

SITE SPECIFIC FINANCIAL VIABILITY ASSESSMENT (FVA) Executive Summary

Barnham Eastergate Westergate

On behalf of:

Church Commissioners for England, Ashmarden and Hanbury
Properties

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Prepared by: James Brierley
Naomi Bolt
Sophia Rees

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EXECUTIVE SUMMARY (NON-TECHNICAL)

Introduction	i. The below executive summary outlines the inputs, assumptions and outputs of the recently submitted Financial Viability Assessment ('FVA') in relation to the land at Barnham, Eastergate, Westergate.
Instruction	ii. Gerald Eve LLP ('GE') has been instructed by Church Commissioners for England, Ashmarden and Hanbury (PM) ('the Applicant') to undertake a FVA in relation to a planning application to create a mixed-use development at Barnham Eastergate Westergate ('BEW') ('the Site'). The assessment determines the appropriate level of planning obligations including infrastructure commitments, Section 106 contributions, and affordable housing.
NPPF (2021)	iii. Accordingly, the FVA has regard to whether the viability evidence underpinning the plan is up to date, and the changes in site circumstances since the plan was brought into force. The FVA, further, reflects the recommended approach set out in National Planning Guidance ('NPG') (2019), including standardised inputs, as set out in Paragraph 58 of the National Planning Policy Framework ('NPPF' - 2021).
NPG (2019)	iv. The FVA has been prepared reflecting NPG (2019) with reference to all relevant planning policy applicable to the Site at the date of writing. It has also been written adhering to the RICS Guidance note Financial Viability in Planning (2021) (the 'RICS GN') and the RICS Professional Statement on Conduct and Reporting in viability that supports the RICS GN (2019) (the 'RICS Professional Statement').
	v. The purpose of the report is to provide justification for any proposed deviation from anticipated plan policy contributions to help in striking 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. We understand Arun District Council have undertaken their own viability investigations in to the Site and whilst not published we have discussed this with the Council as a stakeholder and have tried to align our consideration, where possible, to those discussions.

Proposed Scheme	vi. The BEW proposal is a mixed-use urban extension between the villages of Barnham, Eastergate and Westergate in West Sussex. Planning application BN/11/22/OUT was submitted in February 2022 for ('the Scheme') which represents the first phase of the wider allocation: <i>"Outline application with all matters reserved (except for the A29 Realignment) for the demolition of existing structures and mixed use development to provide up to 1,250 residential dwellings (Use Class C3), Care Home/Senior Living Accommodation (Use Class C2/C3), flexible retail and community floorspace (Use Classes E/F2/Sui Generis), a Primary School plus open space, landscaping, drainage and all other associated ancillary works; and realignment of the A29 and early connection to existing A29 including construction of a new road carriageway, junctions and associated infrastructure"</i> The proposals for the Scheme include: i. The delivery of up to 1,250 homes, with a mix of house types including affordable homes and provisions for retirement living (applied here as C2 care). ii. 8.10 acres of school uses. iii. 6.5 acres of community hub providing retail, health, social, leisure, cultural and community facilities.
	vii. The above proposed scheme is part of the wider Arun Local Plan 2018 Allocation (Site SD5) for 3,200 homes, 2,600 of which would be delivered within the plan period. An increase in housing numbers to 4,300 was endorsed by Arun District council in the Framework Masterplan approved at Committee in November 2020. The Scheme makes up 34% of this wider allocation and will provide a significant portion of the requisite infrastructure.
	viii. The Applicant provided GE with the Scheme incorporating up to 1,250 C3 dwellings, a C2 use 60 bed care facility, community facilities, green infrastructure, commercial uses, primary school and neighbourhood centre. The unit mix provided is a high level, indicative mix and subject to change. The Scheme will also provide significant infrastructure upgrades and commitments, mainly in the realignment of the northern section of the A29 and a section of the east west road which will provide pedestrian and cycle access towards Barnham station. GE initially tested the Scheme, which was considered to fully comply with up-to-date plan policies, including policy target of 30% affordable housing. Further testing was undertaken to ensure optimal delivery of public benefits, whilst ensuring the Scheme remains viable and deliverable.
	ix. Please note that many of the inputs within the FVA report have been rounded up from their absolute numbers which are included within the financial appraisal. Additionally, to convert the numbers from square feet into square metres we have multiplied these by 0.0929 to come to a square metre value which is included in the final column within the tables.
Site	x. The Site is situated between Barnham, Eastergate and Westergate, to the south of Barnham Road.
	xi. The Site covers an area of approximately 92 hectares (c.227 acres) and currently comprises both brownfield and greenfield land as agricultural land with glasshouses (hardstanding, shed structures) and fields bounded by hedges and trees.
Approach	xii. A Viability assessment is a process of assessing whether a Scheme is financially viable, by reviewing as to whether the value generated by a development is more than the cost of developing it to optimise public benefits. Assessment should include review of key elements of gross development value, costs, land value, landowner premium, and developer return. As set out in the NPG in FVAs for planning purposes, the primary role is to determine residual land value. Residual value is then compared to

		Benchmark Land Value ('BLV'). As such, the BLV is a benchmark value against which the developer contributions can be assessed.
Standardised Assumptions	xiii.	Where possible, the FVA looks to apply relevant standardised inputs as set out in the evidence base underpinning the Local Plan. Such inputs include professional fees and developer return; as such it is not considered any justification is needed on these elements as no deviation is proposed.
GDV	xiv.	In accordance with NPG GE has determined the Gross Development Value ('GDV') of the Scheme, supported by suitably adjusted market evidence to be c.£390m .
Cost	xv.	In accordance with NPG, GE has determined the total costs included in the assessment to be c.£394m. These costs include: • Build costs (including externals) • Project contingency • Land and fees • Site Specific infrastructure • Relevant policy requirements – CIL, S106 (unindexed¹) and Affordable Housing (30%) • Professional fees • Marketing fees • Disposal fees • Finance costs
Return	xvi.	In accordance with NPG, the FVA also includes a return to the developer of 20.00% on GDV for private elements, 6% on GDV for the affordable housing, and 15% on commercial/care elements, to reflect the potential risk of development. Based on the GDV mix, this Scheme would have a blended return of 17.43% on GDV.
Residual Land Value	xvii.	Based upon our assessment, GE consider that the residual value of the site, when meeting plan policy requirements, would be c.£20m. This figure is compared to the BLV below.
Benchmark Land Value	xviii.	A BLV of c.£30.6m (c.135,000 per gross acre) has been determined having regard to the existing use value ('EUV') of the property, plus an appropriate premium to provide reasonable incentive for a landowner to bring forward land for development, while allowing a sufficient contribution to fully comply with policy requirements. For transparency, where it is assumed that an existing use will be refurbished or redeveloped, in accordance with NPG this will be considered as an Alternative Use Value when establishing BLV and no additional premium will be applied. Finally, BLV has further been considered through a cross check exercise, including having regard to residual value reflecting policy requirements, land transaction evidence and BLV evidence supporting the plan – including the ongoing Council updates.
Existing Use Value (EUV)	xix.	GE has determined the EUV of the property having regard to the property's existing planning use as 227 acres of mixed agricultural and commercial land. The FVA report sets out the determination of the EUV for the property which was determined to be c.£6.28m (blended land use) including the analysis of comparable evidence (greenfield and brownfield).

¹ Please see Section 10 of the main FVA report for further information regarding the S106 cost allowance.

Premium	xx.	NPG indicates a premium over EUV may be required for a reasonable landowner to be incentivised to release their land for development ('EUV+'). In the case of the Subject Site, considering the extensive infrastructure investment that is required to "unlock" the land, adopting a premium that has regard to the level of infrastructure investment is reasonable. In reflection of local plan evidence, a Premium to agricultural value and the Glasshouses has been applied to reflect a reasonable incentive. This results in an EUV+ of £135,000 per acre.
Local Plan Viability Assessment Approach to Premium	xxi.	For cross reference, we considered this BLV against the viability threshold (BLV) applied in the 2017 Arun Local Plan Viability Assessment Update which equates to £330,000 per gross hectare (c.£133,000 per gross acre) see page 421 of the 2017 Arun Local Plan Viability Assessment Update and has regard to current viability update discussions occurring with stakeholders as the Council look to update their evidence base.
Viability	xxii.	The initial viability assessment, including 30% affordable housing, concludes that the Scheme appears to be unable to viably comply with the policy contributions as set out in local policy and contributions will therefore require adjustment to enable the development to be viably brought forward. For clarity, applying 30% affordable housing to the proposed scheme appears to result in a residual land value of X, which provides a deficit of c.£10.6m against the BLV of c.£30.6m. This is considered largely due to the significant infrastructure which needs to be included in the scheme.
FVA	xxiii.	The FVA is intended to aid discussions between the Applicant and Arun District Council surrounding the viability of the scheme. The FVA does not represent a formal finding on affordable housing provision , but rather a set of potential options available to aid the progression of the Scheme. The FVA should not be considered a financial certainty – it is an assessment of the Scheme having regard to the best available evidence at the time of the assessment.
Sensitivity Testing	xxiv.	GE has conducted sensitivity analysis at 30% affordable housing through adjustment to base construction costs and private residential sales values to consider their impact on financial viability. However, it would appear that none of the scenarios tested resulted in a financially viable scheme at 30% affordable housing.
	xxv.	As a result, we have also run several additional scenarios to test the optimal level of public benefits that the Scheme would appear to be able to support, outlined below: - Scenario 1 –testing to determine the on-site level of affordable housing provision that results in a financially viable scheme. - Scenario 2 – testing the impact on viability of providing the northern A29 section and bridge over the railway line as part of Phase 1 - Scenario 3 – testing the impact on viability of providing the full A29 and bridge over the railway line as Part of Phase 1? - Scenario 4 – testing the viability of the scheme should the scheme provide the full 30% policy compliant affordable housing provision but a reduced S106 amount. - Scenario 5 – testing the viability of the scheme, should no clawback be received from other landowners within the allocation for the delivery of the A29 realignment or East West Station Link Road.
Sensitivity Conclusions	xxvi.	GE conclude that the Scheme would appear to be able to viably support in the order of 16% affordable housing provision when allowing for all other inputs to be included – (i.e., road delivery commitments, S106 and infrastructure costs).

	xxvii.	The FVA outlines how meeting the full burden of infrastructure requirements will impact on affordable housing delivery, as per local and national planning policy, and presents a range of different scenarios for the Local Planning Authority to consider in respect to their priorities for the allocation of Section 106 contributions. It would be the Applicants' preference that affordable housing delivery, as targeted in the adopted Local Plan (2018), is prioritised in the consideration of the development's viability, whilst ensuring an appropriate Benchmark Land Value.
Deliverability	xxviii.	GE sensitivity analysis indicates that this Site is available for development and considers that, having regard to reasonable input variance, it is potentially capable of commencing in the next 5 years, subject to a suitable affordable housing and S106 package being determined.
Commercial sensitivity	xxix.	GE considers that all inputs into our appraisal have been reasonably justified. GE has clearly set out supporting and reasonable justification for all inputs considered and has undertaken appropriate sensitivity to demonstrate the impact of variance.

Summary of inputs²

APPLIED AREAS (GIA)

Use	Areas
Residential	117,203 sqm (1.26m sqft)
Commercial uses	1,000 sqm (10,764 sqft)

APPLIED RESIDENTIAL UNIT NUMBERS

Use	Unit Number
Total Residential	1,250
Private Residential	833
Shared Ownership Residential	29
Affordable Rented Residential	239
First Homes Residential	89
Care units	60

BASE APPRAISAL APPLIED PROGRAMME

Period	Duration (months)	Month
Phase 1		
Pre-Construction	18	Jan 2023 – Jun 202
Construction	120	Mar 2023 – Feb 2034
Sale	120	Sept 2024 – Aug 2034
Total Phase 1	c.12 years	

APPLIED GDV

Use	Assumptions	Revenue
Private Residential	Av.£/sqm £3,907	c.£314m

² Data in this section represents a summarisation and reflects an approximate representation of data presented in the appraisal summaries attached Appendices 10 - 16 of the main FVA report

	(£363 psf)	
Shared Ownership Residential	Av.£/sqm £2,616 (£243 psf)	c.£7.2m
Affordable Rented Residential	Av.£/sqm £1,959 (£182 psf)	c.£45.2m
First Homes Residential	Av.£/sqm £2,314 (£215 psf)	c.£19.9m
Care use (land sale)	£60,000 per bed	c.£3.60m
Commercial – Other (RLV)	See below	c.£0.41m
Total		c.£390m

COMMERCIAL ASSUMPTIONS

Use	Assumptions	Revenue
Employment uses	Rent: £15-20 psf Yield: 4.5% - 8% Rent Free: 6 months	Commercial RLV/GDV = £410,000

APPLIED BASE CONSTRUCTION COSTS

Cost	Amount
Houses Residential	£121 psf
Flats Residential	£136 psf
Commercial	£139 psf
TOTAL	c.£155.5m
Externals	10%
Residential Contingency	5%
Future Environmental Standards Contingency	5%

APPLIED LAND ASSEMBLY PAYMENTS

Land Assembly Cost	Cost
A29 north south total delivery cost	c.£6.91m
Site Wide Infrastructure	c.£43.7m
S106	c.£31.26m

APPLIED OTHER CONSTRUCTION COSTS / FEES

Cost / Fee	Amount
Professional Fees	8%
Purchasers Costs	6.8%
Sales Agents and Legal Fees	4.0%
Residential Marketing Fees	1%
Finance Rate	7.5%

PROFIT RETURNS

Cost / Fee	Amount (on GDV)
Profit Return on private	20%
Profit Return on affordable	6%
Profit Return on Commercial/Care	15%
Profit Return (on GDV)	17.43% (Blended)

NOTE: This report has been produced in accordance with National Planning Policy Framework (2021) and Planning Policy Guidance (as amended). Gerald Eve LLP can confirm that the report has been produced by suitably qualified Practitioners of the Royal Institution of the Chartered Surveyors (RICS) and that the report has been produced in accordance with RICS Practitioner guidance on viability in planning matters.

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