadly in line with the Council's preferred mix. As would be expected, 10% Affordable Home Ownership does not materially impact on viability.

12.71 In February 2020, the Government launched a consultation on First Homes. The Government's *Changes to the current planning system – Consultation on changes to planning policy and regulations* (MHCLG, August 2020) has provided some clarity in this regard. A further set of appraisals has been run at 20%, 25% and 30% affordable housing, where 25% of the affordable housing is as a First Home. In addition, the consequence of seeking First Homes to be delivered with a greater discount than the minimum 30% discount is tested.

12.72 The consequence of seeking the First Homes to be sold at a greater discount than 30% is significant. Based on a 30% affordable housing target, each 10% increase in the discount (i.e. from 30% to 40%) results in a fall in the Residual Value of about £650,000/ha. The Council should be cautious in seeking affordable homes to be subject to a greater than 30% discount as this will adversely impact on viability.

'Preferred' Residential Policy Mix and Sensitivity Testing

12.73 The Council is about to undertake the Regulation 18 consultation on the emerging Local Plan. This will inform the next stage of the plan's development, in particular whether or not to further consider development within the Green belt. This will be determined by a wide range of factors, including the Council's housing requirement figure (which is yet to be settled). At the time of this report, the Council has not settled on a preferred options.

12.74 When considering what mix of policies to recommend, the following factors have been taken into account:

a. That it may be preferable to keep general policy requirements consistent across the area, rather than have different areas subject to differing environmental standards or similar. If differential requirements were set, then it would be sensible to follow, as far as possible the established CIL zones.

b. That infrastructure, including education, can be funded, at least in part, by CIL, so it is not necessary to make an allowance for the full, worst case scenario of developer contributions, beyond the allowances made in the base appraisals.

c. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now, it would be preferable to wait for the Government to set out their future plans and for the Council to have settled on a preferred option for the Local Plan.

d. That an important factor when setting policy is the distribution of potential development sites. In this regard, relatively few development sites are being relied on in the lower value East area.

   Much of the development that is planned in this area is likely to be on land that is subject to public sector interventions (many of the planned allocations are owned by LBE). The extent of these interventions varies, from simply being sites in the Council's ownership, to schemes that are subject to external grant aid, to lower-level interventions such as publicly funded public realm woks that are contributing the regeneration of the more challenging areas.

12.75 Having discussed these with the Council through the iterative viability testing process, a final set of appraisals has been run on the following assumptions.

a.	Affordable Housing	35% (Intermediate Housing 50%, Affordable Rent 50%)
b.	Design	90% Part M4(2), 10% Part M4(3)
		Water efficiency
		10% Biodiversity Net Gain
		Green roofs
		Future Homes Standard Option 2 Plus London Plan
c.	Developer Contributions	CIL – Mayoral and LB Enfield, as per Charging Schedule

12.76 With a view to improving viability, the requirements are now based on a 50% Affordable Rent / 50% Intermediate Housing mix, do not include EV Charging Points, further it is assumed that public art and apprenticeships are within the s106 contributions rather than in addition.

12.77 Above we set out that the development in the higher value area in particular has capacity to bear higher levels of affordable housing and developer contributions, for example a 50% affordable housing requirement in the higher and medium value areas. We understand that the Council will consider this further following the further consideration of the options to form the basis of the Regulation 18 consultation.

12.78 A further set of appraisals has been run on this basis.

Table 12.7a Residual Value v BLV – Recommended Policies - Higher Value Area

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	V Large Green 5,000	Higher	25,000	525,000	1,794,407
Site 2	V Large Green 1,200	Higher	25,000	525,000	3,225,713
Site 3	Medium Green 50	Higher	25,000	525,000	3,626,971
Site 4	Small Green 10	Higher	100,000	600,000	6,936,996
Site 5	High Density 1,000	Higher	3,000,000	3,600,000	14,846,624
Site 6	High Density 350	Higher	3,000,000	3,600,000	19,731,252
Site 7	High Density 140	Higher	3,000,000	3,600,000	12,065,737
Site 8	High Density 70	Higher	3,000,000	3,600,000	12,751,720
Site 9	Medium Density 1,000	Higher	3,000,000	3,600,000	9,198,704
Site 10	Medium Density 350	Higher	3,000,000	3,600,000	9,848,460
Site 11	Medium Density 140	Higher	3,000,000	3,600,000	7,761,208
Site 12	Medium Density 70a	Higher	3,000,000	3,600,000	8,206,826
Site 13	Medium Density 70	Higher	3,000,000	3,600,000	8,301,151
Site 14	Medium Density 35	Higher	3,000,000	3,600,000	6,462,452
Site 15	Medium Density 15	Higher	3,000,000	3,600,000	8,318,311
Site 16	Medium Density 9	Higher	3,000,000	3,600,000	8,969,171
Site 17	Medium Density 5	Higher	3,000,000	3,600,000	8,477,623
Site 18	Medium Density 3	Higher	3,000,000	3,600,000	6,851,202
Site 19	Low Density 70	Higher	3,000,000	3,600,000	5,917,419
Site 20	Low Density 35	Higher	3,000,000	3,600,000	5,855,963
Site 21	Low Density 15	Higher	3,000,000	3,600,000	6,543,177
Site 22	Low Density 10	Higher	3,000,000	3,600,000	6,915,112
Site 23	Low Density 6	Higher	3,000,000	3,600,000	7,526,684
Site 24	Low Density 3	Higher	3,000,000	3,600,000	7,592,412
Site 25	BTR HD 140	Higher	3,000,000	3,600,000	6,044,082
Site 26	BTR 140	Higher	3,000,000	3,600,000	5,881,041

Source: HDH (April 2021)

Table 12.7b Residual Value v BLV – Recommended Policies - Medium Value Area					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	High Density 1,000	Medium	3,000,000	3,600,000	6,021,484
Site 6	High Density 350	Medium	3,000,000	3,600,000	6,644,402
Site 7	High Density 140	Medium	3,000,000	3,600,000	4,108,142
Site 8	High Density 70	Medium	3,000,000	3,600,000	4,590,473
Site 9	Medium Density 1,000	Medium	3,000,000	3,600,000	7,135,214
Site 10	Medium Density 350	Medium	3,000,000	3,600,000	7,548,482
Site 11	Medium Density 140	Medium	3,000,000	3,600,000	5,821,479
Site 12	Medium Density 70a	Medium	3,000,000	3,600,000	6,570,034
Site 13	Medium Density 70	Medium	3,000,000	3,600,000	6,251,512
Site 14	Medium Density 35	Medium	3,000,000	3,600,000	5,175,267
Site 15	Medium Density 15	Medium	3,000,000	3,600,000	6,671,465
Site 16	Medium Density 9	Medium	3,000,000	3,600,000	7,263,389
Site 17	Medium Density 5	Medium	3,000,000	3,600,000	6,639,940
Site 18	Medium Density 3	Medium	3,000,000	3,600,000	5,640,147
Site 19	Low Density 70	Medium	3,000,000	3,600,000	4,805,034
Site 20	Low Density 35	Medium	3,000,000	3,600,000	4,764,237
Site 21	Low Density 15	Medium	3,000,000	3,600,000	5,246,772
Site 22	Low Density 10	Medium	3,000,000	3,600,000	5,623,580
Site 23	Low Density 6	Medium	3,000,000	3,600,000	6,195,321
Site 24	Low Density 3	Medium	3,000,000	3,600,000	6,261,049
Site 25	BTR HD 140	Medium	3,000,000	3,600,000	4,264,187
Site 26	BTR 140	Medium	3,000,000	3,600,000	4,974,028

Source: HDH (April 2021)

Table 12.7c Residual Value v BLV – Recommended Policies - Lower Value Area					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	High Density 1,000	Lower	3,000,000	3,600,000	3,306,103
Site 6	High Density 350	Lower	3,000,000	3,600,000	2,763,768
Site 7	High Density 140	Lower	3,000,000	3,600,000	1,823,487
Site 8	High Density 70	Lower	3,000,000	3,600,000	2,277,729
Site 9	Medium Density 1,000	Lower	3,000,000	3,600,000	2,835,984
Site 10	Medium Density 350	Lower	3,000,000	3,600,000	3,139,528
Site 11	Medium Density 140	Lower	3,000,000	3,600,000	2,185,347
Site 12	Medium Density 70a	Lower	3,000,000	3,600,000	3,546,096
Site 13	Medium Density 70	Lower	3,000,000	3,600,000	2,492,539
Site 14	Medium Density 35	Lower	3,000,000	3,600,000	2,790,152
Site 15	Medium Density 15	Lower	3,000,000	3,600,000	3,636,291
Site 16	Medium Density 9	Lower	3,000,000	3,600,000	5,793,758
Site 17	Medium Density 5	Lower	3,000,000	3,600,000	5,033,517
Site 18	Medium Density 3	Lower	3,000,000	3,600,000	4,616,514
Site 19	Low Density 70	Lower	3,000,000	3,600,000	2,733,459
Site 20	Low Density 35	Lower	3,000,000	3,600,000	2,725,439
Site 21	Low Density 15	Lower	3,000,000	3,600,000	3,026,377
Site 22	Low Density 10	Lower	3,000,000	3,600,000	3,242,829
Site 23	Low Density 6	Lower	3,000,000	3,600,000	5,051,805
Site 24	Low Density 3	Lower	3,000,000	3,600,000	5,117,532
Site 25	BTR HD 140	Lower	3,000,000	3,600,000	3,323,416
Site 26	BTR 140	Lower	3,000,000	3,600,000	4,503,643

Source: HDH (April 2021)

12.79 Even on this basis, not all development is viable, particularly that on sites and in the East of the Borough. In these cases, it is recommended that the Council accepts site specific viability assessments at the development management stage.

12.80 The infrastructure cost for the potential Strategic Sites is not yet known. As an when the this is established it will be necessary to reconsider deliverability to ensure the sites can bear their full strategic infrastructure and mitigation costs. In any event, it is recommended that that the Council engages with the owners, from an early stage, in line with the advice set out in the Harman Guidance (page 23) and the PPG.

12.81 The Council should be cautious about including sites in the east of the Borough in the Plan, and only rely on them to deliver the housing requirements where they can be confident that the sites are actually deliverable. Factors may include a recent planning consent, confirmation from the landowner, the site being in public sector ownership, or there being public sector intervention and/or involvement.

12.82 The brief for this Local Plan Viability Assessment extends to making an assessment of the capacity of development to bear CIL. The future of CIL as a mechanism for funding infrastructure is uncertain so rather than consider a specific review of CIL now it would be preferable to wait for the Government to set out their future plans. It is however clear that there is capacity to seek increased levels of CIL for some types of development, although this is unlikely to apply in the Lower Value East Area of the Borough or in relation to Tall Buildings.

12.83 As set out above, at this stage we would suggest that the Council is cautious about proceeding with CIL, but reconsiders this as and when the Government's plans in this regard have been clarified.

Changes in Costs and Values

12.84 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. We have tested a range of scenarios with varied increases in build costs several price change scenarios.

12.85 The analysis demonstrates that a relatively small increase in values of 5% or so, has a dramatic impact on viability, with nearly all of the typologies, including those in the lower value area showing as viable. Equally a 5% increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan as few additional typologies fall out of viability as a result of this change. Whilst this indicates that viability is tight, it does suggest that should there be a period of faster house price growth than build cost inflation it may we be worthwhile the Council revisiting viability with a view to reviewing the policy requirements.

12.86 This viability update is carried out at today's costs and values, as is appropriate. It would not be appropriate to build a set of policies that rely on increases in house prices that may or may not happen in the future. It is however timely to note that the public sector interventions, particularly in the east of the Borough and around Edmonton Green, at Meridian Water and elsewhere include elements of estate renewal, improvements to the open spaces, public realm and street scenes and other significant regeneration type projects. These are having a real impact on the neighbourhoods and are beginning to have an impact on values as the relative desirability of areas is improved. The link between the interventions and improvements is difficult to quantify, however, even with the uncertainty around Crossrail 2, there is continued optimism amongst agents that prices will continue to increase (not least, because prices here are relatively low compared to other parts of the northern fringes of London).

Older People's Housing

12.87 As well as mainstream housing, we have considered the Sheltered and Extracare sectors separately. Appraisals were run for a range of affordable housing requirements. In each case allowance has been made for a s106 developer contribution of £2,500/unit.

12.88 The development of Sheltered housing on greenfield sites and brownfield sites is able bear 35% affordable housing, in addition to a £2,500/unit s106 contribution and CIL.

10.77 The development of Extracare housing on greenfield sites is able bear in excess of 35% affordable housing, in addition to a £2,500/unit s106 contribution and CIL. The capacity is less on brownfield sites where the maximum amount of affordable housing is between 20% and 30%.

12.89 In this regard it is timely to note that the PPG acknowledges that older people's housing is different to mainstream housing, giving it as one of the exceptions as to when viability testing may be appropriate at the development management stage.

> *Where up-to-date policies have set out the contributions expected from development, planning applications that fully 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. ...*
>
> *Such circumstances could include, for example ... where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); ...*
>
> *PPG 10-007-20190509*

12.90 With this in mind it is not necessary for the Council to develop a specific affordable housing policy for this type of housing.

Student Housing and Shared Living

12.91 Two forms of student accommodation have been modelled, the Cluster Flat model and the Studio Flat model. Cluster Flats are groups of rooms sharing living space and a kitchen. Studio Flats which are slightly larger rooms, including a kitchenette. The Studio Flats are modelled as both student accommodation and under the shared living model. These are only modelled in the brownfield site scenario.

12.92 The analysis shows that whilst Shared Living accommodation can bear over 35% affordable housing (in addition to CIL), conventional, studio based, student accommodation can only bear 20% or so.

12.93 The PPG acknowledges that student housing is different to mainstream housing, giving it as one of the exceptions as to when viability testing may be appropriate at the development management stage.

12.94 With this in mind it is not necessary for the Council to develop a specific affordable housing policy for this type of housing.

Non-Residential Appraisals

12.95 Financial appraisals have been run for the non-residential development types. As with the residential appraisals, these use the Residual Valuation approach. To assess viability, we 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

12.96 Firstly, the main employment uses are considered.

12.97 To a large extent the above results are reflective of the current market. Office development and industrial are both shown as being viable and both are coming forward.

12.98 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.

12.99 Whilst much of the development that is coming forward in the area is user-led, being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes, it is also being brought forward speculatively. The market is active at the time of this report. British Land (a UK listed REIT) is reported to have exchanged contracts (at £85,000,000) for the acquisition house, a 20,000m2 warehouse let to Waitrose and Crown Records Management. In this context British Land said that the site 'offers significant redevelopment potential given the opportunity to increase density'.

12.100 With regard to residential development we considered redevelopment sites. The above analysis is based on the assumption that all the development will be on greenfield sites or land with a value that is of previously development land (£3,000,000/ha). Much of the development of both employment space is likely to be of sites that are being redeveloped. In these cases, the use of the site may be intensified, or where buildings have come to the end of their useful life simply replaced. In these cased the EUV is likely to be significantly higher.

12.101 With a 4 storey office building, with 50% site coverage the land value equates to about £49m/ha for sites in an existing office use. It is notable that only one typology, (town centre offices), generates a Residual Value that is excess of £13m/ha. This would suggest that the Council must be cautious about assuming that the market may bring forward development that are subject to intensification.

12.102 We do caveat this advice as the Council has seen the market bringing forward sites that are in active or recent office and industrial uses for development. The EUVs mentioned above relate to typical values for typical buildings. In reality the actual EUV will vary tremendously from site to site. An office building that is near to the end of its useful life and that is vacant, is likely to have a value that is a fraction of a building that remains suitable for modern office

use and is let to a financially secure tenant. Further the amount of existing floor space could reduce the liability for CIL.

12.103 Similarly, to the advice given above, when formulating the new Local Plan, the Council should be cautious about relying on development where it is based on the redevelopment of existing office or industrial buildings. Particular regard will need to be given as to the available on public intervention and the deliverability of the sites.

Community Infrastructure Levy

12.104 The brief for this project extended to making an assessment of the capacity of development to bear CIL. There is uncertainty as to whether or not CIL will remain an option for funding infrastructure and, as yet, the Council have not established the preferred option for the Local Plan. At this stage we would suggest that the Council is cautious about proceeding with a formal review of CIL, but reconsiders this as and when the Government's plans in this regard have been clarified and the development strategy has been settled.

Conclusions

12.105 The London Borough of Enfield has a vibrant and active property market, although some areas, particularly those associated with the east of the Borough do have challenges. All types of residential and non-residential development are coming forward, but in the case of some taller buildings and development in the east are they are not all delivering the full policy requirements for affordable housing in addition to the adopted (Mayoral and LBC) rates of CIL.

12.106 The findings of this report can be summarised as follows:

a. 35% affordable housing is achievable on most sites in most areas, in addition to other policy requirements. There is substantial scope to have a considerably higher (50%) affordable housing target in the higher values areas.

b. Large greenfield sites are likely to be able to bear 50% affordable housing and at least £50,000/unit in developer contributions. The Council can therefore be confident that if it were to allocate such sites that they would be forthcoming.

c. Some areas and development types, in particular in the east of the Borough and taller buildings are more challenging to deliver. With a view to improving viability, an affordable housing mix of 50% Affordable Rent / 50% Intermediate Housing mix is suggested. It is also suggested that there is flexibility around the requirement to provide EV Charging Points. Further it is assumed that public art and the costs of providing apprenticeships are within the s106 contributions rather than in addition.

d. Delivering development in this lower value area has been challenging historically. Whilst there are numerous sites that have delivered a policy compliant scheme, there are sites where it has been necessary to flex the policy requirement when considering specific planning applications. Development in this area may be relatively slow coming forward. On the larger schemes it is likely that there will continue to need to be a degree on intervention by the Council and the wider public sector (including the GLA).

When formulating the new Local Plan, the Council should be cautious about relying on development in this area for the time being. Particular regard will need to be given as to the availability of public intervention and the deliverability of the sites.

e. The Council should be cautious about assuming that the market may bring forward either residential or non-residential development on sites that are in existing industrial uses for residential development. Having said this, the Council has seen the market bringing forward sites that are in active or recent office and industrial uses for re-development.

f. There is uncertainty as to whether or not CIL will remain an option for funding infrastructure and, as yet, the Council have not established the preferred option for the Local Plan. At this stage we would suggest that the Council is cautious about proceeding with a formal review of CIL, but reconsiders this as and when the Government's plans in this regard have been clarified and the development strategy has been settled.

g. In relation to potential strategic sites, 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 at the earliest opportunity.

h. A relatively small increase in values relative to build costs will have a marked improvement on viability.

i. There is uncertainty around the impact of COVID-19 and Brexit on the economy. It is important that the Council monitors these changes as they occur and if necessary, makes any required changes.

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