



Viability Appraisals for New Development Supplementary Planning Document

Adopted November 2023

Planning Policy and Economic Development, Hart
District Council, Harlington Way, Fleet, GU51 4AE

If you have any queries or wish to view this document in
an alternative format please contact the Planning Policy
team:

T: Switchboard – 01252 622122

T: Planning Policy - 01252 774118

E: planningpolicy@hart.gov.uk

Contents

1. Introduction	1
2. How will the Council consider viability appraisals?.....	2
3. Residual Land Value approach	3
4. Calculating the Residual Land Value	4
Gross Development Value (GDV).....	4
Costs	7
Build costs including external works.....	7
Abnormal Costs.....	8
Site-specific Infrastructure Costs.....	8
The Total Cost of all Relevant Policy Requirements	8
General Finance Costs	8
Professional and Project Management Costs	9
Sales and Marketing	9
Sales Legals	9
Project Contingency	9
Developer Profit	10
Land Value	11
5. Viability Review	13
6. Abbreviations & Glossary:.....	14
Annex – Typical values	19

1. Introduction

- 1.1 This Supplementary Planning Document sets out the Council's approach to financial viability assessments in support of planning applications. It has been prepared to support Policies H2 Affordable Housing and INF1 Infrastructure in the [Hart District Local Plan \(Strategy and Sites\) 2032](#). SPDs are a material consideration in the determination of planning applications. This SPD was adopted by the Council's Cabinet on 2nd November 2023.
- 1.2 Developer contributions from new development can be required to make a proposed development acceptable in planning terms, often to mitigate the impact of the proposed development. Examples include matters such as education, health, highways, transportation and travel, open space and leisure, heritage, community facilities, and the provision of affordable homes.
- 1.3 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 information is expected from the applicant if a development is proposed which *does not* provide the amount or type of development contributions expected through the Council's Development Plan policies and other matters necessary to mitigate the impact of the proposed development.
- 1.4 The [National Planning Policy Framework \(NPPF\)](#) paragraph 56 and the [Community Infrastructure Levy Regulations 2010 \(as amended\)](#) provides a definition of the limitation on the use of planning obligations:
 - (2) *A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is*
 - 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.*
- 1.5 The Council will, under normal circumstances, require the full contribution to be made in line with the [Hart Local Plan \(Strategy & Sites\) 2032](#). If the developer has evidence that the full level of on-site provision or financial contribution will make the site unviable, then the Council would encourage that this evidence be submitted as a full viability appraisal well before the formal application stage. Developers will be expected to have considered the financial implications of all policy requirements, and other contributions, when purchasing land for development.

- 1.6 Due to the additional expense to the Council involved in reviewing and auditing an applicant's viability assessment (in terms of both Officer time and external consultancy fees), the Council will require the full costs to be met by the applicant. Viability consultants will be appointed through the Council's relevant procurement processes.
- 1.7 The Council has produced this SPD to provide advice to applicants on the information the Council will expect to be submitted if an applicant wishes to pursue a case of non-viability. This information is expected from the applicant if a development is proposed which does not provide the amount or type of affordable homes and/or financial contributions expected through the Council's policies.
- 1.8 As set out in the supporting text to Local Plan Policy H2, the exact mix of affordable housing on each site will be considered on a site-by-site basis and having regard to the most up to date evidence on local housing needs. Applicants should therefore, through the planning application Case Officer, engage with the Housing Department at an early stage to determine the mix of affordable housing that should be tested through the viability appraisal.

2. How will the Council consider viability appraisals?

- 2.1 The information provided as part of this checklist will be subject to scrutiny by the Council. This information will be used to inform the decision taken when determining a planning application, this information will therefore be publicly available.
- 2.2 Providing full, clearly presented and fully justified details on development viability, on an open book basis, will streamline the planning application process and potentially allow a collaborative approach. Viability appraisals provided at the pre application stage are encouraged to further speed up decision making.
- 2.3 All development costs must be justified, with clear references to supporting evidence, and will be critically scrutinised by the Council to ensure each element is robust. All individual components (for example the residential sales value, the value of commercial floorspace, existing use value) should have 3 independent valuations undertaken by named qualified RICS surveyors. This SPD sets out the assumptions that the Council would expect to see included in an appraisal for different elements of the costs. Any variation from these will need to be robustly justified having regard to clear site specific and market evidence.
- 2.4 Any viability assessment should be prepared on the basis that it will be made publicly available, other than in exceptional circumstances, reflecting the presumption of disclosure. Even in those circumstances, an executive summary should be made publicly available. Where an exemption from publication is sought, the Council must be satisfied that the information to

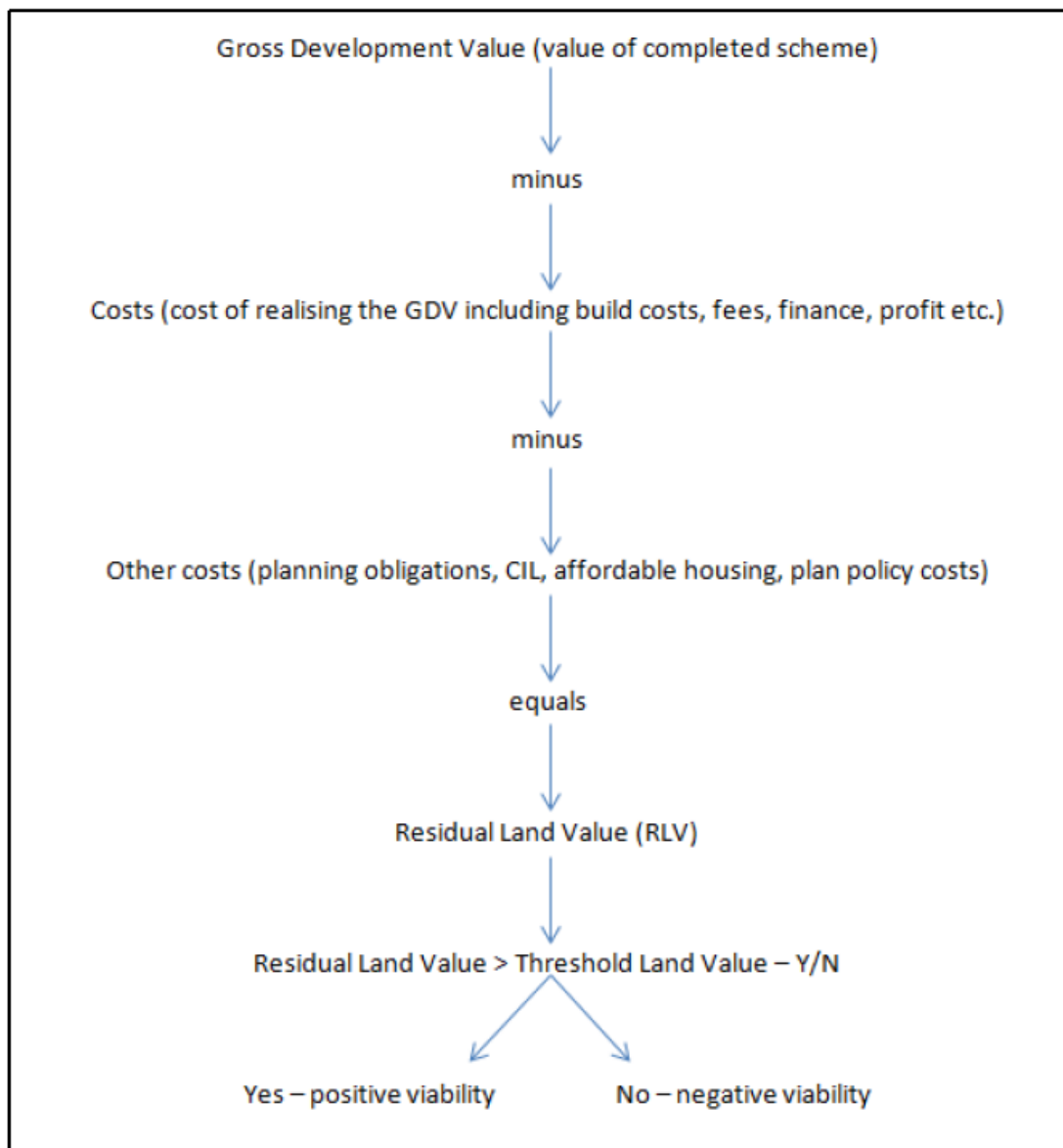
be excluded is commercially sensitive and the reasons why the full assessment is not made publicly available included within the Executive Summary.

- 2.5 The costs and values in a viability appraisal will be those at the time of the appraisal.
- 2.6 This approach aligns with Policy H2 and Policy INF1 in the [Hart Local Plan \(Strategy & Sites\) 2032](#), adopted April 2020.

3. Residual Land Value approach

- 3.1 Whilst there are different ways that a viability appraisal can be undertaken, the Council prefers the Residual Land Value method. This is the most commonly used approach, that takes account of the fact that development land value will depend both on the market value of the completed development, and also on all the costs that are borne by the developer, including planning and infrastructure costs, profit, fees, finance, and the value of the site based on its current use and condition (i.e. the existing use value).
- 3.2 The Residual Land Value is the amount that a developer is able to pay for a site, whilst still being able to deliver the project. This is calculated by applying the following approach.
- 3.3 If the Residual Land Value is equal to or greater than the Existing Use Value (EUV) plus an appropriate premium to the landowner, then the development is viable.

Figure 1: A flowchart showing the Residual Land Value method



4. Calculating the Residual Land Value

4.1 The following information will need to be set out in the viability appraisal:

Gross Development Value (GDV)

4.2 The PPG says “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 viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. Any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, disregarding outliers. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan” ([Paragraph: 011 Reference ID: 10-011-20180724](#)).

- 4.3 The Gross Development Value (GDV) is the value to be achieved if all homes (and commercial floorspace for mixed use schemes) within the development were sold at the date of assessment, either on the open market or, in the case of affordable homes, to a Registered Provider (RP).
- 4.4 If some, or all of the development is to be retained in the ownership of the developer, the completed development will still have an open market value. The Council would expect commercial values to be informed by RICS surveyors based on capitalised rental income.
- 4.5 The Gross Internal Area (GIA) should be provided for each part of the development. The Net Internal Area (NIA) will be required for all components to establish sales revenue and capital value. The Council’s audit of the applicant’s viability assessment will check the GIA and NIA areas, and ensure the ratio reflects what would be expected for the development proposed.
- 4.6 The elements that might make up the total development value are:

Market homes: Total expected to arise from open market sales. The values arrived at must take account of real current market values for the type and location of development informed by comparable evidence. The source of this comparable evidence must be clearly justified. The value of the homes should be evidenced by reference to other recent transactions of comparable new build properties. If this information is supplemented by the sales value of the ‘second hand’ housing market these values need to be adjusted to reflect the new build premium. The normal convention is that the assessment is undertaken using current values. Inflation can be applied as a sensitivity analysis but not as the base position.

A new build premium is the amount a new home is likely to achieve compared with a similar property on the second-hand market. Where an applicant has relied upon sales data of second-hand properties (for example because there are no new build schemes within close proximity to the subject site) the Council will expect the new build premium to be fully justified by evidence.

Ground rents: The Leasehold Reform (Ground Rent) Act 2022 put an end to ground rents for most new long residential leasehold properties.

The Act came into force for most new leases on 30 June 2022 and from 1 April 2023 for leases of retirement homes.

For the purposes of the viability assessment, it will be assumed that there is no value associated with the peppercorn Ground Rent.

Social rented homes: The value of homes to be sold to a Registered Provider (RP), on the basis of social rented tenure. This should be calculated using a discounted cash flow model whereby the net rental income is discounted back to the present value at an appropriate discount rate. Social rents are set using a formula set out in the Government's Policy Statement on rents for social housing.

Intermediate rented / Affordable rented homes: As set out in the Glossary, these are different housing products but the appraisal should consider the value of homes to be sold to an RP, on the basis of intermediate or affordable rent. Again, this should be calculated using a discounted cash flow model whereby the net rental income is discounted back to the present value at an appropriate discount rate.

Affordable rent is higher than social rent. Affordable rents are set by the Government's Policy Statement on rents for affordable housing. Nationally, rents are set up to a maximum of 80% of Open Market Value but are not capped at Local Housing Allowance Rates. In Hart district, rent levels are capped to LHA or below for all sized properties and are secured through a S106 agreement. For the purposes of viability assessments, it should be assumed this is the highest rate allowable at the time.

Shared ownership homes: The value of homes to be sold to an Registered Provider (RP), on the basis that there is an initial sale of between 10% and 75% of the open market value of the unit, and the capitalising a rental income on the remaining unsold equity. It needs to be clear and justified what assumptions have been made to reach the percentage for the initial sale that has been included in the viability assessment. This would generally be expected to be based on an assumption of 40% sales and any variation on this should be robustly justified. This should take account of the fact that RP are required by Homes England to sell the maximum share that the purchaser can afford. The sale element will be added to the capitalised rental income (allowing for deductions for repairs, voids/bad debts, management, maintenance and service charge) to arrive at an overall value that an RP can afford to pay for the home.

First Homes – are a type of discounted market sale housing. They must be discounted by a minimum of 30% against the market value.

They are sold to a person or persons meeting the First Homes eligibility criteria.

Costs

4.7 The PPG says “How should costs be defined for the purpose of viability assessment? Assessment of costs should be based on evidence which is reflective of local market conditions.”

“Costs include:

- **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”.

([Paragraph: 012 Reference ID: 10-012-20180724](#))

Build costs including external works

4.8 The Council would normally expect to see the build costs aligned with current BCIS build costs. This is consistent with the PPG. These will be different for different types of home (e.g. flats compared with houses; conversion compared with new-build).

- 4.9 If BCIS is not used, there must be robust and detailed justification as to why a different assumption has been applied. At this stage the Council would expect the median BCIS rate to be used.

External Works (rough typical allowances)

- 5% flats
- 10% houses

Added to BCIS build costs

Abnormal Costs

- 4.10 Any site-specific abnormal costs should be disaggregated and supported by robust evidence of the assumed cost levels. Abnormal costs would be expected to reduce the BLV.

Site-specific Infrastructure Costs

- 4.11 Site specific infrastructure costs should be informed by discussions with the relevant infrastructure providers as well as policies in the Development Plan and any relevant Supplementary Planning Document. The timing or phasing of any costs should also be considered in the Appraisal.

The Total Cost of all Relevant Policy Requirements

- 4.12 The Council does not currently have an adopted Community Infrastructure Levy (CIL) Charging Schedule. The Council will consider the new Infrastructure Levy which is proposed in the Levelling Up and Regeneration Bill.
- 4.13 The level of the Section 106 Planning Obligation contributions will be provided by the Council in its role as Local Planning Authority (LPA). This includes contributions which are for County Council functions, such as education and other organisations.
- 4.14 Applicants should also note that the Council charges an additional 5% of the financial contribution to meet the costs associated with the administration, monitoring and implementation of the S106 contribution.
- 4.15 If it were found that a site was not viable with the full provision of affordable homes and other Section 106 requirements, it would be for the Council, through the determination of the planning application, to decide how to prioritise the requirements and secure the optimum mix and quantity of affordable homes that is viable.

General Finance Costs

- 4.16 Details of project finance, related to phasing of construction and sales, should be clearly set out. The proportion of the overall cost to be met by

securing bank loans, and the rate of interest applicable to these, should be included in the open book assessment.

- 4.17 It is important to carefully assess which costs the finance is applied to, and the timings of those costs. This needs to be carefully set out and explained.
- 4.18 As finance costs are continually changing, the Council will require evidence to justify the rate used in the viability appraisal. It needs to be clearly set how this has been applied to the development costs in accordance with development programme.

Professional and Project Management Costs

- 4.19 Professional fees may include fees for planning application, land acquisition, architect, planning agent, quantity surveyor, and building control. The phasing of these costs should be appropriately timed (e.g. building control should not be applied until later build phase).
- 4.20 It is also important to ensure there is no double counting of professional fees with other costs in the viability assessment.
- 4.21 Professional fees should be capped at 8% of the build cost.
- 4.22 Professional site fees should also be considered when defining benchmark land value.

Sales and Marketing

- 4.23 Sales and marketing include the reasonable costs of sales (e.g. marketing agent commission, and on larger developments show homes and on-site sales staff). The phasing of these costs should be appropriately timed.
- 4.24 The Council would typically expect a 1% agent fee of the sales value plus marketing and incentive costs on top, or a fixed rate of £1,000 per dwelling on large sites where the economies of scale mean the cost per unit are considerably less.

Sales Legals

- 4.25 These will include the reasonable costs for the legal input for the sale or transfer of the homes. The phasing of these costs should be appropriately timed.
- 4.26 The Council would expect this to be capped at a fixed rate of £1,000 per dwelling.

Project Contingency

- 4.27 “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”.

- 4.28 The Council would expect this to be capped at 5% of the build cost.

Developer Profit

- 4.29 The PPG says “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”.

([Paragraph: 018 Reference ID: 10-018-20190509](#))

- 4.30 The principal behind viability assessment is that there is a competitive return to a willing landowner and willing developer to enable deliverability.
- 4.31 The appropriate level of profit is scheme specific and evidence should be provided to justify the proposed rates of profit taking into account the individual characteristics of the scheme and the specific risks associated with the scheme. The development programme should be considered, alongside the wider political/economic circumstances and whether the scheme includes pre-sold/pre-let accommodation.
- 4.32 The level of developer profit will reflect the degree of risk to the developer. The required profit margin should be fully justified.
- 4.33 In line with the PPG, the viability appraisal should assume that a lower profit level is more appropriate in consideration of delivery of affordable homes. This is on the basis that the developer is not taking any risk with the delivery of the affordable homes, as the model assumes that the developer has pre-sold the stock, at an agreed price, to a Registered Provider. As such it is not appropriate to include higher profit, as this reflects the risk associated with achieving market sales after a period of construction.
- 4.34 The build costs from BCIS include builders profit in the construction costs. There is no difference in the build costs applied to either the market or

affordable element and the model makes an implicit allowance for contractor's margin on build costs.

- 4.35 The Council would expect developers profit on the market homes to be no more than 18% profit on value. The developer profit on the affordable homes should be no more than 6% profit on value. Where different profit levels are proposed from those mentioned above, these need to be fully justified.

Land Value

- 4.36 The PPG says "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+)" ([Paragraph: 013 Reference ID: 10-013-20190509](#)).
- 4.37 The premium for the landowner cannot be argued as a justification for an inflated purchase price.
- 4.38 "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" ([Paragraph: 013 Reference ID: 10-013-20190509](#)).
- 4.39 "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
 - be informed by market evidence including current uses, costs, and values wherever possible. 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 for 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".

- 4.40 “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)”.

([Paragraph: 014 Reference ID: 10-014-20190509](#))

- 4.41 “Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. 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. 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” ([Paragraph: 015 Reference ID: 10-015-20190509](#)).
- 4.42 The EUV should be supported by evidence of the costs and values to justify the land value. For example if the site needs to be refurbished, these costs, including contingency, professional fees and developer profit need to be taken off the land value.
- 4.43 As stated in paragraph 2.3 above, the existing use value (EUV) needs to be clearly justified and evidenced with 3 independent valuations undertaken by named qualified RICS surveyors.
- 4.44 “The Premium [to the landowner] (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 landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements” ([Paragraph: 016 Reference ID: 10-016-20190509](#)).
- 4.45 The Premium, or the ‘plus’ in the EUV+, is the minimum enhancement of the existing use value for a willing landowner to sell their land. The

Premium will need to be justified and evidenced and will depend on the details of a site. For example, the landowner of a redundant site does not need any premium. The Council would expect the premium to be between 0% and 30% depending on the nature of the site.

- 4.46 “For the purpose of viability assessment Alternative Use Value (AUV) refers to the value of land for uses other than its current permitted use, and other than other potential development that requires planning consent, technical consent or unrealistic permitted development with different associated values. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which have an existing implementable permission for that use. Where there is no existing implementable permission, plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. 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” ([Paragraph: 017 Reference ID: 10-017-20190509](#)).

5. Viability Review

- 5.1 The assessment of viability at the planning application stage may have had the effect of reducing the policy requirements that a development would otherwise have to meet. One potential outcome could be a reduced provision of affordable homes.
- 5.2 In order to ensure that the maximum reasonable level of affordable homes are provided in line with the adopted Hart Local Plan (Strategy & Sites) 2032, and that other plan requirements are met, the Council may require a viability review at a later stage in the development process (see [NPPG paragraph 009 Reference ID: 10-009-20190509](#)).
- 5.3 This would enable changes in property markets to be reflected in scheme viability over time. Viability review mechanisms will be secured through planning obligations and will determine whether a development is capable of providing additional affordable homes or meeting other unmet policy requirements, deemed unviable at planning application stage.

6. Abbreviations & Glossary:

AUV	Alternative Use Value
BCIS	Building Cost Information Service
BLV	Benchmark Land Value
CIL	Community Infrastructure Levy
EUV	Existing Use Value
EUV+	Existing Use Value Plus
GDV	Gross Development Value
NPPF	National Planning Policy Framework
PPG	National Planning Policy Guidance
SAMM	Strategic Access Management and Monitoring
SANG	Suitable Alternative Natural Greenspace

Administration, monitoring and implementation fee: an additional 5% of the financial contribution.

Alternative Use Value: AUV refers to the value of land for uses other than its current permitted use, and other than other potential development that requires planning consent, technical consent or unrealistic permitted development with different associated values. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which have an existing implementable permission for that use. Where there is no existing implementable permission, plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. 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.

Affordable homes or housing: homes: for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following types:

- a) Affordable homes for rent
- b) Starter homes
- c) Discounted market sales homes

- d) First Homes
- e) Other affordable routes to home ownership

Affordable homes for rent: meet all of the following conditions:

- (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents and in line with Hart's policies does not exceed Local Housing Allowance (including service charges where applicable);
- (b) unless otherwise agreed by the Council, the landlord is a Registered Provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a Registered Provider); and
- (c) it includes provisions to remain at an affordable price for future eligible households in perpetuity, or for the subsidy to be recycled for alternative affordable home provision.

For Build to Rent schemes the affordable homes for rent element of the scheme needs to have a rent that should not exceed 80% of Market Rent.

Benchmark Land Value: 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+).

Building Cost Information Service: The RICS Building Cost Information Service ('BCIS') is an industry accepted index for the cost of building.

Build to Rent: Purpose built homes that are typically available at 100% rent (i.e. rent is 100% of the charge for each property). It can form part of a wider multi-tenure development comprising either flats or houses but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more and will typically be professionally managed stock in single ownership and management control.

Discounted market sales homes: are those sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure homes remain at a discount for future eligible households.

Community Infrastructure Levy: is a charge which can be levied by local authorities on new development in their area. It is an important tool for local authorities to use to help them deliver the infrastructure needed to support development in their area. Most new development which creates net additional floor space of 100m² or more, or creates a new dwelling, is potentially liable for the levy.

Existing Use Value: EUV is the value of land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. Existing use value is not the price paid and should disregard hope value.

Existing Use Value Plus: The Existing Use Value (defined above) plus a premium to the landowner (or the 'plus' in EUV+) to provide a reasonable incentive for a willing landowner to bring forward land for development while still allowing a sufficient contribution to comply with policy requirements.

First Homes: a form of discounted market sale affordable housing which is available for a minimum of 30% below OMV and is subject to a number of qualifying criteria. First Homes are the Government's preferred discounted market tenure.

Gross Development Value: GDV 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.

Intermediate Rent: (also known as Intermediate Market Rent) is a rental option that offers homes at less than the market rate. The rent charged is normally approximately 20% lower than what someone would expect to pay for a similar home in a similar area if they were renting from a private landlord. It is designed to help people who cannot afford to buy a home on the open market to save for a deposit to enable them to purchase a property in the future.

Major development: For residential schemes, major development includes those of 10 dwellings or more or on a site of 0.5 hectares or more. For other development, it includes building(s) with a floor area of 1000m² or more or on a site of 1.0 hectare or more.

Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the open market. It includes shared ownership,

relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, and/or where a requirement is outlined within the S106 agreement, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision or refunded to Government or the relevant authority specified in the funding agreement.

Planning obligation: A legal agreement entered into under Section 106 of the Town and Country Planning Act 1990 to mitigate the impacts of a development proposal.

Premium to the landowner: 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 landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

SAMM: Strategic Access Management and Monitoring - refers to measures undertaken to reduce the impact of visitors on the TBHSPA by promoting the use of SANG, providing on site wardens, a TBHSPA education programme and undertaking monitoring of both visitors and bird populations. Access management measures are provided strategically across the whole of the TBHSPA to ensure that adverse impacts are avoided and that SANGs function effectively.

SANGs: Suitable Alternative Natural Greenspace - recreational land provided as an alternative to the Thames Basin Heaths Special Protection Area. Along with SAMM, it is a measure put in place to avoid or mitigate any potential adverse effects on the SPA arising from new residential development.

Shared ownership homes: A form of intermediate affordable housing which is partly sold and partly rented to the occupiers, with a Registered Provider being the landlord. Shared ownership homes should normally offer a maximum initial share of between 10% and 75% of the open market value of the dwelling. The annual rental charges on the unsold equity (share) should not exceed the Government guidance relevant at the time of purchase.

Social rented homes: Homes that are let at a level of rent generally set much lower than those charged on the open market, available to those recognised by the Council as being in housing need and offering long term security of tenure (through Secure or Assured tenancies). The rent should be calculated using the most up to date Government approved formula.

Viability assessment: is an assessment of whether the development of a site would create sufficient value such that both the landowner brings the site to the market, and the developer has sufficient profit to undertake the development.

Annex – Typical values

Name	Amount	Metric
Build costs	See para. 2.1 above	BCIS
External works	5% flats 10% houses	On build costs
Contingency	5%	On build costs
Professional and other fees (to include usual professional fees including architects, project management etc.)	8%	On build costs
Site specific Section 106	On site-by-site basis	N/A
SANG	Hart District Council owned and managed SANG rates are updated annually. Rates vary depending on size of home and whether affordable homes are provided. Different rates may apply if purchasing non-Council SANG.	Per person / household occupancy
SAMM	Rate set by Joint Strategic Partnership Board, published by Hart District Council Rate for 2023/24 is £971.11	Per new dwelling (where applicable)
CIL or subsequent Infrastructure Levy	0	Not applicable until implemented.
Marketing & sales costs (private sales only)	1% agent fee plus marketing and incentive costs	On Gross Development Value
Sales legal Fees	£1,000	Per unit
Developer Profit	18% on market homes 6% on affordable residential homes	On Gross Development Value
Developer Profit (other residential)	18% on elderly, care and nursing homes on the market element	On Gross Development Value

Name	Amount	Metric
Interest / finance rate	As finance costs are continually changing, the Council will look for evidence to justify the rate used in the viability appraisal	Applied to the development costs in accordance with development programme
Premium to the landowner (the plus in EUV+)	0% to 30%	Applied to the EUV. The Premium will need to be justified and evidenced and will depend on the details of a site.