

planning gain that is possible on any given site and from that assessment to prioritize the local authority's main requirements.

Land value changes over time and is affected by government legislation and planning policies. At the moment, a greenfield site in a good area will be much easier to develop than a brownfield site. With a reduction in the availability of greenfield sites, brownfield sites could increase in value as the only land with development potential. However, if development requirements are wildly different in neighbouring authorities, investment may be lost to one authority when it becomes cheaper to build elsewhere. The following example illustrates this point: 100 acres of residential land may be worth £230 000 per acre, depending on where the land is located. The land is worth £23 000 000 to the landowner. If an average density of thirteen houses per acre is permitted on the land, and if each house is worth £50 000, this would equal a potential revenue of £650 000 per acre from house sales. Each house may cost £20 000 to construct, totalling £260 000 per acre. The total development cost equals £260 000 plus £230 000, or £490 000, leaving only a total of £160 000 per acre for the house developer (see Table 2.2). The house developer is therefore going to be extremely resistant to further burdens imposed by the local authority.

Land values are readily affected by market forces and will reflect conditions in the neighbouring district. Land values will also reflect house prices which, in turn, are affected by the location of facilities, such as schools, in the area, together with the proximity of any existing or proposed affordable housing. It may, therefore, be more sensible for planning requirements to be negotiated before development is contemplated and at a time when the landowner is achieving high land values because of local plan proposals. It is at this stage that any betterment for the community can be realistically contemplated.

This demonstration can be taken a step further to show the effects of planning requirements on profit

**Table 2.2** Housebuilding on 100 acres of land.

Cost per acre	£230 000
Total cost of 100 acres	£23 000 000
<b>Density thirteen houses per acre</b>	
Construction cost per house	£20 000
Construction cost per acre	£260 000
Total construction cost	£26 000 000
Total cost to housebuilder	£49 000 000
Site value of house	£50 000
Value of 1300 houses	£65 000 000
Total profit for housebuilder	£16 000 000
Profit per acre	£160 000

margins and ultimately on the viability of the project. For example, within the 100 acres of land the local authority may require ten acres of public open space and children's play areas as a matter of policy in the local plan. This will result in the reduction of £2 300 000 in the eventual profit for the landowner, as this land can no longer be used for house construction. Drainage and sewerage and engineering works may cost a further £5 million. The local authority may require up to 30 per cent of the whole development for affordable housing. This will reduce the value of the land for the affordable housing and also the adjacent land will be affected by the proximity of the affordable housing. This may affect the land value, in this case by £3 million. The cost of constructing a primary school may be £1.5 million and contributions to establish public transport may be approximately £200 000, depending on service provision in the area. Leisure and community facilities may cost a further £1 million, depending on requirements, while Public Art and improving the urban quality may add a further £500 000. Accepting the original figure of £23 000 000 for the cost of the land and deducting 40 per cent tax at £9 200 000 leaves a profit of £13 800 000 for the landowner. However, the rough planning requirements outlined above amount to £13 500 000