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Our Reference : JAS/ 1691123  
Your Reference : 2018/0549

[REDACTED]  
Planning Department  
Gedling Borough Council  
Civic Centre  
Arnot Hill Park  
Arnold  
NOTTINGHAM NG5 6LU

[REDACTED]  
Date : 23 November 2018

**Confidential**

[REDACTED]  
**Review of Development Viability Appraisal  
Proposed Redevelopment at the former Carlton Police Station,  
Cavendish Road, Carlton, Nottingham**

I refer to your instructions set out in your email letter of the 7 September 2018 requesting my professional advice in relation to the proposed mixed use residential and office development scheme as described below. I have now considered the matter and I am pleased to report as follows:

**Instructions**

I have been asked to consider the financial appraisal submitted by AMK Planning, in connection with the submitted planning application for the proposed mixed use residential and office development scheme comprising of 53 x (open market), 9 x (affordable/affordable rent tenure) and 4 x (affordable/shared ownership tenure) housing units.

My understanding of your instructions is to have regard to the viability of the proposed mixed use residential and office development scheme taking into consideration the proposed Section 106 costs as follows:

Public Open Space Contribution	£61,422.92
Bus Stop Improvement	£ 7,500.00
Health Care Provision	£21,357.00
<b>Total:</b>	<b><u>£90,279.92</u></b>

**Situation/  
Location**

The subject land is located in a mixed established residential and commercial area fronting Foxhill Road East and Cavendish Road, Carlton adjacent to a Tesco supermarket and Army Reserve Centre.

There are services available in the immediate surrounding area with a wider range of services and facilities available in Nottingham City Centre.

The subject property comprises of a detached part two and three building which appears to be of modern construction with brick and reconstituted stone elevations incorporating aluminium powder coated double glazed windows and doors beneath pitch and hipped slate tile and lead roof coverings.

Externally there are enclosed side and rear areas providing car parking, turning and storage areas over tarmac surfaces.

Boundaries are by way of brick walling and steel fencing

<b>Inspection</b>	The subject land was inspected on the 16 November 2018 on an external site inspection basis only.
<b>Nature of Interest</b>	It is assumed that the subject land is held freehold with vacant possession being available.
<b>Easements, Rights of Way and Restrictions affecting Value</b>	I have not been made aware of any easements, restrictions, outgoings or charges adversely affecting the subject parcel of land. I have assumed no ransoms.
<b>Planning</b>	I understand that a detailed planning application (Reference No: 2018/0549) for the conversion of the former police station into 42 x apartments including external alterations, erection of a three storey block of 24 x apartments, erection of a three storey office block (B1 use) and reconfigured car parking has been submitted but not yet granted as at the date of this report.
<b>Floor Areas</b>	I have been provided with the following Gross Internal Floor areas by the planning applicant's agent (based on architect's plans) and I have made the Special Assumption that the floor areas of the residential units have been calculated in accordance with the RICS Professional Statement 'RICS Property Measurement' (2 <sup>nd</sup> Edition) and, where relevant, the RICS Code of Measuring Practice (6 <sup>th</sup> Edition).

In accordance with the Council's instructions, I have made Special Assumptions regarding the affordable housing tenure split, as stated below.

#### Open Market Housing

Type/ Description	No of Units	Sq M	Sq Ft	Total Sq M	Total Sq Ft
1 bed flat (G1, F1, S1)	3	51	449	153	1,647
1 bed flat (G2, F2, S2)	3	56	603	168	1,809
1 bed flat (G3, F3, S3)	3	47	506	141	1,518
1 bed flat (G4, F4, S4)	3	45	484	135	1,452

Type/ Description	No of Units	Sq M	Sq Ft	Total Sq M	Total Sq Ft
1 bed flat (G5, F5, S5)	3	56	603	168	1,809
1 bed flat (G6, F6, S6, F16)	4	48	517	192	2,068
1 bed flat (G7, F7)	2	47	506	94	1,012
1 bed flat (G8, F8)	2	50	538	100	1,076
1 bed flat (G9)	1	62	667	62	667
1 bed flat (G10)	1	48	517	48	517
1 bed flat (G11, F11)	2	66	710	132	1,420
1 bed flat (G12, F12, S9)	3	56	603	168	1,809
1 bed flat (G13, F13, S8)	3	49	527	147	1,581
1 bed flat (G14, F14, S7)	3	55	592	165	1,776
1 bed flat (G15, F15)	2	47	506	94	1,012
1 bed flat (G16)	1	42	452	42	452
1-bed flat (F9)	1	44	474	44	474
1 bed flat (F10)	1	53	570	53	570
1 bed flat (S10)	1	62	667	62	667
2 bed flat (G4, 8) New Build	2	62	667	124	1,334
1 bed flat (G7) New Build	1	42	452	42	452
2 bed flat (F4, 8) New Build	2	62	667	124	1,334
1-bed flat (F5, 7) New Build	2	42	452	84	904
2 bed flat (S4, 8) New Build	2	62	667	124	1,334
1 bed flat (S5, 7) New Build	2	42	452	84	904

#### Affordable Housing Rented Tenure

Type/ Description	No of Units	Sq M	Sq Ft	Total Sq M	Total Sq Ft
1 bed flat (G6) New Build	1	40	431	40	431
1 bed flat (F1, 2, 3, 6) New Build	4	40	431	1,724	1,724
1 bed flat (S1, 2, 3, 6) New Build	4	40	431	1,724	1,724

### Affordable Housing/Shared Ownership Tenure

Type/ Description	No of Units	Sq M	Sq Ft	Total Sq M	Total Sq Ft
1 bed flat (G1, 2, 3) New Build	3	40	431	120	1,293
1 bed flat (G5) New Build	1	42	452	42	452
<b>Total</b>	<b><u>66</u></b>			<b><u>6,400</u></b>	<b><u>35,222</u></b>

### Section 106 Requirements

I understand the following Section 106 contributions are required by Gedling Borough Council:

Public Open Space Contribution	£61,422.92
Bus Stop Improvement	£ 7,500.00
Health Care Provision	£21,357.00

**Total:** **£90,279.92**

### Site Area

The following approximate land area has been confirmed by the planning applicant's agent and I understand is calculated on a gross site area basis:

<b>Acres</b>	<b>Hectares</b>
1.66	0.67

### Mineral Stability

The property is situated in an underground mining area and in view of the possibility of mine workings and the increased risk of damage from underground mining subsidence, it is recommended in our Standard Terms of Business (a copy of which has been supplied) that a report is obtained from the Agency's Mineral Valuer. However, as you have not requested such a report you are deemed to have instructed the Agency to assume in arriving at its viability assessment:

- (1) that the property valued is not at the date of viability assessment affected by any mining subsidence and will not be so affected in the future; and
- (2) that the site is stable and will not occasion any extraordinary costs with regard to Mining Subsidence.

You hereby accept that the Board of HM Revenue & Customs for and on behalf of the Agency and its employees cannot, in these circumstances, provide any warranty, representation or assurance whatsoever to you or any third party as to the mineral stability or otherwise of the subject property being assessed and you hereby agree to waive any claim which you might otherwise have had against the Board, the Agency or any of their employees for negligence or breach of contract arising from any loss or damage suffered as a result of the fact that the Agency's viability assessment on your specific instructions, is to take no account of any matters which might reasonably be expected to have been disclosed by an Underground Mining Subsidence Report.

<b>Flooding</b>	I have made the Special Assumption that the subject land is unaffected by flooding.
<b>Contamination</b>	I have made the Special Assumption that the subject land is unaffected by contamination.
<b>Archaeology</b>	I have made the Special Assumption that the subject land is unaffected by archaeological remains.
<b>Ecology</b>	I have made the Special Assumption that the subject land is unaffected by any ecological matters.

**Comments regarding  
AMK Planning  
Development  
Appraisal**

**Gross Development Value**

I am broadly in agreement with the adopted Capital Values for the individual units making up the Gross Development Value, excluding the 2 bed residential flats.

Please see my comments below.

The planning applicant's agent has also made no allowances in their development appraisal for the ground rent income to be received from the residential flats.

**Construction Costs**

The adopted construction costs of £107.51 per Sq Ft / £1,157.23 per Sq M seem reasonable as assessed by a Valuation Office Agency internal quantity surveyor.

These costs are in addition to the abnormal costs.

**Abnormal/Development Costs**

The planning applicant's agent has confirmed the following abnormal and development costs will be incurred as follows:

Police Phone Mast Removal	£ 10,000
Ground Remediation	£ 75,000
Structural Alterations	£ 80,000
Flood Risk Alleviation Measures	£ 85,000
Demolition and Site Clearance	£ 60,000
<b>Total:</b>	<b>£310,000</b>

These abnormal costs have been assessed as being reasonable by a Valuation Office Agency internal quantity surveyor.

**Professional Fees**

The allowance for professional fees at 8% of construction costs at £394,960 seem a little high.

**Finance Costs/Development Program**

The planning applicant's agent has confirmed the total development construction period of approximately 39 months / 3.25 years.

The adopted finance cost at 5% which I understand is inclusive of bank arrangement costs and bank monitoring seems reasonable as at the date of this report.

### **Sales and Marketing Costs**

The residential sale and marketing fees at £3,087 per unit (£163,600 / 53 = £3,087 per unit) seem reasonable as at the date of this report, taking into consideration the current economic climate and property market.

### **Developer's Profit**

An allowance for developer's profit based on 20% (open market) and 6% (affordable) of the gross development value has been adopted. This is in line with market allowances as at the date of this report based on the proposed mixed use office and residential development scheme.

Please see my comments below.

## **DVS Development Appraisal**

### **Gross Development Value**

I have produced a residual development appraisal for the proposed mixed residential and office development scheme, based on the scheme details and information provided by the planning applicant, and calculate a total Gross Development Value of £8,536,375, (comprising £7,633,250 + £903,125) exclusive of any incentives that may/may not be required.

I have also taken into account a ground rent of £125 per annum for the one bed flats and £150 per annum for the 2 bed flats which provides an annual income stream of £8,400 per annum. This income has been capitalised adopting a Year's Purchase of 6%.

### **Construction Costs**

I have also taken into account construction costs of £107.51 per Sq Ft / £1,157.23 per Sq M inclusive of externals, having regard to the RICS BCIS Quarter 4 2018 Costs as assessed by a Valuation Office Agency internal quantity surveyor.

A construction contingency of 3% has been adopted.

It should be noted that the planning applicant's agent has not provided any detailed information relating to fixtures and fittings, level of specification and design of the proposed residential flats.

Accordingly, I have made Special Assumptions regarding these points, which may have to be revised as and when more detailed information is provided.

### **Abnormal/Development Costs**

The planning applicant's agents have confirmed the following abnormal and development costs in developing this site which a Valuation Office Agency internal quantity surveyor has assessed as being reasonable as follows:

Police Phone Mast Removal	£ 10,000
Ground Remediation	£ 75,000
Structural Alterations	£ 80,000
Flood Risk Alleviation Measures	£ 85,000
Demolition and Site Clearance	£ 60,000

**Total:** £310,000

### **Sales and Marketing Costs**

I have also made the following open market flat allowances:

Legal Fees:	£ 26,500
Promotion/Marketing/Agent's Fees:	<u>£174,125</u>

**Total** £200,625

I have also made allowances for the notional costs that a developer would incur for the sale of the affordable housing units to a Registered Social Landlord.

In relation to the proposed office development scheme I have also made allowances for marketing costs @ £10,000, letting agents fees @ £7,225, letting legal fees @ £7,225, sales agents @ £13,547, and sales legal fees @ £12,500.

### **Professional Fees**

I have also adopted an allowance for professional fee at 7% of construction costs equating to £407,624.

### **Finance Costs/Development Program**

I have adopted a total development period of approximately 33 months /2.75 years based on the proposed development scheme and the information provided by the planning applicant's agent.

Finance costs of 5% inclusive of bank arrangement costs and bank monitoring have been adopted which, in my opinion reflecting current market conditions, is not unreasonable.

I have made the Special Assumption that the proposed S106 costs would be payable over the construction programme.

### **Developer's Profit**

An allowance for developer's profit based on 17.50% (open market), 6% (affordable), and 15% (office) of the gross development value has been adopted which equates to a total sum of £1,393,990. In my opinion, this is not unreasonable based on the proposed mixed use residential and office development scheme in the current market.

### **Land Acquisition Fees**

I have also made land acquisition allowances for agent's fees and legal fees at 1.75%.

### **Site Value/Benchmark Land Value**

I have assessed the Site Value/Benchmark Land Value by having regard to the previous uses of the existing police/office building. I am aware that the existing building provides a total GIA of 3,386 Sq M / 36,447 Sq Ft.

To arrive at a NIA to adopt in my valuation calculations I have made a deduction of 15% from the GIA to arrive at a NIA of 2,709 sq m / 29,158 sq ft. I have assessed the Market Rent of the existing building at £235,000 and have capitalised this at a year's purchase of 11%. I have also taken into account a premium of 10%.

I have assessed the Site Value/Benchmark Land Value at £2,090,000 for benchmarking purposes.

<b>Residual Land Value</b>	The residual land value based on the 66 x residential flat proposed mixed use development scheme is - (negative) £114,565 (excluding SDLT) and, based on an approximate gross site area of 1.66 acres / 0.67 hectares, equates to - £69,015 per acre / - £170,993 per hectare.
<b>Conclusion</b>	Accordingly, my opinion of the proposed mixed use residential and office development scheme is that it is <u>not viable</u> as at the date of this report taking into account the Site Value/Benchmark land Value
<b>Date of Viability Assessment</b>	The date of assessment is 23 November 2018.
<b>Comments</b>	<p>The subject parcel of land is located in an established commercial and residential area.</p> <p>Gedling Borough Council should be aware that we have been provided with a number of abnormal and development costs by the planning applicant.</p> <p>It should be noted that some of these abnormal and development costs are based on estimates and could change.</p> <p>Accordingly, the local authority is strongly advised to monitor the costs, as cost savings could be made, which could help achieve a viable development scheme.</p>



**It should be noted that some of the proposed one bed residential flats are the same size and or larger than the proposed two bed residential flats. Accordingly whilst I have adopted sales values reflecting one bed flats the Council should be aware that if the relevant flats were to change to two bed flats, the matter should be referred back to me for further consideration.**

The assessment has been made by comparing the residual land value of the proposed mixed use development scheme with an appropriate benchmark figure having regard to the National Planning Policy Framework and the published RICS Guidance Note Financial Viability in Planning.

The government announced in late 2017 that they would crackdown on unfair leasehold practices in respect of ground rents. However since no legislation has been enacted the policy of DVS is to include ground rents at this stage. If this changes it could affect this assessment.

I have not made any allowances for Homes England grant funding for the affordable housing provision. If grant funding were to be obtained by the developer, then the Council should be aware that the development scheme should be reassessed.

It should be noted that no detailed mixed use development scheme details have been provided, and my assessment is based on the proposed site plan and floor areas provided by the planning applicant. If the scheme details were to change, or the S106 contributions, the development scheme should be reappraised.

This viability assessment should be reassessed if and when a revised planning application is made regarding the detailed design/layout of the proposed units.

**As agreed with Gedling Borough Council, I have made various Special Assumptions as stated. If any of the Special Assumptions stated are incorrect or change, this may materially affect the Residual Land Value reported. Accordingly, the viability assessment should be referred back to me for further consideration.**

This viability assessment has been carried out in a period where residential flat property values have fallen and where there are consequential effects on development viability.

It is likely that the current market conditions/downturn in the residential/commercial property market/economy will change over a reasonable period of time, and I would recommend that this assessment should be reviewed, if any planning consent has not been substantially commenced within one year of being granted, or if the development was to be constructed in phases.

The local authority is advised that a review mechanism or overage provision should be applied.

At the present time, the planning applicant appears willing to proceed with the proposed development scheme, obviously subject to the Section 106 contributions.

Whilst I cannot provide any professional advice to the planning applicant, it is ultimately up to them to decide how they wish to proceed in this matter.

I have had regard to comparable evidence in the surrounding Carlton/Nottingham area. The transactions have been considered adjusting for date, state of the market and location.

**Validity**

This report remains valid for 3 (three) months from its date unless market circumstances change or further or better information comes to light, which would cause me to revise my opinion.

**Restrictions on Disclosure and Publication**

The client will neither make available to any third party or reproduce the whole or any part of the report, nor make reference to it, in any publication without our prior written approval of the form and context in which such disclosure may be made.

**Limits or Exclusions of Liability**

The report should only be used for the stated purpose and for the sole use of your organisation and your professional advisers. No responsibility whatsoever is accepted to any Third Party who may seek to rely on the content of the report unless previously agreed.

**Confirmation of Standards**

The viability assessment has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards 2014 UK Edition, commonly known as the Red Book.

Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuations Standards (IVS).

If agreed departures from these Standards have been required in accordance with any instruction received from you, these will be specifically identified and detailed in this report.

**Conflict of Interest**

Checks have been undertaken in accordance with the requirements of the RICS standards and have revealed no conflict of interest.

**Disclosure of Material Assistance**

The assembly of the comparable evidence in this case was undertaken by Farhan Hassan, although I undertook the analysis of the comparable evidence and assessed the opinion of value. I was responsible for the supervision of the task throughout.

**Status of Valuer**

It is confirmed that the viability assessment has been carried out by Jeffrey Solomon, an RICS Registered Valuer, acting in the capacity of an external valuer, who has the appropriate knowledge and skills and understanding necessary to undertake the viability assessment competently and is in a position to provide an objective and unbiased viability assessment.

**Exempt Information**

You may wish to consider whether this report contains Exempt Information within the terms of Paragraph 9 of Schedule 12A to the Local Government Act 1972 (Section 1 and Part 1 of Schedule 1 to the Local Government (Access to Information) Act 1985) as amended by the Local Government (Access to Information) (Variation) Order 2006.

I trust the above will enable you to proceed but should you require anything further, please do not hesitate to contact this office.



Principal Surveyor  
RICS Registered Valuer  
DVS

Encs: Site Location Plan;  
DVS Residual Development Appraisal.

