



Development Viability Summary for a Care Home and Health Worker Accommodation Block at Knowle Lane, Cranleigh

On behalf of Cranleigh Village Hospital Trust and HC1

May 2019

Non-Technical Summary by P Griffiths CMCIH

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1.0 Non-Technical Summary

- 1.1 Home Consultancy Ltd (HCL) has been instructed by Cranleigh Village Hospital Trust and HC1 to carry out a viability assessment of the development of an 80 bed care home and 26 bed health worker accommodation block to assess the “Enabling Development” role of the open market Care Beds in supporting the financial viability of the scheme.
- 1.2 The Care Home is to provide 20 Community Beds for the use of the local “Integrated Care Partnership” (ICP) formed by the Guildford and Waverley CCG and Surrey County Council, alongside 60 open market beds for self-funding patients. It is intended that the cross-subsidy from the open market beds will pay for the capital cost of building the community beds. Further the open market beds will also contribute a capital sum of £1M towards building the associated Health Worker accommodation block. This is to be let at Local Housing Allowance rates, thus making it “Affordable Private Rented” accommodation in accordance with Annexe 2 of the NPPF.
- 1.3 HC have inspected the property.
- 1.4 This assessment is provided for the purposes of agreeing appropriate S.106 obligations and is not a valuation of the subject site or scheme. It is provided for the sole use of the party to whom it is addressed. It is confidential to the addressee (save that the Non-Technical Summary can be extracted and made publicly available in line with para 10 of the NPPG (July 2018)) and their professional advisors. Home Consultancy Ltd accepts responsibility to the Client named at the start of this report alone that this report has been prepared with the skill, care and diligence reasonably to be expected of a competent consultant, but accept no responsibility whatsoever to any person other than the client themselves.
- 1.5 The appraisal has been carried out using drawings provided for the scheme design by the applicant. The site is to be redeveloped with an 80 bed care home and 26 bed

health worker accommodation block as per the schedule of accommodation attached at Appendix A.

1.6 We have carried out the viability assessment using the HCA Development Assessment Tool.

1.7 The assumptions we have made are in line with industry norms, reflective of the site conditions and the local market. As required by the NPPG a comparison of our assumptions against those used in the Local Plan viability assessment are set out below.

Item	Local Plan Allowance	Applicant's Allowance	Comments
Sales values / m ²	Capital Value per room £118,000	Capital Value per room £174,185 (Care) and £133,923 Health Worker Accommodation	Reflects the current market value of HC1 as tenant and the value of Affordable Private Rented tenure
Base build / m ²	£1,761 per m2	Combined cost across both buildings of £2,028 per m2	Reflective of design of scheme
Professional fees	12%	10%	Professional fees reflective of current scheme but not historic costs

Contingency	Included in build cost	5% in addition to build cost	Reflective of status of cost plan
Sales & Marketing costs	3%	n/a	n/a
Finance interest rate	6%	6.5%	Reflective of scheme and current market
Finance fees	Included above	Arrangement fee of £145,885 and monitoring fees of £27,000	Reflective of scheme and current market
Profit margin: Open Market Affordable	20% Care Home	6% Health Worker Accommodation and 15% Care Home	Reflective of use and current market

1.8 The Gross Development Value is £17,416,860

1.9 The Total Build Costs (net of funding costs etc) is £14,330,105

1.10 The benchmark land value of the site has been determined based on the current use of the site as open land, (albeit the site does have previous planning approvals for health-related use which have now lapsed) thus giving the Existing Use Value in accordance with para 14 and 15 of the NPPG.

1.11 It is normal to add a landowner premium to the EUV to provide an incentive for the landowner to sell (see para 16 of the NPPG). In this instance, as the value of open land is very low (circa £10-£15,000 per acre), we have treated the benchmark value as per

other agricultural sites where landowners have agreed values at circa £125 - £150,000 per acre in order to release a site. This value range is still well below what a site with development potential might sell for in this sort of location. To be conservative, we have applied the lower rate of £125,000 to the 3.3 acres (1.336Ha) which makes the Benchmark Land Value (BLV) £412,500 or £308,757 per Ha. This compares to the WBC Local Plan Viability Assessment where BLVs of between £900,000 and £2.6M per Ha were assumed.

- 1.12 This value is exceeded by the historic cost of delivering the site, whereby 7 acres of land was swapped with the Parish Council for the creation of replacement sports pitches and that land was made ready for that use at a cost of £93,000 by CVHT. Thus, the total cost including the replacement land value was circa £198,000, to which has to be added substantial historic costs involved in bringing the scheme forward (costs not included in this appraisal) which have been funded by CVHT. Therefore, the total cost to date far exceeds our suggested BLV.
- 1.13 Based on the proposed scheme of a care home and accommodation block, the residual land value derived by the toolkit is -£233,613. This is £646,113 below the benchmark value. No allowance has been made for any S.106 contributions albeit it is known a travel plan will be required for the care home and accommodation block.
- 1.14 In summary we can conclude the development does not generate a surplus over the benchmark land value, and thus the number of open market care home beds is less than is necessary to provide full funding to the community beds and health worker accommodation. The balance of funds required has been pledged by CVHT and local benefactors who wish to see the scheme proceed and the public benefit from these facilities be realised.