

Drivers Jonas Deloitte.

Bridlington Town Centre AAP:
BridTC20 S106 Tariff
Basis of the Charge and
Economic Viability Assessment

Introduction

- 1.1 Drivers Jonas Deloitte have been asked to assess the effect on the viability of development in the town centre of the imposition of the standard charges set out in Appendix 5, Table A5.1 of the Publication Document. This paper will set out the basis of the charge and the economic viability assessment.

Basis of the Standard Charges

- 1.2 The charges have been set within Bridlington AAP to enable a standard approach to calculating a developer's contribution to the cost of strategic public realm. Regardless of how the developments sought in the AAP are delivered (either by a large scheme or cumulatively by many smaller developments), it is reasonable that they contribute to costs of the wider supporting infrastructure and public realm. The standard charges seek to provide an approach to distribute these charges in a transparent and fair manner.
- 1.3 Drivers Jonas Deloitte have carried out the assessment on the basis explained below, accepting that property markets are cyclical and charges need to be flexible. It is also accepted in the AAP that the contribution is a maximum and that the Council will take evidence of viability into account in applying the charge. The principle holds that the charges should be set at a level that neither compromises the viability of development nor deters property owners from bringing land and buildings forward for development.
- 1.4 The standard charge should be calculated on the basis of a contribution per sq m of gross floorspace delivered. We have based the standard charge threshold as 3% of total development costs (including construction, contingency, fees, profit and finance but not cost of land). The aim of the charges is not to exceed, but be broadly equivalent to the 3% threshold promoted by the AAP.
- 1.5 To calculate the standard charges for the whole of the AAP area, we have adopted the use mix and development scale within the Burlington Parade development as the best general indication of developments schemes in the AAP area. We have calculated the charge as follows:
 - i) Assumed the property uses proposed for the town centre and provided in Table 1 below.
 - ii) Assumed a development scheme for each use against which to assess the impact of the proposed charges.
 - iii) Calculated the cost of each development scheme by adopting, on the advice of Faithful and Gould (quantity surveyors), a construction cost for each development type as at 2007, profiled to 2010 through indexation. An allowance for contingency (5%), fees (10%), finance (debit 5%) and developer's profit (20% on costs) - all typical assumptions in the property development industry.
 - iv) Applied the cost per sq m (gross) of the standard charge based on 3% of all development costs before allowing for land purchase.
- 1.6 Table 1 provides the following summary to illustrate the basis of the standard charge:
 - The gross area of all development quanta for assumed schemes by town centre use
 - The total cost of development

- 3% of the total cost
- The proposed maximum charge (per sq m) of the gross development

Table 1 Proposed Charge as a % of Development Costs

Use	Gross Sq M	Appraisal Total Costs	3% of costs	Proposed Maximum Charge (Per Sq M)
Offices	2,300	£ 3,224,145	£ 96,724	£ 40.0
Prime Retail Comparison	13,000	£ 17,688,431	£ 530,653	£ 40.0
Prime Retail Convenience	8,200	£ 14,067,552	£ 422,027	£ 75.0
Harbour Retail	5,000	£ 6,399,099	£ 191,973	£ 35.0
Other Retail	800	£ 893,965	£ 26,819	£ 30.0
Harbour Leisure – A3, A4, D1, D2	5,000	£ 6,399,099	£ 191,973	£ 35.0
Other Leisure	500	£ 560,570	£ 16,817	£ 30.0
Residential - Harbour Flats (Schemes of ten dwellings or more)	3,600	£ 7,778,503	£ 233,355	£ 60.0
Residential – Townhouses, semi-detached or detached (Schemes of ten dwellings or more)	6,720	£ 10,365,177	£ 310,955	£ 40.0
Residential – Other Flats (Schemes of ten dwellings or more)	3,600	£ 7,395,756	£ 221,873	£ 50.0

*All costs includes construction, contingency, fees, profit at 20% and finance but not cost of land

Economic Viability Assessment

- 1.7 From our experience of working in Bridlington for a number of years and providing advice to clients throughout the development process, we believe a standard threshold set at c.3% of total development cost is reasonable and not going to be a deterrent to development.
- 1.8 The standardised charges have to be set at a threshold that is a small enough fraction of total development costs so as not to compromise viability. Any higher, development could be compromised through high expectations for contributions to strategic public realm.
- 1.9 Developers will, almost always, be able to absorb the cost by adjustments to the variables to which all appraisals are very sensitive. The threshold of 3% is considered a small enough fraction of total costs that a developer could make adjustments within their appraisal to absorb the standard charge.
- 1.10 On this basis and the assumptions made the c.3% charge should not be a deterrent to otherwise viable development taking place. We stress, nonetheless, that the viability assessment is on specific assumptions and generic building types only.