



*Independent Viability Experts*

FAO Mr Christopher Carroll  
Kirklees Council

David Newham MRICS  
Director  
CP Viability Ltd

Sent by email only

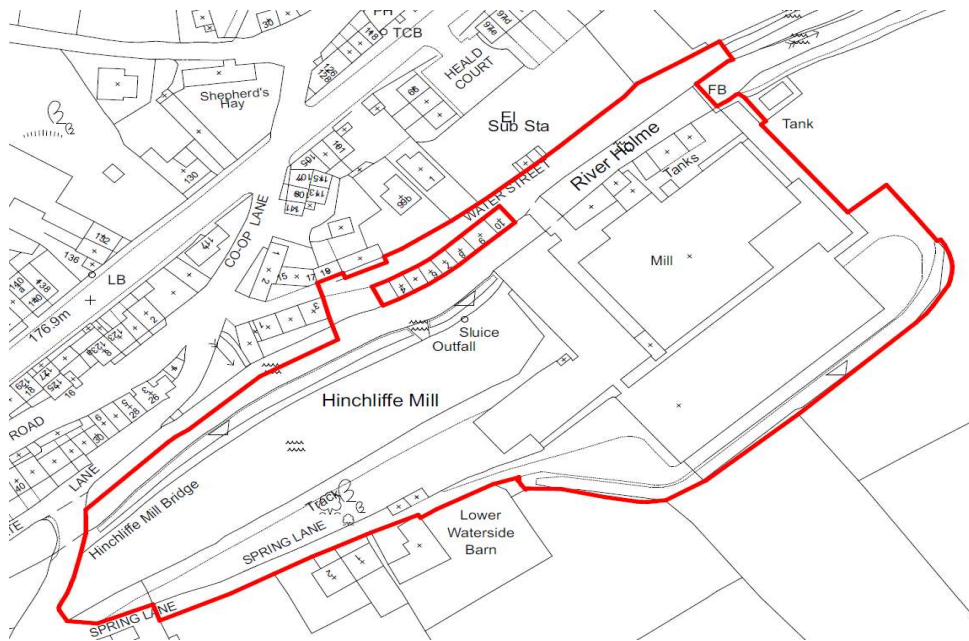
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Our ref: DN-0505  
Your ref: 2021/62/90800/W  
Date: 18<sup>th</sup> June 2021

Dear Mr Carroll

**PROPERTY ADDRESS: Hinchliffe Mill, Water Street, Holmbridge, Holmfirth, HD9 2NX**  
**INSTRUCTING BODY: Kirklees Council**  
**APPLICANT: Brantingham Homes**



Further to your instruction dated 29<sup>th</sup> April 2021 and receipt of the applicant's updated viability appraisal dated 24<sup>th</sup> May 2021, we are pleased to report as follows.

## 1. Property Overview

- 1.1. The property is in the area of Hinchliffe Mill, a small settlement between the village of Holmbridge and, 1.5 miles to the southwest, the small town of Holmfirth in the Holme Valley in the southern part of Kirklees district. Holmfirth is around 6 miles to the south of Huddersfield, the principal administrative centre of the district. The village is linear in nature and has road links to the wider strategic road network via the A6024 Woodhead Road, which joins the A635 (Transpennine) Manchester to Doncaster route at Holmfirth. Junction 37 of the M1 motorway lies just over 11 miles to the east. The nearest rail connection is at Brockholes, just under 3 miles to the north.
- 1.2. The property itself is located on the south side of Woodhead Road, close to the village “centre”. Hinchliffe Mill (and Holmbridge) comprises for the most part a village of mostly older stone-built terraced dwellings arranged along the main and some side roads, with a mixture of house types, styles, ages, and quality in the areas beyond. There has been little recent new build activity, with the schemes to the west of the subject property at Broadfield Park and Moss Edge View being the most recent, in the late 1990s and early 2000s, respectively. The subject property is surrounded to the north and west mainly by the older established housing and a handful of non-residential premises. To the south and east is undeveloped agricultural land, but with several individual dwellings and farmsteads.
- 1.3. The property falls within the Hinchliffe Mill Conservation Area, although it is not listed. This originally comprised a complex of buildings and adjoining land previously used as an “integrated” woollen mill. Various buildings were adapted / built whilst in use. However, it ceased its principal use in the late 20<sup>th</sup> Century. Demolitions since that period have left Cross Mill as the only existing building on site. At present the property comprises the following elements:

- Cross Mill – the only remaining building on the site. The central part of the complex, it is a 2/3 storey, 18 bay long and 4 bay wide building with stone walls, stone dressings and hipped, double pitched, stone slate roofs. The lower ground floor of the building only covers about one third of the footprint at the northern end. It is in a dilapidated, though structurally sound condition according to a report by Collinshall Green Ltd dated January 2021.
  - Adjacent to the remaining building to the northeast is an area cleared of other buildings in 2011 which is now overgrown with self-set vegetation.
  - Adjacent to the remaining building to the southeast is an area of land cleared of buildings and overgrown as per the above.
  - Adjacent to the remaining building to the northwest is the River Holme (which runs through the site from northeast to southwest) with a bridge over and, beyond it, most of the access road of Water Street (although the site boundary does not include the terraced houses on Water Street).
  - Adjacent to the remaining building to the southwest is the former mill pond with its surrounds.
  - To the southeast of the mill pond is another access road into the site (Spring Lane) which also permits access to dwellings not within the site boundary.
- 1.4. The site has an irregular shape, and it slopes downwards generally from south to north, albeit with level areas where buildings and circulation areas exist (or once existed).

- 1.5. According to the "Development Viability Appraisal" report dated 24<sup>th</sup> May 2021, submitted by Robert Halstead Chartered Surveyors & Town Planners ("RH") on behalf of the applicant, the gross area of the site extends to 1.9 Ha (4.69 acres).
- 1.6. In terms of planning history, in the last 20 years there have been several other applications of material relevance to the current proposals. These include:
- 2006/91183 – Conversion and extension of existing mill buildings to form 19 No. residential units and erection of 2 No. dwellings with garages (partly within a conservation area) – granted on appeal on 12<sup>th</sup> August 2008. The permission was time limited to 3 years from that date.
  - 2006/91184 – Conservation Area Consent for demolition of buildings – this related to most buildings to the south and east of the remaining building and was granted on 27<sup>th</sup> February 2008, on condition that it was time limited to 3 years from that date and that an application for redevelopment had been submitted before demolition took place.
  - 2009/90368 – Erection of replacement building to form two dwellings (within a Conservation Area) - this related to the former blending shed building and was granted conditional permission on 10<sup>th</sup> December 2009. Conditions included a 3-year time limit to commence.
  - 2009/90369 - Conservation Area Consent for demolition of blending building – (parallel application to above) granted 10<sup>th</sup> December 2009.

- 2010/91518 – Change of use and alterations to convert existing mill building to 7 dwellings with garages and erection 12 dwellings with garages (within a Conservation Area) – granted conditional permission on 20<sup>th</sup> January 2011, with a 3-year time limit to commence.
- 2010/91519 – Conservation Area Consent for demolition of former blending/mending shed, storage buildings and office buildings (parallel application to above) – granted conditional permission on 20<sup>th</sup> January 2011 with a 3-year time limit to commence, and a requirement to have let (and evidence the same) a contract for redevelopment in accordance with the scheme applied for under 2010/91518.

1.7. The current application is described as follows:

- 2021/62/90800/W - “Redevelopment and change of use of former mill site to form seven residential units within the mill building and erection of 17 dwellings (within a Conservation Area)”

1.8. However, following discussions with the Council, the applicant has reconfigured the proposals to total 16 dwellings, comprising of 7 converted dwellings and 9 new build dwellings.

1.9. RH's appraisal includes a schedule of accommodation, as follows:

Name	Type	Beds	Total units	Per unit (sq m)	Total (sq m)
<b>Mill conversion</b>					
Plot 3	Terrace (bedroom GF)	3	1	209	209
Plot 4	Terrace	4	1	186	186
Plot 5	Terrace	3	1	202	202
Plot 6	Terrace (3 storey)	3	1	190	190
Plot 7	Terrace (3 storey)	3	1	207	207
Plot 8	Terrace (3 storey)	3	1	196	196
Plot 9	Terrace (3 storey)	3	1	194	194
<b>New build</b>					
Type 1	Detached (2.5 storey)	4	1	194	194
Type 2	Detached (2.5 storey)	4	1	222	222
Type 3	Terrace (3 storey)	3	7	166	1,162
<b>Total</b>			<b>16</b>		<b>2,962</b>

## 2. Scope of Assessment and General Assumptions

2.1. As stated above, acting on behalf of the applicant, RH have submitted a viability report dated 24<sup>th</sup> May 2021. This states that "The sole purpose of this viability exercise in the context of the current planning application is to demonstrate whether or not the inclusion of S106 contributions is financially viable. This report and accompanying evidence submitted demonstrates that the development in question is not viable with S106 contributions".

- 2.2. We have been instructed to provide an independent viability assessment of the scheme, with a view to advising the Council as to the robustness or otherwise of the applicant's conclusion.
- 2.3. In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that in completing this instruction CP Viability Ltd have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.
- 2.4. In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that prior to accepting this instruction we undertook a conflict-of-interest check. It is stressed that as an organisation we only provide independent viability reviews upon the instruction of Local Authorities and therefore can guarantee that we have not provided viability advice on behalf of the applicant for this scheme. Within this context and having undertaken a review we are unaware of any conflict of interest that prevents CP Viability from undertaking this instruction. If, later, a conflict is identified we will notify all parties to discuss how this should be managed.
- 2.5. In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that the fee agreed to undertake this review is a fixed rate (covering the elements set out in our fee quote / terms of engagement) and is not performance related or a contingent fee.

- 2.6. In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that CP Viability Ltd is not currently providing ongoing advice to Kirklees Council in area-wide financial viability assessments to help formulate policy.
- 2.7. As stated within the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) it is now a mandatory requirement to provide sensitivity analysis of the viability results. This is to demonstrate to the applicant and decision maker the impact that changes to inputs have on the viability outcome and to help the assessor reach an informed conclusion. We have subsequently undertaken sensitivity testing as part of this review.
- 2.8. We have assessed the viability of the scheme as of 18<sup>th</sup> June 2021.
- 2.9. We have relied on the information provided to us by the instructing body and the applicant and information publicly available through the Council's planning portal website.
- 2.10. We have not met either of the Instructing Body or the applicant and subsequently have not partaken in any negotiations regarding the scheme.
- 2.11. In accordance with the RICS "Assessing viability in planning under the National Planning Policy Framework 2019 for England (Guidance Note 1<sup>st</sup> Edition, March 2021), our appraisal assumes a hypothetical landowner and a hypothetical developer. The intention of a viability assessment is therefore to identify the approach a 'typical' or 'average' developer / landowner would take to delivering the site for development. A viability assessment does not therefore seek to reflect the specific circumstances of anybody (whether landowner or developer).

- 2.12. In undertaking our appraisals, we have utilised the ARGUS Developer toolkit. This is an industry approved cash-flow model, designed specifically for residual appraisals.
- 2.13. This report reflects the independent views of CP Viability, based on the research undertaken, the evidence identified and the experience of the analysing surveyor.

### **3. RH's appraisal – summary**

- 3.1. RH have run several appraisal scenarios, as follows (for ease we have used the appendix reference adopted in RH's report):

Appendix N – includes the full S106 contributions

Appendix O – excludes any S106 contributions

Appendix P – sensitivity test, reducing the developer profit

Appendix Q – sensitivity test, reducing the sales values

Appendix R – sensitivity test, increasing the sales values

- 3.2. For the purposes of this section, we have focused on 'Appendix N' (i.e., a full policy compliant appraisal).
- 3.3. To summarise the applicant's figures, we have categorised the costs provided under what we consider to be the most common sections of a viability appraisal. For example, all costs which we believe relate to the basic construction of a dwelling (including a contractor's margin or developer's overhead) have been allocated accordingly. Any unusual costs are referred to as "Abnormals", and so on. This categorisation approach allows us to undertake a comparison between the subject scheme and other developments we have assessed.

Gross Development Value (Revenue)

Type	No.	Av £ per sq m	Av £ per dwelling	Total
Plot 3 – Conversion Terrace (GF beds)	1	£2,512	£525,008	£525,008
Plot 4 – Conversion Terrace	1	£2,688	£499,968	£499,968
Plot 5 – Conversion Terrace	1	£2,079	£419,958	£419,958
Plot 6 – Conversion Terrace (3 storey)	1	£2,184	£414,960	£414,960
Plot 7 – Conversion Terrace (3 storey)	1	£1,957	£405,099	£405,099
Plot 8 – Conversion Terrace (3 storey)	1	£2,321	£454,916	£454,916
Plot 9 – Conversion Terrace (3 storey)	1	£2,345	£454,930	£454,930
Type 1 – New build Detached (2.5s)	1	£2,345	£454,930	£454,930
Type 2 – New build Detached (2.5s)	1	£2,140	£475,080	£475,080
Type 3 – New build Terrace (3 storey)	7	£2,861	£474,926	£3,324,482
<b>Total</b>	<b>16</b>			<b>£7,429,331</b>

### Gross Development Cost (Outgoings)

Type	Rate/notes	Total
Mill Conversion (inc prelims)	£1,653.92 psm	£2,289,027
New build (inc prelims)	£1,556.96 psm	£2,456,886
Garages		£89,652
Externals	11.44% of plot costs	£553,267
Contingency	4.21% of plot costs / externals	£226,778
Abnormals	Various	£208,256
Professional fees	4.46% of plot costs / externals	£240,413
Planning policies	Affordable housing / Open Space	£409,090
Marketing / disposal	2% on revenue	£148,587
Debit interest	6.5%	£303,514
Other finance	Arrangement / exit fees	£121,286
Developer profit	20% on revenue	£1,485,866
<b>Total</b>		<b>£8,606,942</b>

- 3.4. Based on the above assumptions, the scheme delivers a land value deficit of – (minus) £1.1million. As this is significantly below the benchmark land value of £525,000 the scheme is deemed to be unviable with the planning policies applied.
- 3.5. RH subsequently re-run the appraisal with the S106 contributions removed. However, this also produces a negative land value so is also considered to be technically unviable. Using RH’s appraisal assumptions, if the planning policies are removed, the developer profit equates to around 3.60% on revenue, significantly below the 20% target rate. However, even so, the applicant has indicated that the scheme can come forward.

#### 4. CP Viability's appraisal

##### Gross Development Value (Revenue)

- 4.1. We have based our assessment of value for the completed dwellings on the mix detailed above (see 1.9). As shown above in para 3.3 the values adopted by RH range from circa £405,000 to £525,000 dependent on the size and nature of the dwelling. To arrive at the adopted values RH, refer to a table of 15 comparables (shown as Appendix E in their report), together with plot valuations provided by a local estate agent Earnshaw Kay Estates (provided as Appendix D to RH's report).
- 4.2. In terms of the comparables table, we would comment on each as follows:
- 9 Green Mill Lane: 2 bed apartment 62.52 sq m. No apartments are provided at the subject property and furthermore this unit is considerably smaller than any of the dwellings at the subject scheme. For these reasons we do not consider that this provides a comparable for analysis and should be disregarded.
  - Stoney Bank Chase, Kensington House, Thongsbridge HD9 7SL: Redrow development 3 miles to the northeast of the subject property. According to Zoopla, the current average value in Thongsbridge is £253,975. In comparison Holmsbridge shows a current value of £263,896. Allowing for variations in the sample due to dwelling type, size etc the two locations therefore can be regarded as providing a similar value area. The 'Kensington' is a 4 bed 3 storey semi-detached new build dwelling of 145.85 sq m. Asking price £399,950 (£2,742 psm). RH state "brand name will add circa 5% premium". This is debatable and no supporting evidence provided. It could be reasonably argued that the subject site, as a smaller more exclusive development, would attract its own premium. It is the case, though, that smaller dwellings (of the same type) command higher rates per sq m.

- Stoney Bank Chase, Kensington House, Thongsbridge HD9 7SL: see above. The 'Harrogate Lifestyle' is a 3 bed 2 storey detached new build dwelling of 137.03 sq m. Asking price £439,950 (£3,211 psm). RH state "brand name will add circa 5% premium". In comparison, at the subject scheme, larger 4 bed detached new build dwellings (albeit over 2.5 storeys) show values of £2,142 per sq m and £2,347 per sq m. Within this context, the values applied in RH's appraisal appear low.
  
- Deynebrook, Miry Lane, Netherthong: small scheme of 22 dwellings. Described by RH in their comparison table as being a "Good quality development. Similar to the mill [i.e., the subject scheme]". According to Zoopla, the current average value in Netherthong is £274,664, therefore slightly below the Holmbridge average of £263,896, but still considered to be broadly comparable (albeit if anything a slight premium could be expected at Holmbridge). 4 bed 3 storey new build semi of 156.54 sq m. Plot 9 asking price £460,000 (£2,939 per sq m), Plot 10 (same type) asking price £450,000 (£2,874 psm). The closest dwelling type at the subject scheme is 'Type 3', which is a new build 3 storey 3 bed terrace of 166.01 sq m. This shows an asking price of around £475,000 (£2,863 psm). Allowing for differences between semi and terraced properties, slight differences in size and number of bedrooms, within this context RH's allowance appears broadly reasonable.
  
- Deynebrook, Miry Lane, Netherthong: see above. There are 3 x a 4 bed 3 storey detached dwellings of 194.07 psm with an asking price of £550,000 (£2,831 psm). At the subject scheme, the 4 bed 2.5 storey detached dwelling of 193.98 sq m has a value of £455,000 (£2,347 psm). Within this context this appears to be significantly below expectations.

- Deynebrook, Miry Lane, Netherthong: see above. There is a 4 bed 3 storey detached dwelling of 248.60 sq m with an asking price of £825,000 (£3,315 psm). There is also a slightly smaller 4 storey 3 bed detached dwelling of 222.96 sq m, with an asking price of £650,000 (£2,917 psm). At the subject scheme, the 4 bed 2.5 storey detached dwelling of 222 sq m has a value of £475,000 (£2,142 psm). Within this context this appears to be significantly below expectations.
  
- Ingdale House, Cliff Road, Wooldale: around 2 miles to the northeast of the subject property. Modern 4 bed 3 storey detached dwelling of 288 sq m. Sold subject to contract with an asking price of £650,000 (£2,257 per sq m). For smaller dwellings of this type (particularly 2.5 storey rather than 3 storey) it is anticipated that a higher rate per sq ft would be achievable. Within this context, the value of £475,000 (£2,139 per sq m) applied to the 'Type 2' detached dwelling of 222 sq m at the subject property appears to be significantly below expectations.
  
- The Frankel, Woodland Walk, Meltham: around 4 miles to the north of the subject property. Modern 5 bed 2 storey detached dwelling of 241.54 sq m (although it appears this may include the integral garage). Asking price £550,000 (£2,277 psm). Described by RH as having a "Cheap interior finish". According to Zoopla, the current average value in Meltham is £230,220, therefore below the Holmbridge average of £263,896. If anything, a slight premium could be expected at Holmbridge. Given the distance to this property, the difference in value area and also the low specification finish of this dwelling we attach less weight to this as a comparable.
  
- RH also refer to 2 other 4 bed 2 storey detached dwellings of 120.77 sq m each at Redrow's Stony Bank Chase (see above). However, as these are significantly smaller than that provided at the subject property, we do not consider that these provide a 'like for like' comparison and therefore should be removed from the sample.

- 4.3. In terms of our own market evidence, we have researched larger dwelling sales across postcode 'HD9' (in which the subject site is located) since Jan 2019. The following new build sales are recorded on the Land Registry:

Address		Storey	Beds	Sq m	£psf	Price	Date	Type
3 BOSHAW MEWS	SCHOLES	2	5	174	£ 2,586	£ 449,995	26/09/2019	Detached
8 BOSHAW MEWS	SCHOLES	2	5	174	£ 2,586	£ 449,995	05/12/2019	Detached
5 UPPER CROFT	UPPERTHONG	3	4	182	£ 2,347	£ 427,100	25/09/2019	Detached
25 ST MARYS AVENUE	NETHERTHONG	2	5	162	£ 2,840	£ 460,000	31/07/2019	Detached
39 ST MARYS AVENUE	NETHERTHONG	2	5	162	£ 2,840	£ 460,000	30/09/2019	Detached
22 ST MARYS AVENUE	NETHERTHONG	2	5	162	£ 3,086	£ 499,995	05/04/2019	Detached
20 MOORLAND VIEW	MELTHAM	2	5	155	£ 3,226	£ 500,000	14/03/2019	Detached
9 THIRSTIN MILL ROW	HONLEY	3	3	191	£ 2,147	£ 410,000	23/10/2020	Detached
11 THIRSTIN MILL ROW	HONLEY	3	3	191	£ 2,147	£ 410,000	24/07/2020	Detached

- 4.4. We have attached less weight to the Boshaw Mews, St Marys Avenue and Moorland Mew evidence, because these are more traditional 2 storey detached dwelling types, which is not being provided at the subject scheme.
- 4.5. 5 Upper Croft, Upperthong is a useful comparable, as it is a 3-storey detached dwelling providing 4 beds (which is closer to the property types proposed at the subject scheme). This is around 2 miles to the north of the subject property. However, we do note that the lounge / kitchen areas are provided in the middle floor, which is likely to deter some purchasers. Within this context, we would expect the detached 2.5 storey dwellings at the subject scheme to attract a premium.
- 4.6. The Thirstin Mill Row, Honley dwellings are 3 storey 3 bed dwellings, located in a reasonably similar value area to Holmbridge (albeit around 4.5 miles to the north). We would expect the detached dwellings proposed at the subject property to attract a higher rate per sq ft to reflect their 2.5 storey layout and providing 4 rather than 3 beds.

- 4.7. We have also researched Rightmove for new houses currently available for sale, however the evidence largely covers scheme already referred to above or identified by RH.
- 4.8. Having considered all the above we conclude that there is no tangible evidence to justify a departure from the values put forward for the terraced conversion units. We have subsequently accepted the values used in RH's appraisal in our own assessment.
- 4.9. Likewise, for the new build 'Type 3' dwelling type (3 storey 3 bed) the value of £475,000 (£2,863 psm) is reasonable when compared to the evidence identified. We have subsequently also accepted these values in our appraisal.
- 4.10. For dwelling Types 1 and 2, both being 4 bed 2.5 storey dwellings, we consider that the suggested values fall below expectations compared to the identified evidence (and given what we consider to be an attractive location). For Type 1 we consider a value of £575,000 to be achievable, whilst for Type 2 a value of £625,000 has been applied in our appraisal.

#### Build costs

- 4.11. RH's appraisal includes the following costs (please note we have categorised each element based on our experience):

- Residential conversion plot costs (inc prelims)	£1,653.93 psm
- Residential new build plot costs (inc prelims)	£1,556.94 psm
- Garages	£89,652
- Standard externals (categorised by us)	£553,267 (11.44% of above)
- Abnormal costs	£208,256

4.12. As a side, it is stressed that normally an applicant / their advisors would set out what are considered to be 'abnormal' or unusual costs not typical for a scheme of this nature. This is important when considering benchmark land value (as the guidance indicates that the level of abnormal costs is a key consideration when determining the appropriate level of benchmark land value). The applicant / their advisors have not provided any commentary on what is deemed to be abnormal costs; therefore, we have made assumptions based on our interpretation of the costings. In this regard, the applicant / their advisors submission falls short of expectations for a viability submission with regard to categorising construction costs.

4.13. RH's report states the following with respect to the construction cost figures "The construction cost figures have been supplied by an independent and experienced quantity surveyor". This has been completed by J Squared Quantity Surveying and is provided in RH's report as Appendix I, together with an explanatory note provided as Appendix J (dated 28<sup>th</sup> Jan 2021).

4.14. In the explanatory note, the Quantity Surveyors states the following with respect to the new build:

"Further to the issue of the build cost appraisal and following review, I can confirm the costs per sq m / sq ft taken from current BCIS average price data shows that the rate used in the appraisal sits closely to the medium figure noted and is below the upper quartile cost for the construction of detached housing...The figure is based on a high quality build and is derived from accurate cost data from live projects of similar nature and our independent experience".

4.15. In the explanatory note, the Quantity Surveyors states the following with respect to the mill conversion:

“Existing mill refurbishment, the rate of £150 per sq ft [£1,614.64 psm] is applied as this is not ‘Standard internal refurbishment works’ and consists of many extra over costs outside the remit of a typical refurbishment assessment and again is based on cost information taken from previous projects of similar historic nature. Additional items to consider on a historic building like this includes structural repairs to the external walls, removal of the existing roof finishes with a complete new roof installed with remedial works required to timbers and strengthening of roof Timbers etc..”.

4.16. In terms of our review, we consider it reasonable to compare the new build costs to the BCIS data (which the applicant’s advisor has also used as a general ‘sense check’). It is important when comparing to the BCIS data to ensure that preliminaries are also included in the analysis, because the BCIS rates already inherently include preliminary costs. On this basis, the rates we refer to above for the new build housing (£1,556.94 per sq m) have been adjusted to include a proportion of the scheme preliminary costs. This ensures that a ‘like for like’ comparison can be made with the BCIS data.

4.17. We have reviewed the latest BCIS data and note the following:

- Detached housing	median rate	£1,336.92 psm
- Detached housing	upper quartile rate	£1,579.01 psm
- 3 storey terraced	median rate	£1,179.98 psm
- 3 storey terraced	upper quartile rate	£1,402.05 psm

- 4.18. Contrary to the suggestion in the Quantity Surveyors explanatory note, the rate used in RH's appraisal (adjusted to include preliminaries) at £1,556.94 psm is closer to the upper quartile rates, rather than the median rates (as suggested by the Quantity Surveyor). Notwithstanding this, the average applied by the Quantity Surveyor, when considered as a 'blended rate' across the detached and terraced dwellings is above expectations. If the above upper quartile rates are applied for the detached and 3 storey terraced new build dwellings, this gives an overall 'blended' rate of £1,448.65 psm
- 4.19. In summary, based on the BCIS evidence, and making an allowance for the upper quartile rates to reflect the specification requirements of the product, we consider the suggested build costs to be above expectations. We have adjusted this to £1,448.65 sq m, as per our comments above.
- 4.20. For the conversion costs, this includes a variety of abnormal / unusual works (as is to be expected for a scheme of this nature). This therefore makes a comparable with the BCIS rates more difficult. Instead, and as a 'sense check' of the suggested conversion costs (which equates to £1,653.93 psm including a proportion of the preliminaries) we have reviewed other mill conversion schemes we have appraised in the past, which includes:
- Harrogate Council case – Grade II Listed mill conversion 46 dwellings, appraisal undertaken in Nov 2019. Through the viability review conversion costs were agreed at £1,707.97 psm (including external works).

- Harrogate Council case – Grade II Listed mill conversion 20 dwellings, appraisal undertaken in Apr 2020. Through the viability review conversion costs were agreed at £2,276.32 psm (including external works and abnormals).

4.21. Having considered the above, we conclude that the suggested conversion costs put forward in RH’s appraisal are broadly reasonable given the complexities of this type of development and have subsequently been accepted in our appraisal.

4.22. The garages allowance (which is not included in the BCIS rate) of £89,652 is reasonable and has been accepted in our appraisal.

4.23. For what we consider to constitute ‘standard’ externals (i.e., costs we would routinely expect for a scheme of this nature) we have included the following items:

External drainage	150,000
Utilities / services	40,000
Gas & electric costs	62,077
Access roads	213,190
External footpaths & landsc	88,000

4.24. This totals £553,267, which is equivalent to 11.86% of our adjusted plot costs and garages. This is in line with expectations and has been accepted in our appraisal.

4.25. The contingency allowance is 4.35% of the plot costs, garages, and externals. This is in keeping with that agreed at the 2 schemes referred above in para 4.19 (reflecting the complexities associated with this type of development). We have subsequently accepted this allowance in our appraisal.

4.26. For what we consider to be ‘abnormal’ development costs unique to this development we have included the following:

Investigation / remedial works to river all	50,000
Demolition, de-contamination & site clearance	152,500
Japanese Knotweed clearance	5,756

4.27. This totals £208,256.

4.28. We would stress that we are not Quantity Surveyors and are unable to provide a detailed review of these abnormal costings without third party input (which would have time / cost implications). However, the suggested costs do appear to be in keeping with the nature of the scheme and the requirements for development. Furthermore, to some degree the impact of abnormal costs can be offset in the land price (at least when determining viability). The Planning Practice Guidance ('PPG') on viability makes it clear that abnormal costs must be factored into the assessment of land value, with the implication being the higher the abnormal costs the greater the downward pressure on value.

4.29. In practical terms, it is not the case that if abnormal costs go up by £100,000 per acre the land value will always decrease by £100,000 per acre, as the land value still must be at a sufficient level to incentivise a landowner to release the site for development. For example, if a site has an existing use value as an agricultural field at £10,000 per acre and, after abnormal costs are deducted, a residential scheme can only deliver a land value of £15,000 per acre then this would not represent a sufficient incentive for a landowner to release the site for development. There still must be some sort of suitable premium above the existing use value. However, it is reasonable that the burden of the higher abnormal costs on a development should not fall solely on the Council through a reduction in their planning policies. The principle that the land value must bear the most significant proportion of any abnormal costs is a sound one.

- 4.30. In short, changes in abnormal costs are of course significant. However, when assessing viability, they should be balanced against land value (which can serve to dampen the effect of abnormal costs on the overall viability outcome).
- 4.31. Having considered these factors, we have accepted the suggested abnormal costs albeit on the basis that this is balanced with appropriate level for the benchmark land value, as per the requirements of the Planning Practice Guidance.

#### Professional fees

- 4.32. RH's allowance is equivalent to 4.61% of our adjusted construction costs. This is reasonable when compared to the 2 schemes referred to above in para 4.19. We have subsequently adopted the same in our appraisal.

#### Planning policy contributions

- 4.33. RH refer to Vacant Building Credit ("VBC") as applying to the subject site. Based on their calculations this reduces the affordable housing provision down from 20% to 10.51%. RH then calculate this as an offsite commuted sum (rather than an onsite provision) totalling £363,607.
- 4.34. VBC is set out in Paragraphs 026 to 028 of the Planning Practice Guidance: Planning Obligations. The key elements of VBC, as set out in the guidance, are as follows:

- 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.
  
- The existing floorspace of a vacant building should be credited against the floorspace of the new development. For example, where a building with a gross floorspace of 8,000 square metre building is demolished as part of a proposed development with a gross floorspace of 10,000 square metres, any affordable housing contribution should be a fifth of what would normally be sought.
  
- The vacant building credit applies where the building has not been abandoned. The courts have held that, in deciding whether a use has been abandoned, account should be taken of all relevant circumstances, such as (i) the condition of the property (ii) the period of non-use (iii) whether there is an intervening use; and (iv) any evidence regarding the owner's intention.
  
- Each case is a matter for the collecting authority to judge.
  
- In deciding whether VBC applies it may therefore be appropriate for authorities to consider:
  - Whether the building has been made vacant for the sole purposes of re-development.
  
  - Whether the building is covered by an extant or recently expired planning permission for the same or substantially the same development.

4.35. In terms of whether VBC applies to the subject property, the Council therefore needs to consider whether the property meets the requirements of VBC and whether the property has been 'abandoned'.

4.36. RH also include an allowance for open space provision at £45,483, which we have included within our appraisal.

#### Marketing / legal costs

4.37. The applicant's allowance is equivalent to 2% of revenue. This is reasonable when compared to the 2 schemes referred to above in para 4.19. We have subsequently adopted the same in our appraisal.

#### Finance

4.38. RH have adopted a 6.5% debit rate to calculate scheme finance costs; this is in line with expectations, and we have adopted this in our appraisal.

4.39. Furthermore, allowances for arrangement fees and exit fees are also included (totalling £121,286). This is above our expectations for a scheme of this scale and nature. A reduced allowance of £75,000 is more in keeping with other schemes we have appraised of this scale.

#### Developer's profit

4.40. RH have adopted a developer's target profit of 20% on revenue on the market dwellings.

- 4.41. In our experience, and for a scheme of this size, profit margins fluctuate depending on the nature of the scheme and the type of developer implementing the project. However, and only as a broad guide, we tend to see profit margins in the region of 15% to 20% of revenue for market value dwellings.
- 4.42. Furthermore, the recent Planning Practice Guidance ('PPG') from July 2018 refers to a broad range of 15% to 20% on revenue, albeit within the context of plan wide viability testing.
- 4.43. In this case, as discussed above in para 3.5, using RH's own appraisal assumptions, even before any planning policies are factored in, the scheme at best only generates a developer profit of 3.60% on revenue. This suggests that the applicant considers there to be little prospect of achieving their 'target profit' of 20% on revenue (or even the 15% minimum suggested in the guidance). However, the scheme is still being brought forward which either suggests (i) other appraisal assumptions are incorrect or (ii) the scheme can come forward at a profit level below the target rate of 20% on revenue.
- 4.44. We would also comment that in our experience, smaller scale schemes can typically come forward at lower profit levels than larger scale developments (involving larger housebuilders that have increased central overheads / margins). For example, the 20-dwelling mill conversion scheme referred to above in para 4.19 the applicant considered a 15% on revenue profit to be at a viable level.
- 4.45. Having considered all the above, we conclude that a 15% developer profit is appropriate to apply to the modelling.

### Benchmark land value

- 4.46. The Benchmark Land Value (“BLV”) attempts to identify the minimum price that a hypothetical landowner would accept in the prevalent market conditions to release the land for development. Whilst a relatively straight forward concept this is open to interpretation and is generally one of the most debated elements of a viability appraisal. It is also often confused with market value, however the guidance stresses that this is a distinct concept and therefore is different to market value assessments.
- 4.47. The standard approach is to run an initial appraisal based on all the above fixed inputs to arrive at a site value for the site. In accordance with the RICS guidance, this residual site value can then be compared to the “benchmark land value” (which is the minimum price that a hypothetical landowner would accept, and a hypothetical developer would pay for the scheme to be delivered). If the residual site value is above this “benchmark” then the scheme is viable. If the residual site value falls below this figure, then the scheme is deemed to be unviable.
- 4.48. Viability assessors are provided some guidance through the National Planning Policy Framework (‘NPPF’) and Planning Practice Guidance (‘PPG’), as published on 24<sup>th</sup> July 2018. One area which the PPG deals with is in relation to assessing BLV, stating the following:
- 4.48.1. To define land value for any viability assessment, a benchmark land value should be established based on 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.
- 4.48.2. The EUV should disregard any hope value.

- 4.48.3. Benchmark land value should reflect the implications of abnormal costs, site specific infrastructure costs and professional site fees.
  - 4.48.4. Benchmark land value should be informed by market evidence including current uses, costs, and values wherever possible.
  - 4.48.5. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including affordable housing. 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.
  - 4.48.6. Under no circumstances will the price paid for land be a relevant justification for failing to accord with the relevant policies in the plan.
  - 4.48.7. Alternative Use Value of the land may be informative in establishing benchmark land value. However, these should be limited to those uses which have an existing implementable permission for that use. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.
- 4.49. In other words, the Council should not subsidise (through a loss of planning policy contributions) any overbid made when acquiring the site. Any overbid (or indeed underbid) for a site should therefore be disregarded when considering the BLV. As part of the process of reviewing viability it is down to the assessor to determine whether a price paid is an appropriate figure (or not) to use as a BLV.

4.50. Following the guidance, RH look to first identify the existing use value for the property. For this, RH rely on a report provided by Bramleys dated 9<sup>th</sup> Feb 2021 (provided as Appendix M to their report). We would summarise this report as follows:

- Bramleys indicate that they have assumed the cost of refurbishing the existing building for a commercial use outweighs the value of the refurbished accommodation therefore no value is attributed to the existing building.
- Bramleys suggest that the 'usable' land for industrial purposes extends to 0.94Ha (2.34 acres). Of this, 1.24 acres is superior, with the remainder (1.1 acres) likely to attract a lower rate per acre.
- The existing use value of the site (effectively industrial land) is stated as being £445,000 (£190,171 per 'usable' acre, which is a blended rate across the 2 parcels referred to above).
- To support their adopted existing use value Bramleys refer to 10 different land sales (dates not provided).
- An 18% premium uplift is then applied. This results in a benchmark land value of £525,000.

4.51. The approach adopted by Bramleys, whereby the existing use value is first established (assuming an industrial use) and then to it a premium uplift is added, is consistent with the requirements of the guidance.

4.52. However, having reviewed the land sales referred to by Bramleys it appears that a number of these are based on residential development values, rather than industrial uses. As the guidance indicates that 'hope value' for future development needs to be excluded when considering existing use value, we consider that these examples should be excluded from consideration. This includes the following:

- Prickleden Mill, Woodhead Rd, Holmfirth: this is now a retirement apartment scheme constructed by McCarthy and Stone in 2017. As the price paid for the land included hope value for residential development (which has to be excluded when considering existing use value) this transaction should not be taken into consideration when analysing the industrial land value of the subject property.
- Former Hawkshead Mill, Hawshead Rd, Glossop: the sales particulars (dated 13<sup>th</sup> July 2017) referred to an outline planning permission for 31 dwellings and advertised the property as having residential development potential. Again, it is clear that the property was marketed on the basis of 'hope value' for residential development. This transaction should not be taken into consideration when analysing the industrial land value of the subject property.

- Former Manywells Estate, Manywells Brow, Cullingworth: Bramleys suggest that this is a commercial development site, however that does not appear to be the case. A parcel of land extending to 1.69 acres (the same site area as suggested by Bramleys) on Manywell Brow went to auction with Pugh & Co in April 2020. The auction particulars referred to an outline planning consent for residential development (granted Jan 2020). The land is also close to a David Wilson Homes scheme, therefore there is a precedent for residential development in the locality. It is therefore clear that the property was marketed based on 'hope value' for residential development. This transaction should not be taken into consideration when analysing the industrial land value of the subject property.
- St Peg Lane, Cleckheaton: whilst this is a cleared former industrial property this is located adjacent to a school and therefore is ideal for residential development. Furthermore, this was purchased by Younger Homes therefore clearly was purchased with a view to residential development. It is therefore clear that the property was purchased based on 'hope value' for future residential development. This transaction should not be taken into consideration when analysing the industrial land value of the subject property.

4.53. Furthermore, several the land sales referred to relate to good quality, serviced and well positioned industrial land. Adjustments needs to be taken into consideration for the subject site being an irregular shape, less attractive location for industrial use etc. Others (for example the Former Weaving Lane Depot and Ashgrove Depot) are smaller sites, with secured fencing and level, used for storage purposes. Whilst in theory the subject site could be used for storage there would need to be capital expenditure to allow this use and it would be the case that only a proportion of the site would be usable.

- 4.54. Having analysed the comparable evidence put forward by Bramleys we consider that the most weight should be attributed to the Former Calder Vale Mill, which is described as a “Disused mill site, cleared of all buildings and heavily self-seeded and overgrown”. This sold for the equivalent of £189,000 per acre. Applied to the ‘usable’ area of the subject property (as described by Bramleys, which extends to 2.34 acres, this equates to an existing use value of £442,260. This is therefore broadly in keeping with Bramleys allowance of £445,000.
- 4.55. Having considered all the above, we conclude that Bramleys existing use value of £445,000 for the subject site is broadly reasonable.
- 4.56. As for the premium uplift, given the nature of the site, level of abnormals etc a circa 18% uplift is broadly reasonable.
- 4.57. In summary, we therefore agree that a benchmark land value of £525,000 is reasonable for the subject property and have adopted the same in our appraisal.

## **5. Appraisal results and conclusions**

- 5.1. Please see our attached appraisal, which incorporates the assumptions set out above in Section 4 (including our reduced profit rate of 15% on revenue). With contributions for affordable housing and other S106 payments removed the scheme returns a residual land value £92,391. As this is below our benchmark land value of £525,000 the scheme is shown to be unviable, even before any planning policies are factored in.
- 5.2. As a point of comparison, we summarize our appraisal against RH’s assessment as follows:

Appraisal input	RH appraisal	CPV appraisal	Difference
Gross development value	£7,429,331	£7,699,321	£269,990
Conversion (inc prelims)	£2,289,027	£2,289,027	£0
New build (inc prelims)	£2,456,886	£2,286,045	-£170,842
Garages	£89,652	£89,652	£0
Externals	£553,267	£553,267	£0
Contingency	£226,778	£226,778	£0
Abnormals	£208,256	£208,256	£0
Professional fees	£240,413	£240,413	£0
S106 contributions	£409,090	£0	-£409,090
Sales / marketing	£148,587	£153,986	£5,399
Finance	£424,800	£404,607	-£20,193
Developer profit	£1,485,866	£1,154,898	-£330,968
Benchmark land value	£525,000	£525,000	£0
<b>Residual land value</b>	<b>-£1,103,290</b>	<b>£92,391</b>	
<b>Outcome</b>	<b>Unviable</b>	<b>Unviable</b>	
<b>Shortfall to viable outcome</b>	<b>-£1,628,290</b>	<b>-£432,609</b>	

5.3. As per the requirements of the guidance we have also run sensitivity testing, where we have tested by how much the gross sales values would need to increase above the adopted allowances to reach a viable position. The results are as follows:

Sales: Gross Sales				
0.000%	+2.500%	+5.000%	+7.500%	+10.000%
(£92,391)	(£235,762)	(£379,134)	(£522,505)	(£665,876)
15.000%	15.000%	15.000%	15.000%	15.000%

- 5.4. This shows that to generate a residual land value broadly in line with the benchmark land value of £525,000, the sales values would need to increase by around 7.5% compared to our adopted figures (which would produce a residual land value of £522,505). For the scheme to be able to provide around £140,000 in planning policy contributions (which is still below the policy requirements) sales values would need to be 10% higher than we have assumed in our appraisal. Based on our review of the market and given the current uncertainties we do not consider that it is realistic to assume values could be 7.5% higher than what has been allowed in our appraisal.
- 5.5. Having considered this, we concur with the applicant's position that the scheme as presented (with 16 units) is unable to viably support any affordable housing or other planning policy capital contributions.
- 5.6. Our conclusions remain valid for 6 months beyond the date of this report. If the implementation of the scheme is delayed beyond this timeframe then market conditions may have changed sufficiently for our conclusions on viability to be adjusted. Under this scenario we would strongly recommend the scheme is re-appraised.

Yours sincerely

Redacted

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CP Viability Ltd