

Development Viability Appraisals

This document provides additional information to the Local Development Plan Developer Contributions Supplementary Guidance section on Development Viability. The Scottish Government's definition of viability is where the value (revenue) generated from a development must exceed the costs of undertaking the development ("costs" include the developer's profit). If however the costs exceed the revenues, then the development would be considered unviable and unlikely to progress on this basis.

If the provision of developer contributions makes a scheme financially unviable the developer will be required to provide a full development appraisal demonstrating the negative impact the contribution has upon the proposal. Where it is considered that the burden imposed by the contribution is so great that the proposal would not otherwise take place the Council will negotiate with the developer. Negotiations will assess the benefits the development brings to the community and determine if mitigation can be met through other means.

A template has been structured to demonstrate where a developer contribution requirement threatens the viability of a proposal. Please note that the below template is for demonstration purposes only and is not a required structure as other versions and software packages can be used. Where large scale or complicated developments are proposed developers will be expected to provide viability assessments that meet the professional standards of The Royal Institution of Chartered Surveyors (RICS). Appendix C of the RICS paper on financial viability on planning includes an indicative outline of what developers should include in a viability assessment.

http://www.rics.org/Documents/Financial_viability_in_planningPGguidance.pdf.

Development appraisals consist of numerous variables to enable developers to understand if their development is financially viable. Many of the variables will already be known to a developer but a number of assumptions will be required. Appraisals should include justifications for known and assumed variables and costings including revenue and construction costs. The RICS Building Cost Information Service quarterly index can assist with determining how cost figures are calculated. Further information can be found on the RICS website: www.rics.org/uk

The below template uses a selection of variables, costs and justification examples but please note each site is unique with its own elements and issues to consider which will shape an appraisal. It is at the Council's discretion to request further information if deemed necessary.

It should be noted that development appraisals can evolve throughout the lifespan of a development and it may be necessary to alter information within the appraisal and these can have an impact on the viability of a scheme. Alterations can include delays in construction, revised design and layout of development, additional and change in material quality.

Please contact the case officer if you require further information on what to include in your appraisal.

DEVELOPMENT VIABILITY APPRAISAL TEMPLATE EXAMPLE			
SITE DETAILS			
Date of appraisal	January 1 st 2017		
Developer name and address	Name, address		
Developer contact details	Lead officer name, telephone number, e-mail address		
Development description	Description (e.g. 5 detached residential units)		
Development location	Site address, co-ordinates		
Size of development area	Hectares		
Total Development Period including securing planning permission.	9 months		
When construction starts	Month 4		
Construction period	5 months		
Sale start period	Month 2		
REVENUE			
Development Variable	Quantity of development	Income	Notes
Detached units	4 bedroom units x 5	£1,000,000	Anticipated sale value of completed houses. Values are based on comparable evidence from sales in (location) and built by (developer name).
TOTAL		£1,000,000	
DEVELOPMENT COSTS			
Development Variable	Further information	Expenditure	Notes
Site cost		£500,000	
Stamp Duty	3.5% interest	£17,500	
Agency Fees	1.25% interest	£6,250	
Legal Fees	0.75% interest	£3,750	
TOTAL		£527,500	
Planning fees		£2000	Standard fees apply
Site investigation works		£2000	This can include Supplier and specialist contractors quotes e.g. contamination
Archaeological mediation works		£1500	This would be for detailed mediation works required and the relevant quotes
Marketing assessment		£2500	This may be necessary depending on the size of the development. Objective assessment of the housing market in the region and relevant quote.
Developer Contributions			Developer Contribution policy and supplementary guidance apply
	Affordable Housing	£25,000	Commuted Sum

	Open space	£7,500	
	Education	£30,000	Nursery, Primary and Secondary School contribution requirement per dwelling
TOTAL		£70,500	
Groundworks		£20,000	
Construction costs including labour		£200,000	This should be broken down to include the detail and costings of the substructure and superstructure, internal finishes, fittings, equipment and services etc.
Infrastructure		£80,000	This should be broken down to include the detail and costings of infrastructure services such as site works, consents, energy suppliers etc.
Contingency allowance	2% interest	£5,400	
Professional Fees	7% interest	£18,900	
TOTAL		£324,300	
Marketing of development		£20,000	This could include advertisement of the development.
House sale legal fees		£5,000	
TOTAL		£25,000	
OVERALL TOTAL		£947,300	
SUMMARY			
Revenue			£1,000,000
Development Costs			£947,300
Target Profit %			17.5%
Profit / Loss			Profit of £52,700 (5.27%)