TOWN & COUNTRY PLANNING ACT 1990

SECTION 77 AND TOWN & COUNTRY PLANNING (INQUIRIES PROCEDURE) (ENGLAND) RULES 2000

MR FRANCIS TRUSS — **For the Applicant**

-and-

MR TONY WILLIAMS — **For Norwich City Council**

-and-

MR JONATHAN RHODES — **For Historic England**

ANGLIA SQUARE, NORWICH

STATEMENT OF COMMON GROUND ON VIABILITY MATTERS

Subject	Agreed / Not Agreed / Extent of Agreement	Applicants' viability and deliverability expert, Francis Truss (FT)	Norwich CC valuation expert, Tony Williams (TW)	Historic England valuation expert, Jonathan Rhodes (JR)
Valuation Inputs				
1) Residential	The Residential Gross Development Value (GDV) is agreed as follows:- Private 1 beds at £160,000 Affordable Housing is agreed entirely This means the private 2 beds are not agreed.	I have appraised the 2 bed flats at £250,000 with a premium to £270,000 in the upper storeys of the Tower.	I have included the 2 bed flats at £250,000/£270,000 which I believe are reasonable for this type of scheme.	I consider there is a ceiling to the value of 2 bed flats in the current Norwich residential market with buyers of this type able to acquire 2 bed houses at below the price suggested by Mr Truss.
2) Residential Car Parks	Not agreed.	£15,000 per space. This figure is consistent with what was included in the September 2018 Iceni appraisal.	This is not a new input and was included by Iceni. £15,000 per space is reasonable on the basis of almost 80% provision and the availability of 600 public spaces which can be used by visitors.	This is a new input from Mr Truss which was not included in the Iceni appraisal. The quantum of any value should be limited to £10,000 per space, but I consider it inappropriate to value all of the residential spaces as I don't believe not all flat owners will require a space and some should also be provided for visitors.
3) Retail & Leisure	Not agreed.	Rents of £9.75-20 per sq ft. A 24 months' income void is incorporated into the appraisal; this is a blended letting void, rent free and capital contributions towards fit out applied across the Scheme.	On the basis of a phased delivery and relocations it is reasonable to assume its prelet on the basis of a 24 month incentive package including void, rent free and capital contribution.	In the absence of any documentary evidence, I consider it inappropriate to assume any of this space has been pre-let. In my experience and in the current market, it would be very unlikely for much of this space to be pre-let not least given how far in the future the various elements are proposed to be completed. Average rents on the retail units of £10 per sq ft. Yield 9.00%.
4) Void Periods	Not agreed.	A 24 months' income void is incorporated into the appraisal; this is a blended letting void, rent free and capital contributions towards fit out applied across the Scheme.	The void period is included in the 24 month package referred to above.	A minimum average 12 month letting void should be allowed for in the cashflow post practical completion of the construction works. Rent free periods / capital incentives should be an average of 12-18 months.
5) Cinema	The 10 year rent free period as a capital incentive is agreed only.	A 17,700 sq ft cinema with a rent of £8 per sq ft and a yield of 8.5%, with a 120 month incentive package for rent free and capital contribution to fit out.	I have included for 17,704 sq ft but at this stage this is flexible space. I have applied a rental of £8 per sq ft capitalised at a yield of 8.5% with a 10 year rent free / capital incentive package.	The proposed cinema of 17,700 sq ft is too big. I consider this should be a maximum of 12,000 sq ft and would value this at a rent of £10 per sq ft and apply a yield of 10%.

Subject	Agreed / Not Agreed / Extent of Agreement	Applicants' viability and deliverability expert, Francis Truss (FT)	Norwich CC valuation expert, Tony Williams (TW)	Historic England valuation expert, Jonathan Rhodes (JR)
6) Hotel	It is agreed that the hotel as proposed is too big in current market conditions and may either need to be split into 2 units, or some space converted to residential (subject to being compliant with planning constraints).	A rent of £10.25 per sq ft and a yield of 6.25%.	I have applied a rental of £10.25 per sq ft and a yield of 6.25% to reflect the market.	I would apply a rent equating to £10.25 per sq ft but a yield of 8.00% to reflect the uncertainty of being able to achieve a letting(s). If only half the proposed hotel is viable on the basis of potential demand, then the loss of GDV would be £7.465m in Mr Truss's appraisal and £6.20m in Mr Rhodes's appraisal.
7) Public Car Park	Not agreed	A rental of £425,000 and a yield of 4.5%.	This is not a new input and was included by Iceni. I have included a rental of £425,000 capitalised at (£708 per space) capitalised at 4.5% taking account of the interest shown.	This is a new input from Mr Truss which was not included in the Iceni appraisal and no explanation has been provided by Mr Truss as to why this was originally omitted. I consider the rental value is £375,000 per annum but that a yield of 9.00% should be adopted in line with the Retail & Leisure elements. No evidence has been provided to support the yield adopted by Mr Truss which is based on assumption the car park has been pre-let. Mr Truss has not providing any supporting documentation to demonstrate there is demand for a 600 space multi-storey car park in this location in Norwich, which is substantially bigger than the existing car park at Anglia Square.
8) HIF Funding	£15.0m is agreed. No documentary evidence to support this has been provided at this point.			I have accepted the inclusion of this in the absence of any documentary evidence. Furthermore, the timing of the inputs has also been accepted, although Mr Truss has not been able to confirm the basis on which these have been made.
9) Pre-Construction	Mr Truss has advised that SES (a subsidiary of Weston Homes) undertook a "Phase 1 Desk Study" environmental report. There was no intrusive ground investigation. The conclusions of that report was that there was a moderate risk of contamination needing remediation, which formed the basis of the judgement by Weston Homes to allow for £1m for remediation given the size and history of the site. Mr Truss has confirmed the Applicant does not have access to any asbestos survey report, albeit they are aware of asbestos within Sovereign House. As such, the cost of removal of asbestos from the buildings to be demolished is included within the £4.5m figure for demolition	The £4.5 million allowance for demolition and asbestos removal (from within Sovereign House) costs has been quantified by Weston Homes. A desk-top "Phase 1 Desk Study" report has been undertaken and formed part of the application. The report advised of a moderate risk of contamination needing remediation providing the basis of the £1m for contamination remediation.	The £4.5 million allowance for demolition and asbestos removal costs has been quantified by Weston Homes.	No direct cost has been allowed for in Mr Truss' appraisal, with the cost included in the main construction costs. This cost should be applied in the cashflow as a pre-construction item, alongside demolition, archaeology and other site enabling works. The absence of an intrusive environmental ground investigation and asbestos surveys (except for Sovereign House) means that the estimate of £4.50m for demolition carries a degree of risk. I understand this site was previously used as a factory and the age and construction of the existing buildings are such that asbestos may well have been used.

Subject	Agreed / Not Agreed / Extent of Agreement	Applicants' viability and deliverability expert, Francis Truss (FT)	Norwich CC valuation expert, Tony Williams (TW)	Historic England valuation expert, Jonathan Rhodes (JR)
10) Main Construction	Whilst not agreed in principle, Mr Rhodes has adopted these in his appraisal for ease of comparison purposes.	Based on costs provided by Weston Homes, reviewed by Gardiner & Theobald, Deloitte and compared against BCIS.	Based on costs provided by Weston Homes and reviewed by both Gardiner & Theobald and Deloittes.	In adopting the build costs prepared by the Applicant, I have not accepted these as being fair and reasonable, but have done so in order to demonstrate that even by using these the proposed scheme is not viable.
11) Prelims	Whilst not agreed in principle, Mr Rhodes has adopted these in his appraisal for ease of comparison purposes.	10%	Included at 10% as reasonable	I consider 15% would be a more reasonable level in line with normal market practice through competitive tendering for construction projects.
12) Contingency	Not agreed	3%	The range considered is normally 3% to 5% and 3% is consistent with the lengthy involvement of the parties to date.	It is standard practice to use 5% in these type of appraisals. The purpose of this contingency is to allow for cost fluctuation during development as a result of there never being any absolute certainty and that nothing will occur or be discovered which causes any issues or delays. Furthermore, in my opinion there are some aspects to the inputs which carry a degree of uncertainty and as such risk. For example, demolition and remediation costs are estimates in the absence of more comprehensive investigations. In addition, the assumption no CIL liability could be achieved even though an application would need to be submitted on each phase to demonstrate any exclusion.
13) Professional Fees	The professional fees of 8% utilised in the appraisal is agreed based on the commentary in WH3/1 paragraph 5.15 on the costs and works expended to date. If the sunk costs that Weston has incurred to date (circa £3.5 million as noted in WH3/1 paragraph 7.4) were reflected then the professional fee percentage would be circa 9.8%. It is agreed that if the Scheme was at an earlier stage in terms of planning, due diligence and analysis, this would normally amount to circa 10% of the total construction costs.			No documentary evidence has been provided to support the costs incurred to date by Weston Homes at £3.5m, but for ease of comparison purposes I have accepted this.
14) CIL	It is agreed that the CIL exemption has been adopted in the appraisals. However, it is recognised that the exemption has to be applied for on a phase by phase basis.	CIL Exceptional Circumstances Relief for the whole Scheme - whilst each respective phase has to apply - is considered to be a reasonable assumption.	CIL Exceptional Circumstances Relief for the whole Scheme - whilst each respective phase has to apply - is considered to be a reasonable assumption.	On the basis the applicant has to make a new and separate application for each phase, there is some uncertainty as to whether this will be obtained.
15) Finance Rate	Not agreed	6.5% for this Scheme and delivery trajectory.	6.5%	The finance rate is applied to the costs of the development. However, as the scheme progresses, some of these costs may be off-set by capital receipts. In normal circumstances, where a developer acquires a site for development purposes, the holding cost of the land would also be a factor in the appraisal. This would be reflected in the finance sums as well as the development costs. I have adopted a rate of 6.00%.

Subject	Agreed / Not Agreed / Extent of Agreement	Applicants' viability and deliverability expert, Francis Truss (FT)	Norwich CC valuation expert, Tony Williams (TW)	Historic England valuation expert, Jonathan Rhodes (JR)
16) Marketing	Marketing Costs, whilst not identical, are considered to be in a reasonable range.			Marketing costs should be incurred in advance of any sales of either the residential or commercial elements as otherwise potential buyers and / or tenants would not be made aware of the opportunity.
17) Commercial Letting Fees	Letting Fees, whilst not identical, are considered to be in a reasonable range. The timing of these costs is upon the units being sold upon lettings having been achieved.			Whilst the %'s used are similar, the amounts in the appraisal differ because the Gross Development Value / Rental Value of the component parts is different
18) Sale Fees	Sales Agents/ Sales Legal Fees, whilst not identical, are considered to be in a reasonable range. The timing of these costs is upon the units being sold in line with the units having been constructed and practical completion achieved.			Whilst the %'s used are similar, the amounts in the appraisal differ because the Gross Development Value / Rental Value of the component parts is different
19) Purchasers Costs	In principle the basis of calculating these costs is agreed, but the amount varies according to the opinion of the commercial GDV (less the value of the residential car parks).	For clarity, purchaser's cost of 6.75% are applied in the appraisal (WH3/3, Appendix 4); the appraisal shows the 'effective purchaser's costs rate as 5.25% which reflects that purchaser's costs are not applied to the residential car parking values (as the spaces are purchased by residents, not as a commercial investment).	Purchasers Costs of 5.32% are included in my appraisal which equates to 6.75% but excludes the residential car parking. The slightly higher rate is due to higher ground rents	I have adopted 6.80%
20) Profit	Developers profit is a reflection of the risk and reward ratio for any development scheme. The greater the uncertainty and risk the higher the reward should be, which is reflected in a higher % of profit against either development cost or GDV. For residential developers, the profit is usually based as a % against GDV. Where the affordable housing is sold off, the profit will often be reduced to between 6-10% of GDV of this element.	Profit is an output of the Scheme appraisal and does not reflect the potential for longer term growth.	The comments on profit are not agreed but as per NPPF expectations are for 15% to 20% with reductions for affordable. The profit in this case does not at this stage take account of any growth in the project or the long term nature of the scheme.	My appraisal, whilst adopting the build costs and some other inputs used by Mr Truss for ease of comparison, does not provide any profit. For commercial developers, the profit is usually based as a % against development cost (including the land cost**).**
21) Timescales – Construction	Not agreed.	Demolition costs are calculated on a Block by Block basis so are incurred on a phased basis. The impact of moving the demolition costs forward into the pre-construction period has been tested. Archaeology and decontamination allowance are incurred in a single monthly period at the start of the construction period, balanced against the off-site highway works and on-site public realm costs being incurred earlier in the appraisal than is likely.		Whilst Mr Truss has assumed in his appraisal a pre-construction period, he has not used this in his cashflow, to the extent that none of the site works (demolition, archaeology, ground works, etc) have been included in this time period. By delaying these costs, even by 3-6 months, helps to reduce their impact on the profitability of the proposed scheme.

Subject	Agreed / Not Agreed / Extent of Agreement	Applicants' viability and deliverability expert, Francis Truss (FT)	Norwich CC valuation expert, Tony Williams (TW)	Historic England valuation expert, Jonathan Rhodes (JR)
21) Timescales – Construction (cont'd)				The assertion by Mr Truss that the impact of moving the demolition costs forward has been tested has not been shared or proven. In my experience these costs should be inputted into the cashflow as a pre-construction period separate from the main construction costs. In my experience, off-site highway works and on-site public realm would normally be expected to be undertaken at the commencement of the development in any event.
22) Timescales – Residential	Not agreed.	Given the scale of the blocks being developed, units can be occupied through the Scheme, prior to overall completion.		In my experience, the usual methodology in applying sales is to cashflow these from practical completion and to either assume some off-plan sales, which delivers higher sale receipts initially, or to spread these evenly over the sales period post completion. The effect of Mr Truss' sales timings has been used to offset the cost of the development by earlier sales receipts and thereby increasing the profitability, and as such, the viability and deliverability of the scheme. No documentary evidence has been provided which supports Mr Truss's opinion that the blocks can be developed and delivered within each phase at different stages.
23) Timescales - Commercial	Not agreed	A 24 months' income void is incorporated into the appraisal; this is a blended letting void, rent free and capital contributions towards fit out applied across the Scheme.		Mr Truss has assumed the commercial space in each of the relevant phases would be let and be capable of being sold upon practical completion. This includes the retail units, hotel, cinema and public car park and in the absence of any evidence or supporting documentation I consider to be unreliable. The cashflow should make a realistic allowance for letting voids upon practical completion of each relevant phase, whilst in addition allowing for rent free periods and capital incentives.

The comments in the second column are agreed.

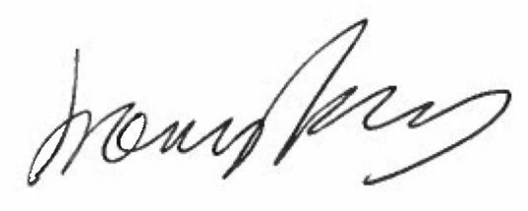
Those in the third, fourth and fifth column are observations on the differences by the individual valuers (both Mr Truss, Mr Williams and Mr Rhodes have inserted information on the variables with explanations/ evidence provided in their respective proofs of evidence and rebuttals), and are not agreed.

This report is made to the Planning Inquiry and in accordance with our respective duty to the Inquiry.

We are aware and understand the requirements of Part 35 of the Civil Procedure Rules, the Practice Direction to Part 35 and Guidance for the Instruction of Experts in Civil Claims 2014.

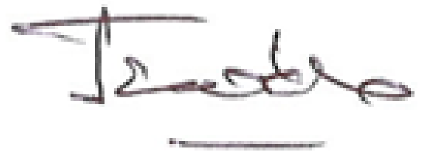
Each of us confirms that we have made clear which facts and matters referred to in this report are within our own knowledge and which are not. Those that are within our individual knowledge we confirm to be true. The opinions each of us has expressed represent our true and complete professional opinions on the matters to which they refer.

Signed



Francis Truss MRICS

Tony Williams MRICS



Jonathan Rhodes MRICS

15th January 2020

Comparison of Development Appraisal Inputs

15/01/2020

Inputs		Iceni	Carter Jonas	VOA	GL Hearn
VALUES					
Residential Revenue	Values by Flat Type - Private	1 bed £160,000 2 bed £250,000 2 bed (tower) £270,000	1 bed £160,000 2 bed £250,000 2 bed (tower) £270,000	1 bed £160,000 2 bed £250,000 2 bed (tower) £270,000	1 bed £160,000 2 bed £220-239,000 2 bed (tower) £230,000
	Values by Flat Type - Affordable SR	1 bed £64,000 2 bed £100,000 3 bed £130,000	1 bed £64,000 2 bed £100,000 3 bed £130,000	1 bed £64,000 2 bed N/A 3 bed £130,000	1 bed £64,000 2 bed N/A 3 bed £129,000
	Values by Flat Type - Affordable SO	1 bed £96,000 2 bed £150,000 3 bed £195,000	1 bed £96,000 2 bed £150,000 3 bed £195,000	1 bed £96,000 2 bed N/A 3 bed N/A	1 bed £96,000 2 bed N/A 3 bed £193,000
	Multi-Storey Car Park Residential (Block A = 600 spaces)	£15,000	£15,000	£15,000	£10,000
	Ground Rents (pa) (Private flats only)	£250 / £350	£250 / £350	£250 / £350	£0
	Ground Rent Yield (Private flats only)	5.25%	10.00%	5.25%	N/A
OVERALL TOTAL RESIDENTIAL GDV		**£234,480,000**	**£234,480,000**	**£234,480,000**	**£217,601,000**
Commercial Revenue	Retail / Commercial Rent (flexible)	£9.75-21.06 psf	£9.75-20.00 psf	£9.75-20.00 psf	£10 psf
	Retail / Commercial Yield	Blended rate of 7.0% for all commercial uses	8.50%	8.50%	9.00%
	Multi-Storey Car Park (Public) - Rent	Not specified	£425,000	£425,000	£375,000
	Multi-Storey Car Park (Public) - Yield	Not specified	4.50%	4.50%	9.00%
	Void Period	Not specified	Retail - 2 years rent free/ void allowance. Car Park (public) - 6 months rent free/ void allowance. Cinema - 10 year's rent free.	Retail - 2 years rent free/ void allowance. Car Park (public) - 6 months rent free/ void allowance. Cinema - 10 year's rent free.	12 months
	Rent Free	Not specified			12-18 months
	Hotel Rent	Not specified	£10.25	£10.25	£10.25
	Hotel Yield	Not specified	6.25%	6.25%	8%
	Cinema Rent	Not specified	£8 psf	£8 psf	£10 psf
	Cinema Yield	Not specified	8.50%	8.50%	10%
COMMERCIAL GDV	**Commercial GDV only**	**£62,250,000**	**£58,188,752**	**£61,208,332**	**£35,957,135**
Total GDV	**Gross Development Value**	**£297,368,909**	**£292,668,752**	**£295,688,332**	**£253,558,135**
HIF Funding		**£12,200,000**	**£15,000,000**	**£15,000,000**	**£15,000,000**
Less Purchasers Costs		**£2,159,582**	**£3,054,966**	**£3,258,787**	**£1,626,171**
Income from Ground Rents		**£164,188**	**£313,779**	**£313,779**	**N/A**
Net GDV		**£307,573,515**	**£304,927,566**	**£307,743,323**	**£266,931,964**
CONSTRUCTION COSTS					
Main Construction Costs	Flats - All Tenures (£per sq m)	£1,265-1,392 private / £1,045-1,500 affordable	£1,265-1,392 private / £1,045-1,500 affordable	£1,216 - £1,392 Private/ £1,045 - £1,500 affordable	For ease of comparison have used those as stated in the appraisal prepared by Mr Truss
	Retail / Commercial	Retail units £568.88 & £935.18 per sq m; Cinema £935.18 per sq m; Hotel £784; Car Parks £568.88 & £1,216.01 & £1,264.45 per sq m	Retail units £513 to £1,043 per sq m; Cinema £1,043 per sq m; Hotel £784 per sq m; Car Parks £569 to £1,264 per sq m.	Retail units £513 to £1,043 per sq m; Cinema £1,043 per sq m; Hotel £784 per sq m; Car Parks £569 to £1,264 per sq m.	For ease of comparison have used those as stated in the appraisal prepared by Mr Truss
TOTAL MAIN CONSTRUCTION COSTS		**£197,365,000**	**£197,372,705**	**£197,372,705**	**£197,372,705**
ADDITIONAL COSTS					
Other Costs	Archaeology & De-contamination	£3,000,000	£3,000,000	£3,000,000	£3,000,000
	Demolition	£4,500,000 included within the main construction cost for demolition and asbestos	£4,500,000 included within the main construction cost for demolition and asbestos	£4,500,000 included within the main construction cost for demolition and asbestos	£4,500,000
	Chapel Relocation	£2,000,000	£2,000,000	£2,000,000	£2,000,000
	On site public realm	Not Included	£917,172	£917,172	For ease of comparison have used those as stated in the appraisal prepared by Mr Truss
	Off site public realm	Not Included	£1,064,878	£1,064,878	
	Site Enabling Works	Covered in other elements of the construction budget.	Covered in other elements of the construction budget.	Covered in other elements of the construction budget.	For ease of comparison have used those as stated in the appraisal prepared by Mr Truss
	Preliminaries	10%	10%	10%	10%
	Contingency	3%	3%	3%	5%
	Professional Fees	8%	8%	8%	8%
	Section 106	£115,000	£115,000	£175,450	For ease of comparison have used those as stated in the appraisal prepared by Mr Truss
	CIL	£0	£0	£0	£0
	Finance Rate	6.50%	6.50%	6.50%	6%
Marketing & Letting, Disposal Fees (Sales Agents / Sales Legal Fees)	Purchasers Costs (On Commercial GDV only)	6.75%	6.75%	6.75%	6.80%
	Sales Agent Residential	1.50%	1%	1%	1%
	Sales Legal Residential	Included in the above	0.50%	0.50%	0.50%
	Scheme Marketing	1.50%	1.50%	1.50%	1.50%
	Sales Agent Commercial	1.50%	1%	1%	1%
	Sales Legal Commercial	Included in the above	0.50%	0.50%	0.50%
	Letting Agent Fee (commercial only)	10%	10%	10%	10%
	Letting Legal Fee (commercial only)	5%	5%	5%	5%
PROFIT					
Profit	Profit on GDV (blended return)	15.62% / £46,434,335	Output - 14.71%	Output - 15.74%	Output - negative
	Profit on Cost (blended return)	17.78% / £46,434,335	Output - 16.44%	Output - 17.56%	Output - negative
TIMESCALES					
Timescales per Block(s)	Lead-in period	Not identified	7 (from August 2020)	7 (from August 2020)	For ease of comparison have used those as stated in the appraisal prepared by Mr Truss
	Construction Period		Varies per block (15-49 months)	Varies per block (15-49 months)	
	Sale Period		An aggregate sales rate of 6 units per month.	An aggregate sales rate of 6 units per month.	
Project Length	TOTAL Project Timescale (All Blocks)	Not identified	142 (from August 2020)	142 (from August 2020)	142 (from August 2020)
SALES PROFILE					
Private Sales Profile	Private Off Plan Sales (Percentage)	Not identified	30% off plan sales for Block A	30% off plan sales for Block A	These have been weighted from practical completion to reflect the likelihood of some off-plan sales
Affordable Sales Profile	Affordable Sales Profile	Not identified	Split evenly (by quarter) over the construction period	Split evenly (by quarter) over the construction period	Revenue spread evenly over the construction period for each phase