

VIABILITY STATEMENT OF COMMON GROUND

**LAND EAST OF LIDL, CHRISTY'S LANE, SHAFTESBURY
DORSET SP7 8TL**

PLANNING INSPECTORATE REFERENCE: APP/D1265/W/24/3337301

LOCAL PLANNING AUTHORITY REFERENCE: P/FUL/2023/05051

MARCH 2024

Updated - 09/04/24 to include further appendix table detailing the agreed position and agreed viability inputs

OFFICIAL

1.0 Background

- 1.1 This Statement of Common Ground for viability matters relates to an appeal against Dorset Council's (the Council) failure to determine the planning application for the demolition of existing buildings and redevelopment to form 41 retirement living apartments for older persons with associated communal facilities, parking and landscaping at the site to the east of Lidl, Christy's Lane, Shaftesbury, Dorset, SP7 8TL (the site).
- 1.2 The application was submitted on 25th August 2023 and validated on 13th September 2023. A report on Affordable Housing and Viability was submitted as part of the planning submission but was not reviewed by the Council during the determination period. This appeal is against the Council's failure to determine the application within the statutory time period.
- 1.3 Following receipt of the Council's Statement of Case on 8th March 2024, it can be seen that had the Council been able to determine the application, they would have refused planning permission for the following reason:
- 1. In absence of a completed S106 agreement to secure policy compliant affordable housing the proposal would be contrary to Policy 8 of the adopted North Dorset Local Plan Part 1 2016 and Paragraphs 55, 57, and 58 of the National Planning Policy Framework 2023.**
- 1.4 The Council's Statement of Case included a full review of the original Report on Affordable Housing and Viability which was undertaken on behalf of the Council by Dixon Searle Partnership (DSP).
- 1.5 Planning Issues and DSP have liaised in order to seek to ensure an agreed position. On the 18th March 2024, DSP confirmed that they would recommend to Dorset Council that they accept a contribution of £214,370 as per the viability headroom referred to in 2.6 and 2.7, below, in order to conclude the viability discussion.
- 1.6 The following section provides a summary of the agreed position.

2.0 Site Description and Summary of Agreed Viability Inputs

- 2.1 The site is circa 0.25 hectares and comprises of vacant land, formerly used as the Shaftesbury Cattle Market. The Cattle Market ceased operation in January 2019 and was subsequently demolished later in 2019.
- 2.2 The site is located along Christy's Lane, a bypass situated east of Shaftesbury town centre. The site falls within a mixed-use area which is currently undergoing wider redevelopment and regeneration. The surrounding uses include Tesco's and its car parking to the west and south west, as well as the town centre to the west and residential housing to the east. To the north west is Lidl and its associated car parking, and north of the site is predominately characterised by industrial and residential uses.
- 2.3 Since the demolition of the Cattle Market, the wider site has been developed with Lidl having built a store to the north west of this application site which opened in 2021. Further details regarding the site can be found in the design and access statement submitted with the application.
- 2.4 The scheme the subject of this appeal is for the development of 41 no. Retirement Living apartments for older persons including communal facilities and associated car parking and landscaping.
- 2.5 The proposal includes a mix of 27 x 1-bed units and 14 x 2-bed units with 2,550 m² (rounded) of saleable area and 3,268 m² (rounded) of gross internal area equating to a gross to net building efficiency of 78%.
- 2.6 The following table sets out a summary of the agreed viability position (with the full final Argus appraisal attached to this statement).

Input	Agreed Position	Comment
Gross Development Value	£12,465,000	Agreed.
Base Build Cost (excluding contingency)	£5,696,599	Agreed.
Abnormal Costs and Building Regulation Extra Overs (excluding contingency)	£330,500	Agreed.
Construction Cost (excluding contingency)	£6,027,099	Agreed.
Contingency	5% of Construction Cost	Agreed.
External Build Costs	10% of Base Build Cost	Agreed.
Professional Fees	10%	Agreed.
Sales and Marketing Fees	5%	Agreed.
Sales Legals	£750 per unit	Agreed.

Unsold Unit Fees	£202,425	Agreed.
Finance	8.0% debit and 1.0% credit	Agreed.
Profit	20% return on GDV	Agreed.
Acquisition Costs	£37,720 Stamp Duty and Fees	Agreed.
Residual Land Value	£714,370	Agreed.
Benchmark Land Value	£500,000	Agreed.
Viability Headroom	£214,370	Agreed.

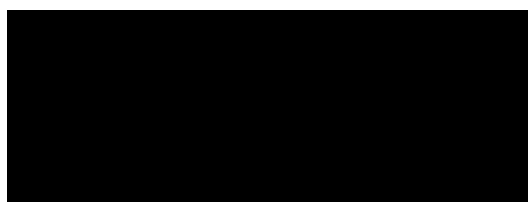
2.7 The appellant will provide a Section 106 agreement to secure the sum of £214,370 to be disaggregated as deemed appropriate by the Council, in accordance with the regulations.

Signed



Planning Issues Limited on behalf of the Appellant

Date 22/03/2024



Dixon Searle Partnership on behalf of the Council

Date: 22/03/2024

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AGREED ARGUS VIABILITY APPRAISAL

Christy's Lane, Shaftesbury (0% AH) (41) updated B

Development Appraisal
CRL
March 15, 2024

Christy's Lane, Shaftesbury (0% AH) (41) updated B

Appraisal Summary for Phase 1 Retirement Housing

Currency in £

REVENUE

Sales Valuation	Units	m ²	Sales Rate m ²	Unit Price	Gross Sales
1 Bed Flats	27	1,431.54	5,186.72	275,000	7,425,000
2 Bed Flats	14	1,119.02	4,503.94	360,000	5,040,000
Totals	41	2,550.56			12,465,000

NET REALISATION

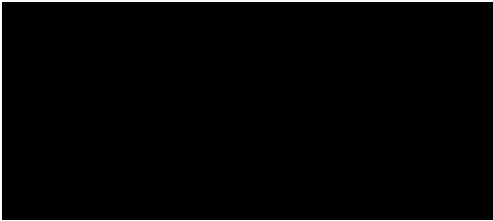
12,465,000

OUTLAY

ACQUISITION COSTS

Residualised Price (0.20 Ha @ 3,571,848.78 /Hect)

- Stamp Duty
- Effective Stamp Duty Rate
- Agent Fee
- Legal Fee



CONSTRUCTION COSTS

Construction

- 1 Bed Flats
- 2 Bed Flats

Totals

3,2

- Developers Contingency
- Foundations and Capping
- Parts FLOS Building Regulations

Other Construction Costs

- Externals

PROFESSIONAL FEES

- Architect

MARKETING & LETTING

- Marketing

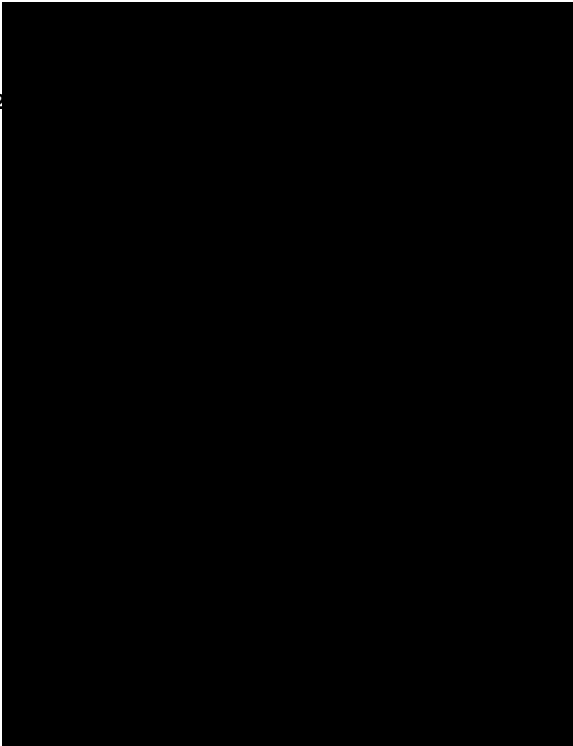
DISPOSAL FEES

- Sales Agent Fee
- Sales Legal Fee

Unsold Unit Fees

- 1 Bed Flats
- 2 Bed Flats

TOTAL COSTS BEFORE FINANCE



FINANCE

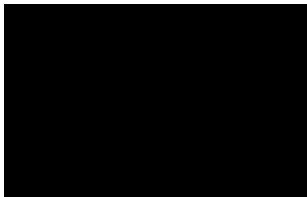
Timescale

Duration Commences

Acquisition	1	Mar 2024
Pre-Construction	6	Apr 2024
Construction	14	Oct 2024
Sale	35	Dec 2025
Total Duration	56	

Debit Rate 8.00%, Credit Rate 1.00% (Nominal)

- Land
- Construction
- Other
- Total Finance Cost



TOTAL COSTS

PROFIT

2,493,000

Christy's Lane, Shaftesbury (0% AH) (41) updated B**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
IRR% (without Interest)	23.82%

Added 09/04/24 to include further detail on agreed viability position.

Note on Final Agreed Position Including Submission FVA and DSP Review FVA.

Viability Positions of Appellant and Council (Agreed Draft with Council 08/04/2024)

The following table sets out the respective viability positions of the Appellant and the Council alongside the agreed position.

The areas of relatively minor disagreement relating to build cost and benchmark land value (now resolved) are highted in red with an explanation of how an agreed position was established on each point.

The RICS Financial Viability in Planning: Conduct and Reporting Professional Standards (2019) requires that:

All inputs into an appraisal must be reasonably justified. Where a reviewer disagrees with a submitted report and/or with elements in it, differences must be clearly set out with supporting and reasonable justification. Where inputs are agreed, this must also be clearly stated. Where possible, practitioners should always try to resolve differences of opinion. (Para 2.6)

Each party has considered the opinion and evidence provided and in line with the Professional Standards sought to resolve differences of opinion.

The detail provided in the table demonstrates how the agreed position has been arrived at.

No matters remain in dispute between the parties.

Viability Input Table

Input	Appellant (Submission Report Dated August 2023)	Council (DSP Report Dated February 2024)	Position Agreed (Reflected within the Viability Statement of Common Ground at March 2024)
Gross Development Value	1 bed units - £275,000 (27) 2 bed unit - £360,000 (14) GDV - £12,465,000 Values referenced from nearby Hardy Lodge development with indexation applied.	1 bed units - £275,000 (27) 2 bed units - £360,000 (14) GDV - £12,465,000	This input is agreed. DSP comment in February 2024 that overall they consider the submitted values to be within the expected range.
Base Build Cost	£5,876,354 (rate £1,798 m2 taken from BCIS at August 2023)	£5,647,588 (rate £1,728 m2 taken from BCIS at February 2024)	This input is now agreed. Explanation Since the submission was prepared in August 2023, the number of samples in the series has fallen from 20 samples to 17 (the 10-year sample). BCIS advise that sample sizes below 20 should be applied with caution. At the time of submission, the BCIS tender price forecast showed a forecast inflation in tender prices of 1-2% from Q3 2023 (application date) to Q1 2024 (present). The council's expert (DSP) commented on this matter on 18 th March 2024 <i>"Regarding build cost I note that your current figure of £1,743/m² based on the default sample falls between the rate you originally put forward (£1,798/m²) and the rate applied in DSP's appraisal (1,728/m²). The current 10-year rate is</i>

			<p><i>£1,715/m² however as you mentioned in the meeting these rates change every two weeks and are always fluctuating. I note also that the median rate for "Supported housing 'generally'" in North Dorset is much higher, and based on a much larger sample. So overall we are able to accept your £1,743/m² suggestion (and the consequent increases to our other related assumptions including fees and finance)."</i></p> <p>The parties therefore agree that it is appropriate in this instance to take updated build costs from the BCIS 15 year sample which has a sample size of 44. The agreed rate is £1,743 m². This matter is therefore agreed and reflected in the agreed appraisal.</p> <p>The base build cost in the agreed appraisal is £5,696,599 (rate £1,743 m²)</p>
Professional Fees	10% of build cost £679,449	10% of build cost £654,285	This input is agreed at 10% of build cost. £659,676.
External Build Costs	10% of base build cost £587,635	10% of base build cost £564,759	The parties agree that a rate of 10% is appropriate. The sum in the agreed appraisal is £569,660 (reflecting 10% of the updated build cost)
Abnormal Costs	£166,500 As evidenced relating to ground conditions.	£166,500 Agreed subject to further explanation.	The appellant has provided detail of site abnormal costs which has been reviewed by DSP and accepted as reasonable. A sum of £166,500 is included in the agreed appraisal.

Building Regulations	£164,000 A rate of £4,000 per unit.	£164,000 A rate of £4,000 per unit.	This input is agreed. A sum of £164,000 is included in the agreed appraisal.
Contingency	5% of construction cost £323,199	5% of construction cost £310,617	This input is agreed. A sum of £313,313 is included in the agreed appraisal reflecting 5% of build cost.
Sales and Marketing Costs	5% of GDV plus £750 per unit legal fees £654,000	5% of GDV plus £750 per unit legal fees £654,000	This input is agreed. A sum of £654,000 is included in the agreed appraisal reflecting 5% of GDV plus £750 per unit legal fees.
Empty Property Costs	£202,425 As per paragraph 6.23 of the application Affordable Housing Statement (February 2023), rates of £414 - £537 per month are applied to the Argus cashflow applicable only to empty property over the 35 month sales period.	£202,425 Adopt the same as Appellant	This input is agreed. A sum of £202,425 is included in the appraisal in line with the original submission appraisal and agreed as reasonable.
Programme	Pre construction - 6 months Construction - 14 months Sale - 35 Months 20% sales in month 1 57% sales in months 1-12 Remaining units evenly over an average 1.2 sales per month overall rate.	Pre construction - 6 months Construction - 14 months Sale - 35 Months 20% sales in month 1 57% sales in months 1-12 Remaining units evenly over an average 1.2 sales per month overall rate.	These inputs are agreed and applied to the appraisal.

Finance Costs	8% debit and 1% credit £773,920	8% debit and 1% credit £802,988	These inputs are agreed. Finance costs of £793,737 are agreed reflecting changes to the appraisal relating to build cost.
Profit	20% on GDV £2,493,000	20% on GDV £2,493,000	This input is agreed. A sum of £2,493,000 is allowed for profit within the agreed appraisal.
Land Costs	Stamp duty at prevalent rate Agent Fee - 1% Legal Fee - 0.75% £24,595	Stamp duty at prevalent rate Agent Fee - 1% Legal Fee - 0.75% £39,182	These inputs are agreed.
Residual Land Value	£519,922	£765,657	This output is agreed. £714,370
Benchmark Land Value	£600,000 The original submission looked at an alternative use value for the site given that the existing use is a residual element of land cleared of its former use.	£500,000 The council's expert examined benchmark land value by examining its current and historic use as well as the intentions of the current owners. The approach taken by the applicant is scrutinised and a risk adjustment for the fact the alternative use scheme does not have planning places the benchmark land	This benchmark is agreed. £500,000 The appellant does not necessarily agree with the conclusions of DSP relating to the requirement to discount the land value of the alternative use scheme given that an allowance is made within the appraisal for planning promotion. However, the appellant has accepted the marginally reduced benchmark land value for reasons of commercial expediency.

		value at £500,000. This is cross checked with the use of the site for open storage which arrives at the same benchmark land value. The council's expert concludes that having examined existing and risk adjusted alternative use values that the site benchmark in this case should be no more than £500,000	This position has now been agreed and a benchmark land value for the site is set at £500,000.
Surplus/Deficit	-£80,078	£265,657	£214,370 The parties agree that an appropriate commuted sum in this case is £214,370 having considered the evidence.