

Benchmark Land Value



Our clients are concerned with large residential sites typically built on greenfield land. Our comments relate only to matters relevant to Typology 10 and 11.

We accept the methodology of assessing Benchmark Land Value (BLV) by reference to existing use value (EUV) and the addition of a premium.

We accept the EUV of £10,000/acre for greenfield/agricultural land.

i We do not accept the Benchmark Land Value assessed and by implication the premium on EUV used to calculate it.

In relation to the premium, we quote from para 012 of the NPPF as follows:

- *The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land.*
- *The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements.*
- *Landowners and site purchasers should consider policy requirements when agreeing land transactions.*
- *In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.*

i We do not consider that the BLV adopted in the VA has been justified by reference to any evidence, collaborative process or appropriate

The BLV for the VA is 72% less than the BLV adopted for CIL viability in the 2017 Hamson report. No rationale or evidence is provided for this reduction.

We do not believe that landowners will consider such a reduction to be reasonable. We consider the BLV to be:

1. Below the minimum return a reasonable landowner would accept for their land.
2. Insufficient incentive to release land for development.

i As a result, land will not be brought forward for development and as such the plan will not meet its development objectives.

Intali Response to Interim Viability Study

We raised concerns about the BLV adopted for the Interim Viability Study as follows:

1. No evidence was provided to support land-owner premium.
2. No evidence or summary of cross-collaboration was provided.
3. No rationale was provided for a reduction of BLV of £348,000 used in Hamson's 2017 CIL report to £100,000/acre in the interim report.

We have reviewed paragraphs 342 - 364 of the VA and specifically focused on paragraph 351 - GNDP response to consultees.

We have not dealt with paragraph 351 in the order set out in the VA, but have reviewed each item in a logical path towards a conclusion.

Data Provided

At para 351, the VA accepts that no data was provided to underpin the values used in the Interim Viability Report (IVR).

Based on consultee responses, the VA now provides further research in Appendix H (Land Values for the GNLP).

Review of Data

Although the VA's limitations at para 364 are noted, we make the following comments:

1. It is very disappointing that no Land Registry research has been undertaken to produce more confirmed transactions as suggested in para 015 of the NPPF.
2. The three sale comparables provided are without acreage or unit numbers. These are of little use.
3. The remaining evidence comprises 21 sites currently available, giving various levels of information.
4. By the time the Local Plan reaches inquiry, many of these available properties will have been sold.

However, on the basis that 21 transactions are offered, we can assume that landowners are prepared to sell at, or close to the levels of price advertised. Using the data collated in Appendix H, we comment as follows:

Averages of Data Supplied

1. Average Site Area - 2.75 acres
2. Average Asking Price - £1.911m
3. Average Price/acre - £365,366
4. Average Price/dwelling - £70,914

Allowing for +/- 10% from asking prices to sale prices, the worst case 10% reduction on all properties would produce an average sale price of £330,000/acre.

Ignoring urban centre typologies, this is 50% higher than the **highest** BLV adopted in the Viability Report and more than three times higher than the BLV proposed for typologies 10 and 11.

This "further research" referred to at para 351 of the VA cannot be considered "direct comparable evidence" and certainly does not "underpin the values used" (para 351).

However, it does clearly demonstrate how far removed the BLV adopted is from the evidence contained in the VA.

Despite this - at para 362, the VA confirms no change to the BLV's adopted in the Interim Study

i The VA contains a series of data that completely contradicts the BLV

Justification of premiums applied and logic of multipliers or percentage increases

Para 351 of the VA states:

Viability guidance is silent on how to an appropriate premium should be established. Whilst a premium should suitably incentivise the landowner to release land for development, the landowner would also wish to have regard to the market. It should be noted that the Benchmark Land Value however assessed are invariably less than the market value of land with planning permission for residential development. If this were not the case, the land would be developed for the use which maximises its value.

In accordance with NPPF, land price paid will reflect policy required contributions. If it does not, the overpayment will alter planning policy contributions required.

The sales of 21 parcels of land produced at Appendix H of the VA will, according to viability methodology, reflect policy required contributions and clearly demonstrate values in the current policy context.

i The £348,000/acre adopted in the 2017 Hamson CIL is fully supported by the VA's own evidence which produces an average price of £365,000/acre.

Applying a premium that produces a BLV of £100,000/acre is not and has not been justified in the VA.

We stated at para 14 of our April 2020 Review of the Interim Viability Study:

Generally, there are many other inputs used in the interim study to prepare the various appraisals and which appear to have been amended from previous viability work. In all cases the amendments reduce costs or increase revenues.

and at paragraph 15:

The intention appears to be to maximise the level of contributions that can be secured rather than provide a balanced and reasoned assessment of what development can realistically be expected to be delivered during the plan period.


The adoption of a BLV of £100,000/acre is a perfect example of those concerns.

Hamson CIL Report 2017

In our review of the Interim Viability report at para 78, we noted that the Hamson report for CIL viability prepared in 2017 adopted a BLV of £348,000. We further noted that no evidence had been provided to justify this 72% reduction in BLV.

The response at para 351 of the VA states:

the EUV's is to be bought up to date and therefore the previous values used in both the 2017 Hamson and 2019 Interim Study are now superseded.

 Neither this nor any evidence produced in the VA justifies the 72%

We therefore rely on the efficacy of the assumptions and methodology used to calculate BLV.

Willingness of Landowners to Sell at a Reduced Rate

At para 351 of the VA provides consultee response in relation to this topic and states:

The principle of using Benchmark Land Values in viability appraisals is provided in the General section above. This Viability Appraisal seeks to follow the guidance provided rather than to challenge this principle. This Viability Appraisal is therefore silent on this matter.

The "General section" referred to is at para 340 of the VA and states that, as part of the process of assessing BLV, various issues should be considered, including their "Step 2" which requires a premium **"as a reasonable incentive to bring the land forward for development"**

How can this requirement be divorced from the willingness of land-owners to sell at a reduced rate?

i We do not consider that the BLV provides sufficient incentive to landowners to bring land forward for development.

The Word "Reasonable"

"Reasonable" is used throughout the VA:

Para 337 - viability guidance on the definition of land value for viability assessments:

*The premium for the landowner should reflect the minimum return at which it is considered a **reasonable landowner** would be willing to sell their land. The premium should provide a **reasonable incentive**, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements.*

Para 338 - establishing a reasonable premium

*Any data used should **reasonably identify**.....**reasonable expectations** of local landowners.*

Para 340 - "Step 2" of arriving at BLV

*assessment of the premium (the sum equating to the 'plus' in the EUV+) which is paid to the landowner as a **reasonable incentive** to bring the land forward for development.*

Para 346 Interim Study consideration of BLV

*to provide the landowner with an appropriate premium to existing use value and would reflect the minimum return at which a **reasonable landowner** would be willing to sell their land at*

Para 359 - Calculation of uplift

*what a landowner would accept as a **reasonable incentive** for the payment for the land*

We understand that this is a subjective word used where an empiric answer is unpalatable or too difficult.

i The only metric available in the deliberately subjective calculation of Benchmark Land Value is that it has fallen by 72% in four years.

We consider that to be unreasonable.