Arun District Council – Financial appraisal checklist:

To assist with the analysis of the submitted viability issues, the following supporting information provided to the council:

1. Ordnance survey plan showing the application site.

2. Site plan(s) showing the layout of the proposed development, the arrangement of proposed unit types also the extent of existing buildings (if any) on-site.

3. Schedule providing both the gross internal floor area and net sales area measured in accordance with RICS standards.

4. Assumed site value (whether used as an appraisal unit or benchmark land value) should be explained and evidenced. This may be by means of existing use value, or market value led approach using comparables, in the case of market value, analysis of comparables must be provided and a recent purchase of the subject site may be relevant as a factor to consider. Site purchase price and date of purchase should be evidenced. The Council assumes that the land or site value in an appraisal should reflect policy requirements and planning obligations in accordance with para 023 planning practise guidance. If the site is held on option an assumed acquisition price should be based in accordance with para 023 planning practise guidance (latest edition). In all cases the constraints associated with a site should be reflected in land value, as well as the development opportunity. Justification may be needed (where applicable) as to why all development costs were not reflected in purchase price.

5. Normal base construction costs (making clear what is included and excluded, including breakdown of unit costs). The RICS Building Costs Information Service (BCIS) will generally form a suitable reference point of these.

6. Treatment of external work costs should be made clear within the figures, ready to demonstrate no overlapping of costs allowances between the base construction costs (as above) and any abnormal costs (see below).

7. Abnormal development costs (with supporting technical survey / reports and contractor costings / estimates). Costs should be explained and itemised.

8. Details of all anticipated sales revenue including revenues from affordable housing, any ground rents and commercial or other scheme elements. The assumptions should be explained and evidenced, with any supporting information such as a selection of agents' marketing advice, market

reports or similar welcomed. Where possible, affordable housing revenues should be based on actual evidence from affordable housing providers; or be otherwise justified assumptions.

9. All other fees, costs and allowances should be clearly set out and explained – e.g. in relation to acquisition, professional fees (for design, engineering etc.), scheme finance, marking costs and the like.

10. Levels of developers return (profit) as a percentage of Gross Development Value (GDV), or development cost – the approach should be made clear, along with the conclusion on profit scope that is being drawn from the submitted appraisal(s).

11. Section 106 costings for all applicable contributions (greenspace, education, highways etc.) to policy compliant levels as advised by the Council's Planning team.

12. A detailed appraisal, usually carried out using residual valuation techniques, and embodying above information (as clearly visible inputs) and principles which is <u>policy compliant</u> concerning affordable housing provision and other S106 items as requested by the Housing Strategy and enabling manager - in accordance with PPG para 023.

13. A second appraisal (using an equivalent approach and consistent assumptions so far as applicable) detailing the level of affordable housing requirements proposed in support of any justification for a departure from compliant affordable housing requirements indicating clearly the point at which viability becomes unsustainable, in the opinion of the applicant.

General guidance on viability submission:

A submission on financial viability should seek to clearly demonstrate why the amount and / or the tenure mix of affordable housing sought by the council prevents the generation of an appropriate commercial rate of return (whether in respect of profit and / or land value) for the applicant's proposal and should meet the following criteria:

a) Assessment costs should be based on robust evidence which is reflective of market conditions. Al developments costs should be set out and taken into account in the initial submission; generally, it will not be possible to consider additional information submissions unless requested by the council.

b) Proposals will be assessed against current market conditions (including current land values) and will not have regard to historic costs (e.g.

including for land if purchased some time ago at a price above current market value) or projected costs;

c) Submissions should be reflective of the fact that it will be deemed to be at the applicant’s own risk if project or development costs are incurred ahead of the receipt of a commitment by planning authority with regard to a development proposal (through the grant of a full planning permission, a reserved matters approval, a S106 agreement or other legal commitment specifying all conditions and obligations);

d) Appraisals should have regard to other S106 obligations; both ARUN DC and West Sussex County Council;

e) In the case of the mixed use scheme (e.g. combining other elements in addition to residential, such as commercial or retail) the testing will be of the viability of the entire scheme;

f) Submissions and appraisals should be undertaken in line with general approach and principles contained in Planning Practise Guidance latest edition. Applicants may find other sources of guidance also useful – e.g. RICS Guidance Note (GN94/2012) – ‘Financial Viability in Planning’.

g) Applicants making Viability submissions will be asked to provide a “live” (functioning) version of their appraisals to the Council’s reviewer. This generally helps facilitate a more open and effective review process, with a common appraisal basis to work with. For this reason, whilst the council will not prescribe the appraisal tools for use, it suggests the use of appraisal tools that are either freely available and well-recognised (e.g. the HCA Development Appraisal Tool) or are commonly in use for larger / more complex viability review (most frequently Argus Developer). It is understood that applicants and their advisers may use a range of excel models as an alternative, however and the same open/ sharing approach will be sought in any event. Further advice on appraisal tools can be provided by the council.

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