

**Greening Goldsworth Road Woking (Plan/2020/0568)
TCPA (1990) S77 Inquiry (APP/A3655/W/21/3276474)
Viability: Statement of Facts**

Introduction

1. Goldsworth Road Development LLP (GRD) ('the Applicant') and Woking Borough Council ('WBC') (collectively referred to as 'The parties') have prepared this Statement of Facts ('SoF') addressing financial viability for the public inquiry (Ref: APP/A3655/W/21/3276474) in respect of a proposed development on land to the North and South of Goldsworth Road Woking Surrey GU21 6JT ('the Application Site').

Scope of Statement

2. This SoF is prepared jointly by Claire Dickinson of Quod on behalf of the Applicant and Michael Darroch of Kempton Carr Croft (KCC) on behalf of WBC. The purpose of the SoF is to set out the agreed viability position to assist the inquiry and to clearly set out for the planning inspector the matters of financial viability which are agreed between the Applicant and WBC.
3. **This SoF is structured as follows:**
 - **Section 1 – Application Details;**
 - **Section 2 – Matters of Agreement;**
 - **Assessment Methodology;**
 - **Appraisal Inputs & Assumptions;**
 - **Appraisal Outputs**
 - **Benchmark Land Value**
 - **Overall Conclusions; and**
 - **Viability Review Mechanism.**
4. **This SoF should be read in conjunction with [ref for other planning statements of common ground etc] which set out the broader planning matters which are agreed between the parties.**

Section 1 - Application Details

5. The Applicant submitted an application for full planning permission (ref PLAN/2020/0568) (the "Application") and this was validated on Mon 29 Jun 2020.
6. The Application proposes the demolition of all existing buildings and redevelopment of the site for a phased mixed-use scheme, comprising 929 residential units (Class C3), communal residential and operational spaces, commercial uses (Classes A1/A2/A3/A4/B1/D1/D2) at ground floor and homeless shelter (sui generis) together with soft and hard landscaping including public realm works, highway alterations to Goldsworth Road, car parking, cycle parking, bin storage, ancillary facilities and plant. This includes the following:

- **The demolition of all the eight buildings on the Site;**
 - **929 residential homes;**
 - **Homeless shelter provision (Sui Generis);**
 - **Commercial floorspace (Use Classes A1/A2/A3/A4/B1/D1/D2);**
 - **A replacement Woking Railway Athletic Club facility;**
 - **263 car parking spaces; and**
 - **Significant highway alterations to Goldsworth Road, including the pedestrianisation of that part of Goldsworth Road fronted by the proposed development.**
7. The proposed residential development comprises a mix of studio, 1, and 2 and 3 bedroom homes. The affordable housing provision comprises 48 intermediate homes.
 8. At a meeting held on 12 January 2021, the WBC Planning Applications Committee resolved to refuse planning permission with the decision notice dated the 20 January 2021.
 9. KCC provided a detailed report to WBC which considered the Applicant's viability submissions (prepared by Quod and submitted alongside the planning application) this report was dated 14 August 2020. This initial KCC report was peer reviewed by Dixon Searle on behalf of the council and this exercise confirmed the viability findings identified by KCC.
 10. A further viability update document was prepared by Quod and submitted to WBC. This identified the viability changes which resulted from the changes in height proposed to building T3. KCC reviewed this viability update and prepared an addendum viability report (dated 2nd December 2020) including commentary on the proposed review mechanism for the scheme for inclusion within the S106 agreement.
 11. The range of viability documents were each referenced in the committee report with their respective conclusions identified in respect of the affordable housing package proposed.
 12. The KCC reports produced for WBC confirm that the level of affordable housing proposed represents the maximum the scheme could support having regard to the viability of the proposals. KCC recommended that a review mechanism be included within the S106 to ensure improvements in project viability during the delivery period of the project can be reflected in the affordable housing contribution.
 13. The package of affordable housing is consistent with local Plan policy CS12 which seeks a 40% affordable housing target for sites delivering more than 15 homes but which identifies that the costs relating to the development, in particular the financial viability of developing the site will be a factor taken into account in decision making.

Section 2- Financial Viability – Matters of Agreement

Assessment Methodology

14. The parties agree that the appropriate methodology for testing the viability of the Application Scheme is to establish its Residual Land Value ('RLV') and to compare this to a Benchmark Land Value ('BLV') each to be determined to accord with the requirements of Planning Practice Guidance at paragraphs 013, 014, 015, 016 and 017.

Appraisal Inputs & Assumptions

15. The parties agree that the appraisal inputs set out in Table 1 are supported by up to date evidence and are appropriate inputs for the purposes of determining the Application Scheme RLV at the date of this SoF. The appraisal summary is attached as Appendix 1.

Table 1 – Viability assessment inputs and assumptions

Input	Assumption	Amount	Description
Scheme revenues			
Private residential sales revenue	£516 - 555 per square foot	£296,261,403	The private sales revenue assumption is agreed by the parties and remains unchanged from the application stage viability document.
Intermediate Affordable housing revenue	£383 per square foot	£12,401,436	The affordable housing revenue assumption is agreed by the parties. This is based on the approach set out within the RICS Guidance Note 'Valuation of Land for Affordable Housing' (2 nd Edition, April 2016). The applied revenue per sq.ft. remains unchanged from the application stage viability supporting document.
Residential ground rents	Capital value of £0 Per unit	£0	The application stage viability previously agreed the inclusion of ground rents however, the progress of the Leasehold Reform (Ground Rent) Bill through Parliament supports this revenue being removed from the appraisal. In the event that ground rents are an allowable revenue the review mechanism will account for their associated revenue.
Homeless Shelter Sale	Transaction price	£6,071,815	
Retail revenue	£361 per square foot	£9,570,242	The retail revenue assumption is agreed by the parties and remains unchanged from the application stage viability document.
Additional Revenue		£1,728,000	The carparking revenue of £1,728,000 remains consistent with the previous assessment.
Total Gross Scheme Value:		£326,032,896	
Scheme costs			
Site Acquisition Costs	6.5% of the residual land value.	£216,612	This assumption is industry standard and is agreed by the parties. It includes allowance for stamp duty land tax, agent fees, legal fees.
Construction costs	Cost Plan	£189,588,403	The construction cost are agreed by the parties. The quantity surveyors - Fulkers Bailey Russell - has reviewed the current scheme and market and confirmed that there are no material changes to the overall build figure

			relied upon in the application stage viability submission. Build costs will be an input into the review mechanism.
Construction costs	Incoming Services, Facilitating Works, External Works, Other Costs	£12,333,846	The construction costs associated with the incoming services, facilitating works and external works are agreed by the parties. The quantity surveyors has reviewed the current scheme and market and confirmed that there are no material changes to the overall build figure relied upon in the application stage viability submission. Build costs will be an input into the review mechanism.
Contingency	Applied to Build costs at 5%	£9,479,420	This assumption is industry standard and is agreed by the parties.
Housing Infrastructure Contribution		£1,858,000	
Woking Borough Council CIL	Applied to qualifying net additional floorspace	£8,114,632	CIL provided by the Council. CIL will be an input within the review so actual CIL level will be recorded within that exercise.
SAMM		£592,781	Increase of £25,568 to reflect figure being applied in S106.
Purchaser's costs	5.75% of capital value of non-residential space	£550,289	This assumption is industry standard and is agreed by the parties.
Professional fees	10.25%	£19,432,811	The professional fees allowance agreed by the parties.
Private sales marketing budget	1.5% of private residential GDV	£4,443,921	The residential marketing budget agreed by the parties.
Commercial letting agency	15% of first year's rent	£99,375	The commercial letting agency fees agreed by the parties.
Commercial letting legal fees	2.5% of first year rent	£16,563	The commercial letting legal fees agreed by the parties.
Private residential sales Agent fee	1.25%	£3,816,017	The private residential agent fee agreed by the parties.
Private residential sales legal fee	0.25%	£809,387	The private residential legal fee agreed by the parties.
Private Housing Developer return (profit)	17.5% of GDV	£54,385,931	The allowances for developer return/profit agreed by the parties to be a reasonable reflection of risk of the

Affordable Housing/Homeless shelter Developer return (profit)	6% of GDV		various land uses in the Application Scheme as reviewed in Q4 2020.
Commercial Developer return (profit)	15%GDV		
Finance rate and amount	6.50%	£16,962,931	The finance rate and amount agreed by the parties.
Total scheme costs:		£322,901,251	

Appraisal Outputs

16. It is agreed that the financial appraisal generates a RLV of £3,332,493 as set out in Table 2 below and in the financial appraisal summary in Table 1 above.

Table 2 –Residual Land Value

Output	Amount	Description
Total Scheme Revenues	£326,032,896	The sum of the scheme revenues agreed by the parties.
Total Scheme Costs	£325,482,607	The sum of all scheme costs including the developer's return (Profit) agreed by the parties.
Residual Land Value (RLV)	£3,332,493	The residual figure after the Total Scheme Costs have been deducted from the Total Scheme revenues.

Benchmark Land Value

17. The parties agree that the BLV for the Application Site is £19,675,000 based on the following elements which together comprise the application site.

Element	Value	Comments
20 Goldsworth Road	£3,000,000	Office property with refurbishment costs.
30 Goldsworth Road	£505,000	Community Café and residential to FF.
32 Goldsworth Road	£12,355,000	Office property with refurbishment costs.
15-29 Goldsworth Road	£3,500,000	Mixed Retail and Office property with refurbishment costs.
8 Church Street West	£315,000	Office Property with refurbishment costs.
TOTAL	£19,675,000	

Overall Conclusions

18. It is agreed that the RLV of £3,332,493 is lower than the agreed BLV of £19,675,000 as set out in Table 4 below.

Table 4 – Viability Assessment Outputs

Output	Appraisal Sum	Description
RLV	£3,332,493	The residual land value after the Total Scheme Costs including threshold profit (at 16.77% of GDV) have been deducted from the Total Scheme revenues.
BLV	£19,675,000	The agreed BLV is based upon the agreed RLV scheme.
Surplus/Deficit on land at threshold profit	(£16,342,507)	The shortfall between the RLV produced by model with Threshold Profit as input.

19. The parties agree that because the agreed RLV is lower than the agreed BLV (based on the RLV of the AUV scheme), the 48 intermediate units of affordable housing exceeds the maximum reasonable proportion of affordable housing.
20. The Affordable Housing Proposals therefore satisfy the requirements of Local Plan policy CS12 and other relevant development plan policy requirements.

Viability Review Mechanism

21. The parties agree that a Review Mechanism will be included within the S106 agreement which be triggered prior to the sale/let of 75% of the proposed units. This mechanism will facilitate the provision of additional affordable housing in accordance with paragraph 009 of the Planning Practice Guidance. The Review Mechanism will make provision for upwards-only changes to affordable housing provision.
22. The review mechanism is based on the GLA late stage formula which provides a robust approach to assessing the impact of any cost and value changes which may occur to the point where the review is triggered.
23. The review mechanism is based on the following formula where 'surplus profit' is represented by 'x' and this amount is passed to the Council as additional contribution in accord with the S106.

$$X = (((A - B) - (C - D)) - P - E) * 0.6$$

Where:

A = Review Gross Development Value as determined at the date of the review

B = Application Gross Development Value as determined at the grant of the Planning Permission

C = Review Build Costs as determined at the date of the review including the actual/projected CIL Liability known at time of review

D = Application Build Costs (excl. contingency) at the grant of the Planning Permission including the estimated CIL Liability at that point.

P = Developer profit on change in Gross Development Value calculated by: $(A - B) \times Y$

Y = Developer profit as a percentage of Gross Development Value as determined in the Application Viability Appraisal – 16.77%.

E = Deficit on land at threshold profit.

Notes:

(A - B) = Change in Gross Development Value from the date of planning permission to the date of review (£)

(C - D) = Change in build costs from the date of planning permission to the date of review (£)

24. The review mechanism formula sets inputs 'B', 'D' and 'E' based on the agreed current market scheme appraisal set out above. The figures for each of these are;

B = £326,032,896

D = £221,967,811

E = £16,342,507

 Hugh Lacey Quod On behalf of (8AE) 24 November 2021	 Michael Darroch Kempton Carr Croft On behalf of Woking Borough Council 24 November 2021
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Encl: Appendix 1 – Appraisal summary

**Goldsworth Road, Woking
Application Stage Appraisal**

**Development Appraisal
Kempton Carr
24 November 2021**

APPRAISAL SUMMARY**KEMPTON CARR**

Goldsworth Road, Woking
Application Stage Appraisal

Appraisal Summary for Merged Phases 1 2 3 4 5 6

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Building T1	135	86,779	516.46	331,987	44,818,238
Affordable Housing	48	32,356	383.28	258,363	12,401,436
Building T2	239	150,936	532.21	336,109	80,330,000
Building T3	295	171,138	554.52	321,692	94,899,082
Building BA	212	142,723	534.00	359,500	76,214,082
Building BB - Homeless Shelter	1	12,228	496.55	6,071,815	6,071,815
Totals	930	596,160			314,734,654

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale
Retail Sales for T1,T2,T3	1	26,500	25.00	662,500	662,500
Totals	1	26,500			662,500

Investment Valuation

Retail Sales for T1,T2,T3					
Market Rent	662,500	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	9,570,242
Total Investment Valuation					9,570,242

GROSS DEVELOPMENT VALUE

324,304,896

Purchaser's Costs			(550,289)	
Effective Purchaser's Costs Rate		5.75%		(550,289)

NET DEVELOPMENT VALUE

323,754,607

Additional Revenue

Car Parking Sales		432,000	
Car Parking Sales		560,000	
Car Parking Sales		736,000	
			1,728,000

NET REALISATION

325,482,607

OUTLAY**ACQUISITION COSTS**

Residualised Price		3,332,493	
			3,332,493
Stamp Duty	5.00%	166,625	
Agent Fee	1.00%	33,325	
Legal Fee	0.50%	16,662	
			216,612

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Building T1	113,805	240.73	27,396,843

APPRAISAL SUMMARY**KEMPTON CARR****Goldsworth Road, Woking
Application Stage Appraisal**

Affordable Housing	42,433	240.73	10,215,108	
Building T2	193,244	251.12	48,527,899	
Building T3	220,973	256.25	56,623,702	
Building BA	181,663	231.65	42,081,795	
Building BB - Homeless Shelter	18,596	255.06	4,743,056	
Totals	797,214 ft²		189,588,403	
Contingency		5.00%	9,479,420	
Incoming Services			1,250,820	
Facilitating works			2,787,290	
External Works			3,358,736	
Other Costs			4,937,000	
HiF			1,858,000	
CIL Payment			8,114,632	
SAMM			592,781	
				221,967,082
PROFESSIONAL FEES				
All Professional Fees		10.25%	19,432,811	19,432,811
MARKETING & LETTING				
Marketing		1.50%	4,443,921	
Letting Agent Fee		15.00%	99,375	
Letting Legal Fee		2.50%	16,563	
				4,559,859
DISPOSAL FEES				
Sales Agent Fee		1.25%	3,816,017	
Sales Legal Fee		0.25%	809,387	
				4,625,403
FINANCE				
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				16,962,415
TOTAL COSTS				271,096,676
PROFIT				
				54,385,931

Performance Measures

Profit on Cost%	20.06%
Profit on GDV%	16.77%
Profit on NDV%	16.80%
Development Yield% (on Rent)	0.24%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%
IRR% (without Interest)	16.59%
Rent Cover	82 yrs 1 mth
Profit Erosion (finance rate 6.500)	2 yrs 10 mths