

costs could bring the profit level below a reasonable level. Sensitivity analysis is used to demonstrate the level of tolerance.

9.10 **Land Value Benchmark**

9.11 The RICS guidance requires that the benchmark land value is based on the Market Value of the site such that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. The site value should represent a balance that allows for a proposal to derive a reasonable market return but also to meet its planning obligation liabilities in accordance with the Development Plan. This approach ultimately maximises the prospects of delivery.

9.12 The site was sold by the Defence Infrastructure Organisation (DIO) on an unconditional basis to Taylor Wimpey following an open market tender process as the DIO required funds to reconfigure Shorncliffe Garrison onto a more secure, smaller site. The sale had to be on an unconditional basis as the DIO required the certainty of the cash consideration.

9.13 The site will be paid for on a drawdown basis as follows:

Phase 1	September 2014	£8,500,000
Phases 2/3	February 2018	£8,000,000
Phase 4	March 2026	£5,300,000
<b>TOTAL</b>		<b>£21,800,000</b>

9.14 There is also the option land where DIO have given Taylor Wimpey the ability to acquire the option land in the future if DIO can vacate the land. Taylor Wimpey are obliged to include this land within their planning application and if the DIO make them exercise the option, they will have to pay the sum of [REDACTED]

9.15 As the site was competitively tendered, we are of the opinion that the price being paid to the DIO represents the market value of the land and we have therefore used this figure as

our Land Value Benchmark within our assessment. The cost of the option land has been included as a cost item within the appraisal, (given the uncertainty of whether the DIO can actually make that site available).



## 10. Compliant Scheme

- 10.1 The planning application is for 1,200 units, but the current schedule of accommodation shows 1,213 units. We have therefore used the schedule of accommodation for this assessment. A planning policy compliant scheme will provide 30% affordable housing. The applicant is proposing to deliver these units over 4 phases. We have included the Option Land within this assessment as the applicant is obliged (through its land purchase agreement) to include it within its planning application. The applicant's desire is to acquire the Option Land if the DIO make it available to them. The breakdown of each phase for a planning policy compliant scheme is as follows;

Table 5: Planning Policy compliant scheme mix

Tenure	Phase 1	Phase 2	Phase 3	Phase 4	Option Land	TOTAL
Private	253	295	148	109	36	841
Affordable	112	135	63	47	15	372
<b>TOTAL</b>	<b>365</b>	<b>430</b>	<b>211</b>	<b>156</b>	<b>51</b>	<b>1,213</b>

We now set how each of the phases are configured:

### Phase 1

Phase 1 - Nursery	Unit Type	Private	Affordable
	4 Bed 2 Storey Unit		3
	4 Bed 2 ½ Storey Unit	14	3
	4 Bed 3 Storey Unit		2
	4 Bed 2 Storey & Garage Unit	5	
	5 Bed 2 ½ Storey Unit	1	
	<b>TOTAL</b>	<b>20</b>	<b>8</b>

Phase 1 – St Martins	Unit Type	Private	Affordable
	1 Bed Flat		4
	2 Bed Flat		4
	2 Bed Fog		2
	3 Bed 2 Storey Unit	23	13
	3 Bed	9	
	4 Bed 2 Storey Unit	14	
	4 Bed	10	
	4 Bed 2 Storey & Garage	3	
	4 Bed 2 ½ Storey Unit	5	
	<b>TOTAL</b>	<b>64</b>	<b>23</b>

Phase 1 – Stadium	Unit Type	Private	Affordable
	2 Bed Flat	9	
	2 Bed 2 Storey Unit	32	19
	2 Bed Fog	1	7
	2 Bed Maisonette		9
	3 Bed 2 Storey Unit	45	29
	3 Bed	20	
	3 Bed Coach House	6	
	3 Bed 2 ½ Storey Unit	11	
	4 Bed 2 Storey Unit	1	1
	4 Bed	5	
	4 Bed 2 ½ Storey Unit	12	
	<b>TOTAL</b>	<b>142</b>	<b>65</b>

Phase 1 – Cheriton Court	Unit Type	Private	Affordable
	2 Bed Fog	11	
	3 Bed 2 Storey Unit	12	14
	3 Bed Coach House	1	1
	3 Bed	3	
	4 Bed 2 Storey Unit		1
	<b>TOTAL</b>	<b>27</b>	<b>16</b>

Overall Phase 1 provides 365 units of which 253 are private and 112 are affordable. This equates to 69% private and 31% affordable housing.

## Phase 2

Phase 2 – Somerset	Unit Type	Private	Affordable
	1 Bed Flat	8	5
	1 Bed Maisonette	4	
	2 Bed Flat	14	12
	2 Bed 2 Storey Unit	25	
	2 Bed Maisonette		2
	3 Bed 2 Storey Unit	20	10
	3 Bed	6	
	3 Bed 2 ½ Storey Unit	2	8
	4 Bed	1	
	4 Bed 3 Storey Unit	6	
	<b>TOTAL</b>	<b>86</b>	<b>37</b>

Phase 2 – Burgoyne	Unit Type	Private	Affordable
	2 Bed 2 Storey Unit	36	40
	2 Bed Fog	2	
	3 Bed 2 Storey Unit	39	17
	3 Bed	17	
	3 Bed 2 ½ Storey Unit	44	16
	4 Bed 2 Storey Unit	13	3
	4 Bed 2 ½ Storey Unit	4	3
	4 Bed 2 Storey & Garage Unit	3	
	4 Bed	8	
	4 Bed 3 Storey Unit		2
	5 Bed 2 ½ Storey Unit	2	
	<b>TOTAL</b>	<b>168</b>	<b>81</b>

Phase 2 – Officers	Unit Type	Private	Affordable
	1 Bed Flat	4	
	2 Bed Flat	12	
	2 Bed 2 Storey Unit	4	
	3 Bed 2 Storey Unit	5	6
	3 Bed 2 ½ Storey Unit		8
	4 Bed 2 Storey Unit	12	1
	4 Bed 2 ½ Storey Unit		2
	4 Bed 2 Storey & Garage Unit	2	
	4 Bed	2	
	<b>TOTAL</b>	<b>41</b>	<b>17</b>

Overall Phase 2 provides 430 units of which 295 are private and 135 are affordable. This equates to 69% private and 31% affordable housing.

### Phase 3

Phase 3 – Risborough	Unit Type	Private	Affordable
	1 Bed Maisonette	4	
	1 Bed Flat		20
	2 Bed Flat	6	10
	2 Bed 2 Storey Unit	46	14
	2 Bed Fog	4	4
	3 Bed 2 Storey Unit	29	10
	3 Bed	14	
	3 Bed 2 ½ Storey Unit	28	4
	4 Bed 2 Storey Unit	7	
	4 Bed 2 ½ Storey Unit		1
	4 Bed 2 Storey & Garage Unit	1	
	4 Bed	7	
	5 Bed 2 ½ Storey Unit	2	
	<b>TOTAL</b>	<b>148</b>	<b>63</b>

Overall Phase 3 provides 211 units of which 148 are private and 63 are affordable. This equates to 70% private and 30% affordable housing.

### Phase 4

Phase 4 – Napier	Unit Type	Private	Affordable
	1 Bed Maisonette	6	
	1 Bed Flat		7
	2 Bed Flat	6	10
	2 Bed 2 Storey Unit	21	15
	2 Bed Fog	1	1
	3 Bed 2 Storey Unit	36	7
	3 Bed	6	
	3 Bed 2 ½ Storey Unit	12	
	4 Bed 2 Storey Unit	10	1
	4 Bed 2 ½ Storey Unit		6
	4 Bed 2 Storey & Garage Unit		
	4 Bed	5	
	4 Bed 3 Storey Unit	6	
	<b>TOTAL</b>	<b>109</b>	<b>47</b>

1 Bed Maisonette	580 sq ft	
2 Bed Flat	686-691 sq ft	
2 Bed Two Storey Unit	689 sq ft	
2 Bed Fog Unit	653-723 sq ft	
3 Bed Coach House	950 sq ft	
3 Bed Two Storey Unit	866	
3 Bed Two and a Half Storey Unit	1,049 - 1,149 sq ft	
3 Bed Unit	931 sq ft	
4 Bed Two Storey Unit	1,099 – 1,369 sq ft	
4 Bed Two and a Half Storey Unit	1,252 sq ft	
4 Bed Three Storey Unit	1,423 sq ft	
4 Bed Unit	1,222 sq ft	
4 Bed Two Storey & Garage	1,244 – 1,308 sq ft	
5 Bed Two and a Half Storey Unit	1,586 sq ft	

10.3 We set out in Appendix 3 the private residential sale values for each parcel in Phases 1, 2, 3, and 4. The totals are summarised in the table below:

Overall Phase 4 provides 156 units of which 109 are private and 47 are affordable. This equates to 70% private and 30% affordable housing.

There is also the potential for the following Option Land which consists of the following;

Option Land	Unit Type	Private	Affordable
	1 Bed Flat	5	2
	2 Bed Flat	10	
	2 Bed 2 Storey Unit		6
	3 Bed 2 Storey Unit		5
	3 Bed 2 ½ Storey Unit	7	
	4 Bed 2 Storey Unit	5	2
	4 Bed 2 ½ Storey Unit	8	
	4 Bed 2 Storey & Garage Unit	1	
	<b>TOTAL</b>	<b>36</b>	<b>15</b>

Overall this option has the scope to provide an additional 51 units of which 36 are private and 15 are affordable. This equates to 71% private and 29% affordable.

In terms of the overall scheme, this mix provides for 30.6% affordable housing of which 60% is of affordable rent tenure and 40% of intermediate tenure.

#### Gross Development Value

- 10.2 This is the total revenue produced by the completed scheme. We consider each individual element in turn.

#### Private Residential Revenue

- 10.2 Having outlined the lack of nearby comparable evidence to the subject and our rationale for considering Ashford as a key comparable we now set out in the table below our opinion of the private residential values for the various units types. The unit values vary dependent upon the location within the overall site but are in excess of what can be achieved locally. We would highlight the fact that there are very few units that will actually benefit from a sea view. The values we have included in our appraisals are within the following range: -

Table 6: Table Showing Sales Inputs For Proposed Scheme

Unit Type	Size (sq ft)	Value ( £ per sq ft)
1 Bed Flat	560 sq ft	



Table 7: Table Showing Private Residential GDV For Each Phase

Phase	Private GDV
1	£53,725,000
2	£60,185,000
3	£29,305,000
4	£22,750,000
Option Land	£7,905,000
<b>TOTAL</b>	<b>£173,870,000</b>

- 10.5 This is the main revenue producing element of the scheme and therefore the key value driver in determining whether or not the scheme is viable.

#### Affordable Housing

- 10.6 Recent tenders for the sale of affordable homes within Kent and indeed throughout the South East have been heavily influenced by whether the homes in question will be completed and handed over to the Registered Provider (RP) prior to the end of March 2015. The reason for this is that RPs can forecast with reasonable confidence what revenue streams will be generated by homes that are handed over before end-March 2015, including, most significantly, the availability of grant funding (for which there is no certainty after this period). For all affordable homes that are delivered from April 2015 onwards, there is considerable uncertainty for the RPs and it is highly likely that this will filter through to development viability in the form of reduced offer levels.
- 10.7 Taylor Wimpey have witnessed reasonable strength in offers from Registered Providers in 2013 and 2014 for homes in Kent to be completed prior to end-March 2015. However, for a multi-phase site like this scheme, where affordable homes are programmed to be handed over beyond 2015 a prudent approach is required. As part of the acquisition process, Taylor Wimpey engaged with 6 Registered Providers and invited them to submit offers for the affordable housing on the Phase 1 St Martins Plain and Stadium plots. Confidentially the 3 offers equated to the following average sale prices given the 60% affordable rent and 40% intermediate mix:

Moat	£113 psf
Southern Housing	£115 psf
T & CHA	£128 psf

- 10.8 We are of the view that the offers from Moat and Southern appear to be on the low side for this scheme and we're not sure whether they have the same vision for the scheme as Taylor Wimpey. They have probably used local values / rents in putting their offer together. The offer from T & CHA is at a more reasonable level and we have therefore assumed that the affordable housing on the scheme should be capable of being sold at £130 psf. **We have assumed all the affordable housing will be sold on a turnkey basis and paid to the developer on staged payments during construction.** We set out below the GDV for all the affordable housing:

Table 8: Table Showing Affordable GDV For Each Phase

Phase	Affordable GDV
1	£12,393,940
2	£15,695,680
3	£6,080,620
4	£4,956,900
Option Land	£1,658,280
<b>TOTAL</b>	<b>£40,785,420</b>

- 10.9 The combined private and affordable GDV for all phases are as follows:

Table 9: Table Showing Combined Residential GDV In Each Phase

Phase	Private GDV	Affordable GDV	Total GDV (rounded)
1	£53,725,000	£12,393,940	£66,120,000
2	£60,185,000	£15,695,680	£77,560,000
3	£29,305,000	£6,080,620	£35,385,000
4	£22,750,000	£4,956,900	£27,705,000
Option Land	£7,905,000	£1,658,280	£9,565,000
<b>TOTAL</b>	<b>£173,870,000</b>	<b>£40,785,420</b>	<b>£216,335,000</b>

#### Other Revenues

- 10.10 Within the scheme there are 4 non-residential buildings which are Listed or of Heritage value. We do not believe there will be much demand for alternative uses and have therefore assumed these elements of the scheme will be cost neutral. As a result we have adopted the following values:

Table 10: Value of non-residential elements

Item	Phase	Value
Water Tower	2	£75,000
Racquet Courts	2	£125,000
Sir John Moore Library	4	£125,000
Concrete Barrack	4	£150,000
		<b>£475,000</b>

- 10.11 We have assumed that the private residential car parking spaces will be sold with the units at no extra cost.
- 10.12 We have also assumed that the ground rent investments of the private flats are sold on completion. We have assumed an average annual income of £200 for all flats and we have capitalised at 6% and allowed for purchaser's costs at 1.8%. This gives a total value of £240,000 for the whole scheme.

#### Summary

- 10.13 Based on the assumptions set out above, the gross development value of the planning policy compliant scheme can be summarised as follows:

Table 11: Table Showing Breakdown Of Revenue for the Appraisal

Use	Development Value (Rounded)
Private Residential	£173,870,000
Affordable Housing	£40,785,000
Commercial	£475,000
Ground Rents	£240,000
<b>Total</b>	<b>£215,370,000</b>

#### Development Costs

- 10.14 As Shorncliffe is situated in Shepway, we have assessed the BCIS costs for Shepway. The BCIS Median cost for September 2014 for general estate housing is £984 sq m (£91.42 psf). A copy of the BCIS costs is attached in Appendix 4.
- 10.15 In addition to the base build costs, we have also allowed a 5% developer's contingency and made provision for professional fees at 10% of build costs. There are still a large number

of unknowns with the site as the DIO have not allowed the applicant to have access to the entire site. As this was a competitive bidding situation, the applicant has had to take a view on some of the abnormal costs. We've also provided in Appendix 3 a breakdown of what we anticipate the gross internal areas of each individual unit to be for construction purposes. Having spoken to the architect for the scheme, we have been told that the houses will have a 97.5% gross to net ratio and all flats will have an 82.5% gross to net ratio. We have not allowed for any additional external costs within our appraisal. Within our appraisal we have segregated the areas into each individual phase.

### Abnormal Costs

- 10.16 As with any large complicated residential development scheme, there are a number of site abnormal costs that need to be accounted for. Fortunately, as the site was subject to a competitive bidding process, Taylor Wimpey undertook an enormous amount of due diligence on the site abnormal costs to satisfy their Board in order to purchase the site on an unconditional basis.

The site abnormal costs and their costs are set out below:

### Works to the Listed Buildings

- 10.17 The 4 Listed buildings are situated within Phase 2 and comprise refurbishment works to enable the buildings to be occupied. The costs have been estimated as follows:

Water Tower (110 sqm)	£50,000
Racquets Court (250 sqm)	£100,000
Sir John Moor Library (238 sq m)	£100,000
Concrete Barracks (300 sqm)	£125,000

### Utility Diversions

- 10.18 We attach a Utility Strategy & Site Appraisal Report prepared by DBK (October 2013) at Appendix 6, which set out the existing Mains and Services which require diverting, disconnecting or abandonment. These are as follows:

Electricity	The 3 existing sub-stations can remain in situ and therefore there are no diversionary costs. However, all the sub-stations will require a new enclosure and these have been estimated at £15,000 each.
Gas	A significant number of service disconnections and mains abandonment will be required. The Medium Pressure gas main that crosses the site will

also need diverting. Southern Gas Networks have provided a budget cost of £340,000 to undertake these works. (This excludes traffic diversions stopping up orders / easements). A cost of £10,000 has also been allowed for removing existing meters.

Water	A minor sum of only £2,000 has been allowed.
Telecoms	Due to the confidential nature of the site, BT have not provided any details of existing services, so only a £2,500 survey fee has been allowed for now.
Level 3	A budget of £37,855 has been allowed covering the diversions anticipated for Royal Military Avenue only.
Colt	Colt Telecoms have plant within Royal Military Road, North road and West Road. This contains a number of strategically important fibre optics which will need to be diverted and a budget of £741,547 has been allowed for the required slewing works.

EC Harris have also estimated the cost of Service Diversions for Off-Site Highways is likely to be in the region of £100,000.

#### New Utility Infrastructure

10.19 We attach a Utility Strategy & Site Appraisal Report prepared by DBK (October 2013) at Appendix 6, which set out the new utility infrastructure required to serve the development. These are as follows:

Electricity	UK Power Networks have offered a budget of £1,200,000 for the new supplies to 1,000 residential units. SSE have quoted £426,000 excluding non contestable costs.
Gas	Southern Gas have provided a budget of £520,000 to serve 1,000 residential units. This excluded the school, Cadet hut and mixed use buildings, which is likely to cost another £5,000. SSE have quoted £8,400. British Gas have quoted £16,600.
Dual Fuel	Two companies have quoted to supply dual fuel to the scheme. Energetics have quoted £373,813 and GTC have quoted £394,683.
Water	The cost for water connections is £2,708,656 which consists of £1,632,960 for Requisition Mains, £399,000 for Service Connections and £676,696 for Infrastructure Charges.
Telecoms	BT will provide all reinforcement works up to a maximum cost of £380,800 with a possible rebate of circa £100,000, reducing the cost to circa £280,000.

10.20 We have therefore used £373,813 for Dual Fuel (which was a quotation based on a 1,000 unit scheme, not the current number of units), £2,708,656 for water and £280,000 for BT.

### Archaeology

10.21 For the planning application a Cultural Heritage Desk Based Assessment will be produced as a cost of £17,500. The intrusive works will only be possible when the MOD vacate the site and in phases over the lifetime of the development.

10.22 We estimate the developable area is circa 28 hectares. We are informed by CGMS that current costs for evaluation trenching are circa £4500 per hectare. There will be archaeology on the site with Iron Age and Roman likely on St Martins Plain and eighteenth and nineteenth century military on the barrack sites – particularly Burgoyne.

10.23 The current costs for full excavation, post excavation and publication are circa £50,000 per hectare for low density archaeology and c£100,000 per hectare for high density archaeology.

10.24 CGMS advise that the cost of archaeology could be as follows:

CHDBA	£17,500
28 hectares @ £4,500	£126,000
9.4 hectares of HD full excavation (St Martins / Borgoyne)@ £100,000	£940,000
18.6 hectares of LD full excavation (St Martins / Borgoyne)@ £50,000	£930,000
Total	£2,013,500

10.25 We are of the opinion that this is a very full cost and we would expect the applicant to be able to achieve a saving of circa 40% and have therefore assumed an archaeological cost of £1,200,000

### Resurfacing of North Road

10.26 This has been estimated at £119,075 by EC Harris as shown in Appendix 7

### Demolition

10.27 The applicant has secured a quote from Erith's for the demolition works, removal of ground slab, foundations, hard standing and asbestos. A copy of the quote is attached at Appendix 8 and is for a total sum of £3,936,500. This is split between the phases as follows:

Phase 1	£548,500
Phase 2	£1,379,995

Phase 3            £994,070

Phase 4            £924,010

10.28 There is also a £90,000 allowance for an asbestos survey. No demolition costs have been provided for the option land.

#### Foul Water

10.29 EC Harris estimate the on-site costs of dealing with the Foul water will be circa £1,047,235 (see Appendix 9). The off-site costs are based on a response from Southern Water indicating the requirement for 6,900m of off-site reinforcement. EC Harris estimate this will cost circa £2,000,000 based on another Taylor Wimpey site as shown in Appendix 10.

#### Surface Water

10.30 EC Harris estimate the cost of stormwater attenuation to be £2,601,445 as shown in Appendix 11. The costs of the surface water outfalls have been estimated by EC Harris at circa £320,065 as shown in Appendix 12.

#### Off Site Highways

10.31 This has been based on CCE Schedule of Highway Costs and a spreadsheet depicting the individual cost items is attached at Appendix 13. The total cost has been estimated by Cannon's to be circa £2,688,000.

#### Extra over Capping Layer

10.32 This has been based on EC Harris measure and relates to the increased capping required as a result of the site's CBR values. This cost has been estimated at £178,000.

#### Extra over Foundations

10.33 EC Harris have estimated the additional cost of providing foundations for the development to be in the order of circa £2,596,930 as shown in Appendix 14.

#### Fencing Costs

10.34 As part of the land purchase agreement, the applicant is contractually obliged to undertake the following fencing works:

New Security fencing to DIO retained land	£266,400
Upgrading Security fencing	£40,500
Removing Security fencing	£46,080
Repairing Security fencing	£25,000

#### Other Costs

- 10.35 In terms of the S106 contributions payable, we have been provided with details of the following S106 payments which have been the subject of initial negotiation with the Local Planning Authority:

Table 12: S106 Items

S106 Provision	Amount
Equipped Open Space Contribution	£1,440,000
Equipped Open Space Maintenance	£342,000
Football Changing Facilities	£950,000
Open Space Contribution	£426,832
Open Space Maintenance	£747,954
Backdoor Training Area Works	£500,000
Backdoor Training Maintenance	£250,000
Primary & Nursery School	£3,842,385
Primary School Land	£1,000,000
Community Learning	£37,793
Adult Services	£90,927
Youth Workers	£47,991
Libraries	£235,096
200 Sq M Health Building	£200,000
<b>TOTAL</b>	<b>£10,110,978</b>

- 10.36 We have been informed that the cost of the planning application will be circa £200,000 (this is in addition to the professional fees) and that the sums being spent on due diligence surveys are circa £300,000.

### Sales and Marketing

- 10.37 We have allowed for sales and marketing costs as follows;

Table 13: Table Showing Inputs For Sales &amp; Marketing Costs In the Appraisal

Direct Sale Agents Fees	Residential	2.5%
Direct Sale Legal Fees	Residential	0.25%



### Finance

- 10.38 We have adopted a debt finance rate of 6.75% and a credit interest rate of 1%. The financing rate is keener than current lending rates. We have assumed 100% debt funding over the whole development period. In reality, it would be necessary for the developer to put in a substantial level of equity. However, we consider that the approach adopted reasonably reflects the current rates at which Banks are lending (as well as the high entry and exit fees they are charging) and the level of finance required.

### Total Costs

- 10.39 The total cost of building the scheme is circa £191,085,000.

### Sales Programme

- 10.40 The private residential sales are sequenced to commence approximately 12 months after construction commences on a parcel and we have assumed a sales rate of 5 units per month per phase.
- 10.41 For the affordable housing we have assumed that the affordable housing income is paid on completion of the units.
- 10.42 We have assumed that the sale of the non-residential elements on completion of the repair works for those buildings.

### Compliant Appraisal Conclusions

- 10.43 Based on the total development costs, including finance on land of approximately £191,085,000, when deducted from the GDV of £215,370,000 above, this produces a profit of circa £24,285,000. This equates to 11.3% of GDV (12.7% of costs). Our appraisal is attached at Appendix 15
- 10.44 This indicates that planning policy compliant scheme is not viable and could not be delivered. We have therefore sought to explore other avenues on how the developer could improve viability. This has resulted in us exploring a new scheme, which we shall call the Alternative Scheme.

## 11. Alternative Scheme

- 11.1 We have now sought to configure a scheme which reduces the level of affordable housing in order to improve the overall viability. Below is an overview of our proposed Alternative Scheme, which provides affordable housing at 15% on a unit basis;

Table 14: Alternative Scheme mix

Tenure	Phase 1	Phase 2	Phase 3	Phase 4	Option Land	TOTAL
Private	261	410	201	123	36	1,031
Affordable	104	20	10	33	15	182
<b>TOTAL</b>	<b>365</b>	<b>430</b>	<b>211</b>	<b>156</b>	<b>51</b>	<b>1,213</b>

- 11.2 In essence, we have reduced the affordable housing in the Phase 1 Nursery Plot and re-provided reduced affordable housing over the other phases to ensure that affordable housing is provided in all phases. Please note that those parcels not listed in the section below are unaltered from the the previous planning policy compliant scheme. A more detailed breakdown of the scheme configuration is provided in Appendix 16;

Phase 1 - Nursery	Unit Type	Private	Affordable
	4 Bed 2 Storey Unit	3	
	4 Bed 2 ½ Storey Unit	17	
	4 Bed 3 Storey Unit	2	
	4 Bed 2 Storey & Garage Unit	5	
	5 Bed 2 ½ Storey Unit	1	
	<b>TOTAL</b>	<b>28</b>	

Overall Phase 1 provides 365 units of which 261 are private and 104 are affordable. This equates to 72% private and 28% affordable housing.

Phase 2 is configured as follows:

Phase 2 – Somerset	Unit Type	Private	Affordable
	1 Bed Flat	13	
	1 Bed Maisonette	4	
	2 Bed Flat	26	
	2 Bed 2 Storey Unit	25	
	2 Bed Maisonette	2	
	3 Bed 2 Storey Unit	30	
	3 Bed	6	
	3 Bed 2 ½ Storey Unit	10	
	4 Bed	1	
	4 Bed 3 Storey Unit	6	
	<b>TOTAL</b>	<b>123</b>	

Phase 2 – Burgoyne	Unit Type	Private	Affordable
	2 Bed 2 Storey Unit	66	10
	2 Bed Fog	2	
	3 Bed 2 Storey Unit	56	
	3 Bed	6	
	3 Bed 2 ½ Storey Unit	64	10
	4 Bed 2 Storey Unit	13	
	4 Bed 2 ½ Storey Unit	8	
	4 Bed 2 Storey & Garage Unit	3	
	4 Bed	7	
	4 Bed 3 Storey Unit	2	
	5 Bed 2 ½ Storey Unit	2	
	<b>TOTAL</b>	<b>229</b>	<b>20</b>

Phase 2 – Officers	Unit Type	Private	Affordable
	1 Bed Flat	4	
	2 Bed Flat	12	
	2 Bed 2 Storey Unit	4	

	3 Bed 2 Storey Unit	11	
	3 Bed 2 ½ Storey Unit	8	
	4 Bed 2 Storey Unit	13	
	4 Bed 2 ½ Storey Unit	2	
	4 Bed 2 Storey & Garage Unit	2	
	4 Bed	2	
	<b>TOTAL</b>	<b>58</b>	

Overall Phase 2 provides 430 units of which 95% are private and 5% affordable.

Phase 3 has been altered and now provides the following:

Phase 3 – Risborough	Unit Type	Private	Affordable
	1 Bed Maisonette	18	
	1 Bed Flat	0	6
	2 Bed Flat	12	4
	2 Bed 2 Storey Unit	60	
	2 Bed Fog	8	
	3 Bed 2 Storey Unit	39	
	3 Bed	14	
	3 Bed 2 ½ Storey Unit	32	
	4 Bed 2 Storey Unit	7	
	4 Bed 2 ½ Storey Unit	1	
	4 Bed 2 Storey & Garage Unit	1	
	4 Bed	7	
	5 Bed 2 ½ Storey Unit	2	
	<b>TOTAL</b>	<b>201</b>	<b>10</b>

This phase provides 211 units of which 201 are private and 10 are affordable. This equates to 95% private and 5% affordable housing.

Phase 4 is configured as follows:

Phase 4 – Napier	Unit Type	Private	Affordable
	1 Bed Maisonette	6	
	1 Bed Flat	0	7
	2 Bed Flat	6	10
	2 Bed 2 Storey Unit	20	1
	2 Bed Fog	2	15
	3 Bed 2 Storey Unit	43	
	3 Bed	6	
	3 Bed 2 ½ Storey Unit	12	
	4 Bed 2 Storey Unit	11	
	4 Bed 2 ½ Storey Unit	6	
	4 Bed	5	
	4 Bed 3 Storey Unit	6	
	<b>TOTAL</b>	<b>156</b>	<b>33</b>

Overall Phase 4 provides 156 units of which 79% are private and 21% affordable.

There is also the potential for the following Option Land which consists of the following;

Option Land	Unit Type	Private	Affordable
	1 Bed Flat	5	2
	2 Bed Flat	10	
	2 Bed 2 Storey Unit		6
	3 Bed 2 Storey Unit		5
	3 Bed 2 ½ Storey Unit	7	
	4 Bed 2 Storey Unit	5	2
	4 Bed 2 ½ Storey Unit	8	
	4 Bed 2 Storey & Garage Unit	1	
	<b>TOTAL</b>	<b>36</b>	<b>15</b>

Overall this option has the scope to provide an additional 51 units of which 36 are private and 15 are affordable. This equates to 71% private and 29% affordable.

- 11.3 This alternative scheme provides 1,213 units of which 1,031 are private and 182 are affordable. This equates to 85% private and 15% affordable.
- 11.4 For the purposes of our appraisal we have retained the same inputs which now provide the following results:

Table 15: Table Showing Combined Residential &amp; Commercial GDV for Alternative Scheme

Phase	Private GDV	Affordable GDV	Total GDV(rounded)
1	£55,830,000	£11,147,000	£66,975,000
2	£83,075,000	£2,400,000	£85,475,000
3	£38,305,000	£800,000	£39,105,000
4	£26,335,000	£3,075,000	£29,410,000
Option Land	£7,905,000	£1,660,000	£9,565,000
Commercial Land			£475,000
Ground Rent			£240,000
<b>TOTAL</b>	<b>£211,450,000</b>	<b>£19,085,000</b>	<b>£231,245,000</b>

#### Development Costs

- 11.5 We have utilised the same Development Costs as per the planning policy compliant scheme. However, as additional private residential units are being provided, this will impact the sales programme as we have assumed the same rate of sales as per the planning policy compliant scheme.

#### Alternative Scheme Appraisal

- 11.6 Based on the total development costs, including finance on land of approximately £190,335,000, when deducted from the GDV of £231,245,000 above, this produces a profit of circa £40,910,000. This equates to 17.7% of GDV (21.5% of costs). Our appraisal is attached at Appendix 17.
- 11.7 This indicates that the Alternative Scheme is not able to deliver a viable scheme. A viable scheme would require a profit of circa £43,595,000. (20% of private GDV and 6% of affordable GDV). The only other way to improve viability will be to look at the Section

106 costs required for the scheme or hope that residential sales values will increase in the future beyond the rate of increase in construction costs.

## 12. Conclusion

- 12.1 The applicant acquired the site on an unconditional basis from the Defence Infrastructure organisation (DIO) in an open market tender process as this was the only way the DIO were prepared to release the site for development. The DIO will use the funds to reconfigure Shorncliffe Garrison onto a smaller more secure site to provide new modern defence facilities.
- 12.2 This assessment seeks to demonstrate the maximum amount of affordable housing and Section 106 payments the scheme can afford.
- 12.3 A developer requires a return for investing and bringing forward any scheme. The level of profit required varies from scheme to scheme and depending upon the stage of the economic cycle, and the risk inherent in a project. A realistic profit margin is not only required to ensure the developer has appropriate cover, but now more than ever, is a requirement of any bank looking to fund a scheme. It is our view that a developer's profit for this scheme should equate to circa 20% of the Gross Development Value for the private/commercial elements and 6% for the affordable element.
- 12.4 Based on our assessment of a planning policy compliant scheme (30% affordable housing) the total GDV of the scheme is circa £215,370,000. The total costs for the scheme, including land value, construction costs, abnormals, fees, finance and S106 contributions is in the region of £191,085,000, which produces a profit of circa £24,285,000. This equates to 11.3% of GDV (12.7% of costs). This indicates that a planning policy compliant scheme is not viable.
- 12.5 We have therefore sought to explore other avenues on how the developer could improve viability. This has resulted in us exploring a new scheme, which we called the Alternative

Scheme. This alternative scheme provides 1,213 units of which 1,031 are private and 182 are affordable. This equates to 85% private and 15% affordable.

- 12.6 This Alternative Scheme produces a GDV of £231,245,000 which once the development costs of approximately £190,335,000 are deducted produces a profit of circa £40,910,000. This equates to 17.7% of GDV (21.5% of costs). The only other way to improve viability will be to look at the Section 106 costs required for the scheme or hope that residential sales values will increase in the future beyond the rate of increase in construction costs. However, the applicant does not wish to reduce the S106 obligations on this site.