

North Somerset Council Core Strategy – Affordable Housing Policy: Viability and Deliverability Advice

Final Report

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Three Dragons



1 INTRODUCTION

Review of project aims

- 1.1 North Somerset Council appointed Three Dragons to undertake an Affordable Housing Viability report and associated delivery advice (September 2010). This advice was based on the policies as set out in the Core Strategy Consultation Draft (November 2009) and will be used to inform the next stage of document production (Publication version).
- 1.2 The brief for the project required a determination of the level of affordable housing that it was likely to be routinely viable to deliver. This would enable appropriate affordable housing policies to be formed, with reference to targets and affordable housing thresholds.
- 1.3 The project brief stipulated that the impact of different quantities, tenures and types of affordable housing should be tested to understand the economic viability implications. Ultimately, to advise on whether a 30% affordable housing target would be a reasonable policy starting point across the District.
- 1.4 The policy recommendations are to be based on an assumption of grant not being available to support affordable housing.

Policy context - national

- 1.5 National planning policy, set out in Planning Policy Statement (PPS) 3 makes clear that local authorities, in setting policies for site size thresholds and the percentage of affordable housing, must consider development economics and should not promote policies which would make development unviable.

PPS3: Housing (November 2006) states that:

‘In Local Development Documents, Local Planning Authorities should:

Set out the range of circumstances in which affordable housing will be required. The national indicative minimum site size threshold is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area. Local Planning Authorities will need to undertake an informed assessment of the economic viability of any thresholds and proportions of affordable housing proposed, including their likely impact upon overall levels of housing delivery and creating mixed communities.’ (Para 29)

- 1.6 The companion guide to PPS3¹ provides a further indication of the approach which Government believes local planning authorities should take in planning for affordable housing. Paragraph 10 of the document states:

“Effective use of planning obligations to deliver affordable housing requires good negotiation skills, **ambitious but realistic affordable housing targets and thresholds** given site viability, funding ‘cascade’ agreements in case grant is not provided, and use of an agreement that secures standards.” (our emphasis).

¹ CLG, *Delivering Affordable Housing*, November 2006

- 1.7 Accordingly, this study considers the percentage of affordable housing that could be sought on mixed tenure sites and the size of site from above which affordable housing could be sought (the site size threshold).

Policy context – North Somerset

- 1.7 The North Somerset Replacement Local Plan (RLP) (Adopted March 2007) stated (Policy H/4):

The Council will seek to negotiate with developers and/or landowners towards achieving a target of 30% affordable homes (including housing sold at discounted open market value), from all suitable sites for new housing developments of 15 or more dwellings or 0.5 hectare or more, irrespective of the number of dwellings, coming forward for planning consent over the Plan period.

- 1.8 This policy is supported in the Council's Affordable Housing Supplementary Planning Document (SPD) which was published in 2008. The SPD emphasises the importance of developers not underutilising sites in order to avoid affordable housing contributions.

- 1.9 The SPD makes provision for a flexible approach to the assessment of viability on a site by site basis. It states that an applicant will be expected to provide full information and that this information will be scrutinised by the Council or by an independent assessor. It makes a distinction between those items considered normal and abnormal development costs.

- 1.10 We understand that the Regional Spatial Strategy for the South West foresees some 26,750 dwellings being developed in North Somerset. This includes an urban extension on the edge of Bristol and a sustainable urban extension to the south of Weston-super-Mare. We further understand that the urban extension at the periphery of Bristol is now no longer a policy requirement and North Somerset are looking to introduce a locally-derived housing requirement of 13,400 dwellings 2006 – 2026.

- 1.10 The Council's Core Strategy publication version (January 2011) states that:

'Within North Somerset the target for the provision of affordable housing is at least 150 dwellings per annum. To reflect identified needs this will be provided as 82% social rented housing and 18% intermediate housing.'

- 1.11 The Core Strategy (Para 3.218) seeks to set out a realistic and viable approach to the delivery of affordable housing and will retain the existing Replacement Local Plan target of 30% affordable housing as a benchmark against which schemes will be assessed.

- 1.12 On-site affordable housing provision will be sought on all sites of 10 or more dwellings (0.3 ha), and for sites of 5–9 dwellings the Council will seek to negotiate either on-site provision or an off-site contribution to meet local needs. In all cases this will be subject to the viability testing of schemes.

Where appropriate the council will consider the introduction of market recovery mechanisms where viability is constrained by current market conditions.

Monitoring

- 1.12 The Council have provided in house data on affordable housing delivery and total permissions on an annual basis. This is set out in Table 1.1.
- 1.13 Table 1.1 shows a range in delivery. In 2008-9 almost a quarter of all permissions were affordable; in 2006-7 however this figure is much lower; at 6%. On average the District delivered over this period, 11% as affordable units.

Table 1.1 Affordable housing delivery as a percentage of permissions

	2006/07	2007/08	2008/09	2009/10
Affordable housing permissions	115	83	240	76
Market housing permissions	1084	1415	767	739
Total dwelling permissions	1199	1498	1007	815
% of permissions as affordable	10%	6%	24%	9%

Source: North Somerset DC

- 1.14 It should be noted that these figures are based on a period of time during which a threshold of 15 has existed. The level of delivery would be likely to have been higher had a lower threshold been in place.

Research undertaken for this study

- 1.15 There were four main strands to the research undertaken to complete this study:
- Discussions with a project group of officers from the Council to help inform the structure of the research approach;
 - Analysis of information held by the authority, including that which described the profile of land supply;
 - Use of the Three Dragons Toolkit to analyse scheme viability (and described in detail in subsequent chapters of this report);
 - A workshop held with developers, land owners, their agents and representatives from a selection of Registered Social Landlords active in the district.

Structure of the report

- 1.16 The remainder of the report uses the following structure:
- Chapter 2 explains the methodology we have followed in, first, identifying sub markets and, second, undertaking the analysis of development economics. We explain that this is based on residual value principles;

- Chapter 3 describes the analysis of residual values generated across a range of different development scenarios (including alternative percentages and mixes of affordable housing) for a notional 1 hectare site;
- Chapter 4 considers options for site size thresholds. It reviews national policy and the potential future land supply and the relative importance of small sites. The chapter considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed);
- Chapter 5 identifies a number of case study sites (generally small sites which are currently in use), that represent examples of site types found in the authority. For each site type, there is an analysis of the residual value of the sites and compares this with their existing use value;
- Chapter 6 summarises the evidence collected through the research and provides a set of policy options.

2 METHODOLOGY

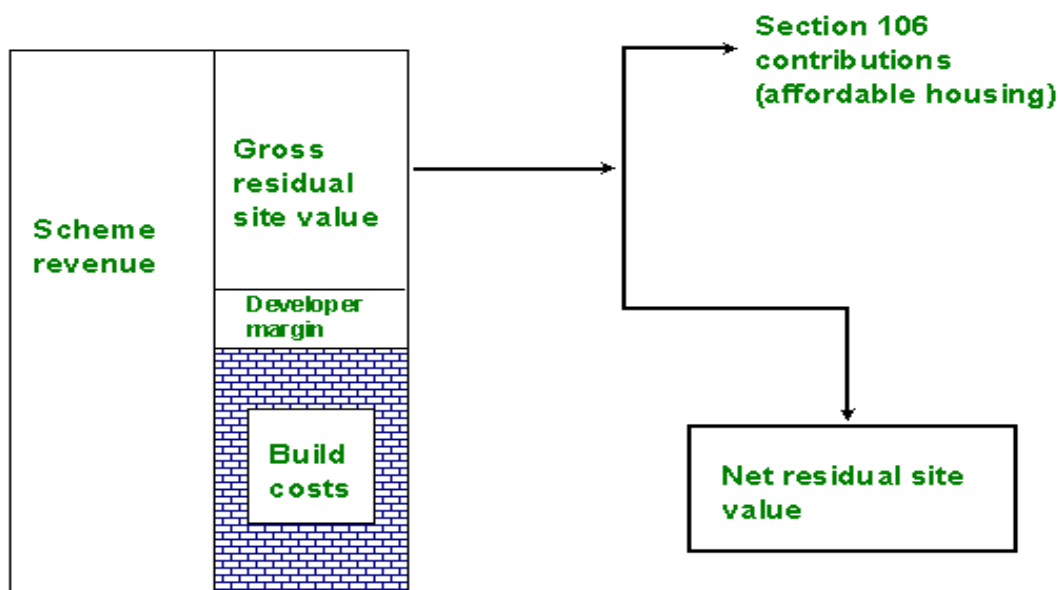
Introduction

- 2.1 In this chapter we explain the principles underlying the methodology we have followed. The chapter explains the concept of a residual value approach and the relationship between residual values and existing/alternative use values.

Viability – starting points

- 2.2 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the residual value of the site will be the difference between what the scheme generates and what it costs to develop. The model can take into account the impact on scheme residual values of affordable housing, s106 (or similar) contributions and other policy objectives.
- 2.3 Figure 2.1 below shows diagrammatically the underlying principles of the approach. Scheme costs are deducted from scheme revenue to arrive at a gross residual value. Scheme costs assume a profit margin to the developer and the ‘build costs’ as shown in the diagram include such items as professional fees, finance costs, marketing fees and any overheads borne by the development company. A site is extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue.

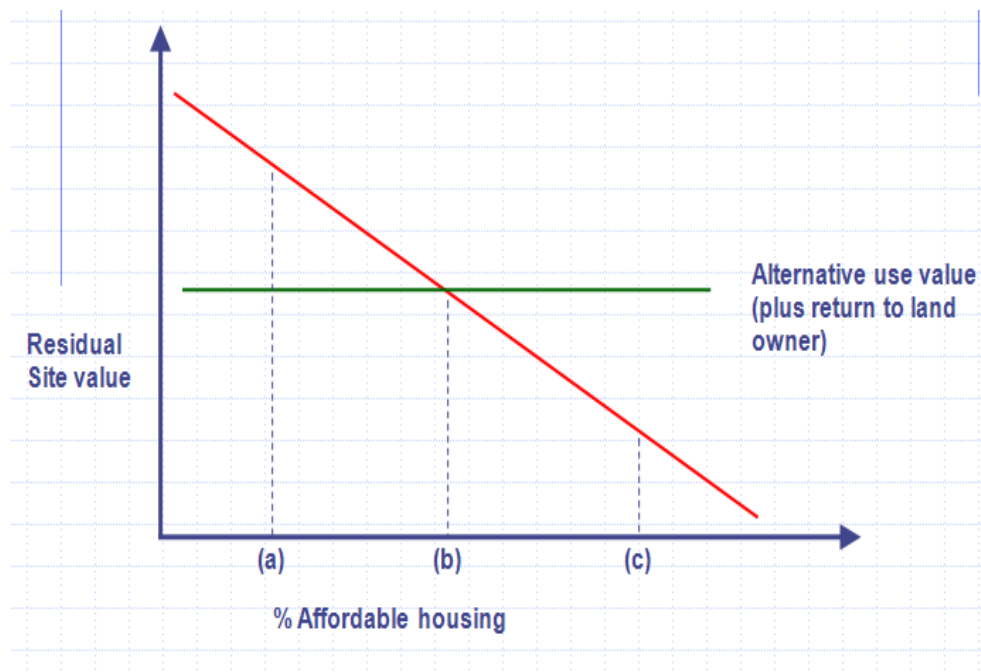
Figure 2.1 Theory of the Section 106 Process



- 2.4 The gross residual value is the starting point for negotiations about the level and scope of s106 contribution. The contribution will normally be greatest in the form of affordable housing but other s106 items will also reduce the gross residual value of the site. Once the s106 contributions have been deducted, this leaves a net residual value.
- 2.5 The net residual value effectively represents what the site is “worth” (the return to the landowner). Calculating what is likely to be the value of a site, given a specific planning permission, is however only one factor in deciding what is viable.

- 2.6 Simply having a positive net residual value will not guarantee that development happens. The existing use value of the site, or indeed a realistic alternative use value for a site (e.g. commercial) will also play a role in the mind of the land owner in deciding whether to bring land forward for development.
- 2.7 Figure 2.2 shows how this operates in theory. Residual value (depicted by the red line) falls as the proportion of affordable housing increases. At some point (here with affordable housing at a percentage represented by 'b'), the alternative use value (or existing use value whichever is higher) will be equal to the residual value with 'b' % affordable housing. With 'c' percentage affordable housing, the residual value is less than the alternative use value and the scheme is not viable. At 'a' percentage affordable housing, the residual value is well in excess of the alternative use value and the scheme is therefore likely to be viable and the site to come forward.
- 2.8 A critical issue for any viability assessment is identifying a reasonable percentage above the existing or alternative use value for the net residual value to be attractive to a landowner to bring forward their site. In the diagram below, at point 'b' (where the net residual value equals the alternative use value), the return to the landowner is unlikely to be sufficient to encourage them to bring forward their site for housing.

Figure 2.2 Affordable housing and alternative use value



- 2.9 The analysis we have undertaken uses a Three Dragons viability model. The model is explained in more detail in Appendix 2, which includes a description of the key assumptions used.

3 HIGH LEVEL TESTING

Introduction

- 3.1 This chapter considers viability for mixed tenure residential development for a number of different proportions and types of affordable housing. The analysis is based on a notional 1 hectare site and has been undertaken for a series of house price sub markets that have been identified. The chapter explains this and explores the relationship between the residual value for the scenarios tested and existing/alternative use values.

Market value areas

- 3.2 Variation in house prices will have a significant impact on development economics and the impact of affordable housing on scheme viability.
- 3.3 We undertook a broad analysis of house prices in the District using HM Land Registry data to identify the sub markets. These sub markets are based on post code sectors which are then grouped together around similar locations and house prices. The house prices which relate to the sub markets provide the basis for a set of indicative new build values as at November 2010. Table 3.1 below sets out the sub markets adopted in the study.

Table 3.1 Viability sub markets in the North Somerset District

Sub Markets		Main settlements (Wsm, Market & Coastal Towns)	Service Villages	Smaller Settlements & Countryside
Prime North Somerset	BS8 3			Failand; Abbots Leigh
Bristol Hinterland Higher	BS41 8 BS41 9 BS40 8		Long Ashton	Dundry; Barrow Common Winford; Upper Littleton; Regil
Clevedon	BS21 7 BS21 5	Clevedon Clevedon (South)		
Higher Value Service Centres	BS49 5 BS40 5 BS25 5 BS25 1 BS40 7		Congresbury Wrington Churchill Winscombe	Brinsea Lower Langford; Redhill Barton Blagdon
M5 Corridor	BS24 6 BS20 7 BS24 0 BS21 6 BS24 7			Hewish; Rolstone Portbury; Clapton in Gordano; Sheepway Bleadon Tickennam; Kenn; Kingston Seymour
Nailsea	BS48 1 BS48 4 BS48 2	Nailsea (North) Nailsea (South) Nailsea (Central)	Backwell	Wrexall; Tynesfield Chelvey; West End
Bristol Hinterland Lower	BS48 3 BS40 9			BIA; Farleigh; Barrow Gurney; Downside Lulsgate Horn
Portishead	BS20 8 BS20 6	Portishead (East) Portishead (West)		
Lower Value Service Centres	BS24 8 BS29 6 BS24 9 BS49 4 BS20 0		Locking Banwell Hutton Yatton Easton in Gordano	Pill
Weston-super-Mare	BS22 8 BS22 9 BS23 3 BS22 7 BS22 6 BS23 4 BS23 2 BS23 1	Weston-super-Mare (North) Weston-super-Mare (North) Weston-super-Mare (South) Weston-super-Mare (North) Weston-super-Mare (North) Weston-super-Mare (South) Weston-super-Mare (Coast) Weston-super-Mare (Coast)	Uphill	Bourton

Source: Market value areas as agreed between Three Dragons and North Somerset

- 3.4 These sub markets are devised to take account of the broad spectrum of local housing market circumstances which exist across the District. Within each of the sub markets inevitably there will be hot and cold spots. These cannot be tested in a practical way without looking at individual site specific circumstances. This is most appropriately done as and when schemes are bought forward through the planning process.
- 3.5 The purpose of this analysis is to ensure that each sub market is targeted with a reasonable starting point in terms of viability taking policy into account.
- 3.6 It will be noted in the graphs that follow, that Prime North Somerset (including the smaller settlements of Failand and Abbots Leigh) has very significantly higher values than any of the other sub market areas.

Testing assumptions (notional one hectare site)

- 3.7 For the viability testing, we defined a number of development mix scenarios, using a range of assumptions agreed with the Council and via the Viability Workshop. The scenarios were based on an analysis of typical development mixes and were discussed at the stakeholder workshop
- 3.8 The development mixes are shown in Table 3.2 below

Table 3.2 Development densities and mixes tested in the study

	Density (Dwellings per Hectare)				
	30	40	50	80	120
1 Bed Flat				15	40
2 Bed Flat		5	10	30	60
2 Bed Terrace	10	15	20	35	
3 Bed Terrace	15	20	25	20	
3 Bed Semi	25	25	25		
3 Bed Detached	25	20	15		
4 Bed Detached	15	15	5		
5 Bed Detached	10				
Percentage	100	100	100	100	100

- 3.9 We calculated residual scheme values for each of these (base mix) scenarios in line with a further set of tenure assumptions.
- 3.10 The Study was required to review the viability of existing and emerging potential policy targets. In order to consider a full range of possible targets, testing took place assuming delivery of 15%; 20%; 25%; 30%; 35% and 40% affordable targets. These were tested at 82% Social Rent and 18% New Build HomeBuy (also known as Shared Ownership) in each case.
- 3.11 Further testing took account of a situation where Social Rented housing and Intermediate Affordable housing is split 50%:50% within a scheme.

Section 106 (or similar) contributions

- 3.12 The testing assumptions on other Section 106 contributions were discussed with the authority and at the stakeholder workshop. We have run the baseline testing at £10,000 per unit. Studies for similar authorities carried out by Three Dragons, have indicated a requirement of around £5,000 per unit.

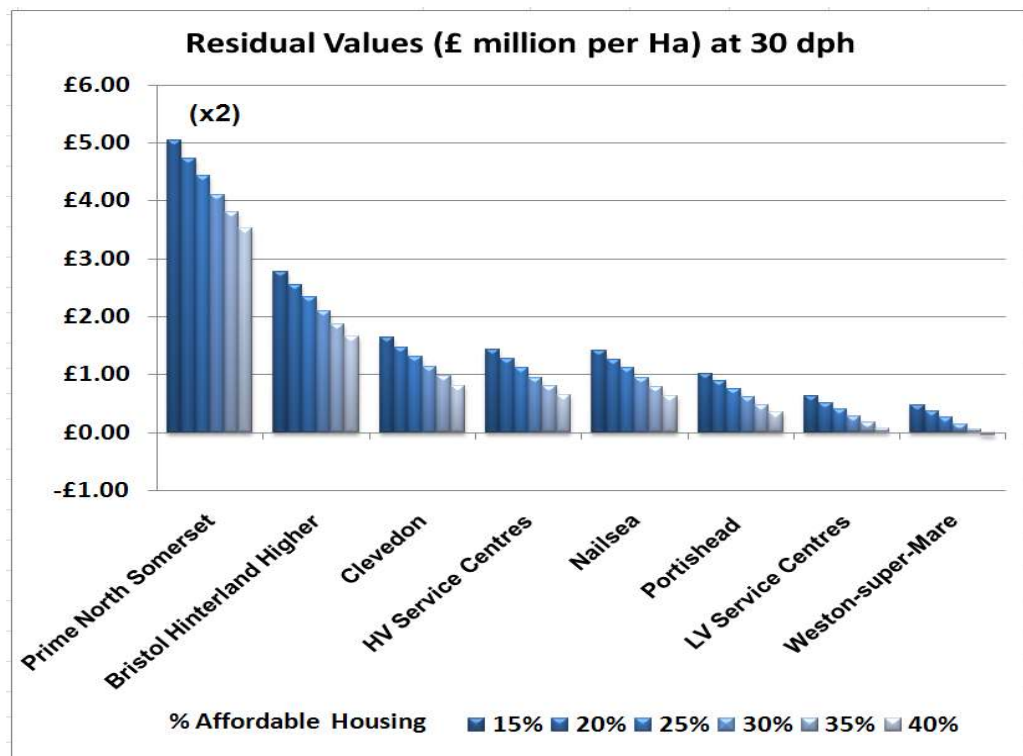
Results: residual values for a notional one hectare site

- 3.13 This section looks at a range of development mixes and densities. It shows the impacts of increasing the percentage of affordable housing on residual site values. The full set of results is shown in Appendix 3. The charts show results for eight of the ten sub markets areas. The M5 Corridor and Bristol Hinterland are omitted for the purposes of greater presentational clarity. The results for Nailsea are a fair proxy for the M5 Corridor and the results for Portishead are a fair proxy for Bristol Hinterland Lower.

Residual values at 30 dph

- 3.14 Figure 3.1 shows the residual values for a 30 dph scheme and for each of the market value areas.

Figure 3.1 Housing (at a density of 30 dph) – Residual value in £s million



- Figure 3.1 shows a range of positive residual values in all cases with the exception of a 40% target in Weston-super-Mare (WsM). Residual values at 30% affordable housing for example range from £8.23 million per hectare in Prime North Somerset to £0.15 million per hectare in WsM.
- The chart shows that there is no particular urban rural 'split' in residual values. Higher residuals are found in urban areas (e.g. Clevedon) as well as rural ones (e.g. Bristol Hinterland Higher). It is fair to say however that

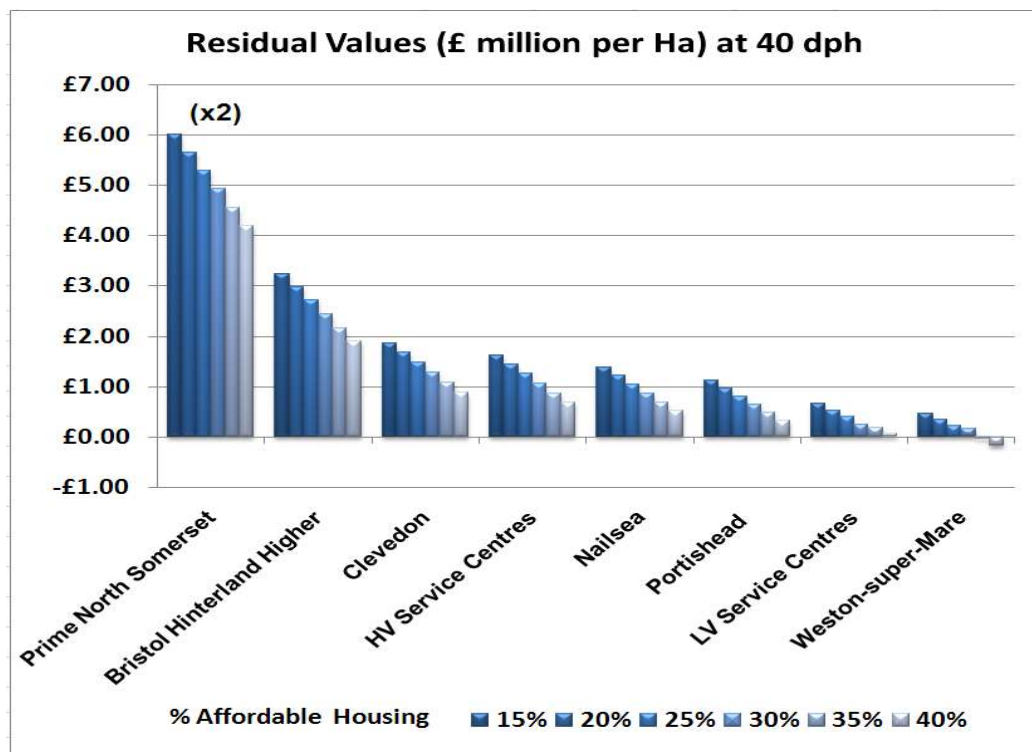
the lower value sub markets are predominantly urban in nature. WsM is the lowest value location in the District.

- The range in values is very significant. Even ignoring Prime North Somerset (where residual values are significantly higher than elsewhere), a 40% affordable housing target in Bristol Hinterland Higher (the next highest value sub market) will generate a residual value in excess of that generated at 15% for example in Clevedon. In turn, a 40% affordable housing target in Nailsea should generate a higher residual than that generated in WsM at 15% affordable housing.

Residual values at 40 dph

3.15 Figure 3.2 shows the residual values for a 40 dph scheme and for each of the market value areas.

Figure 3.2 Housing development (at a density of 40 dph) – Residual value in £s million



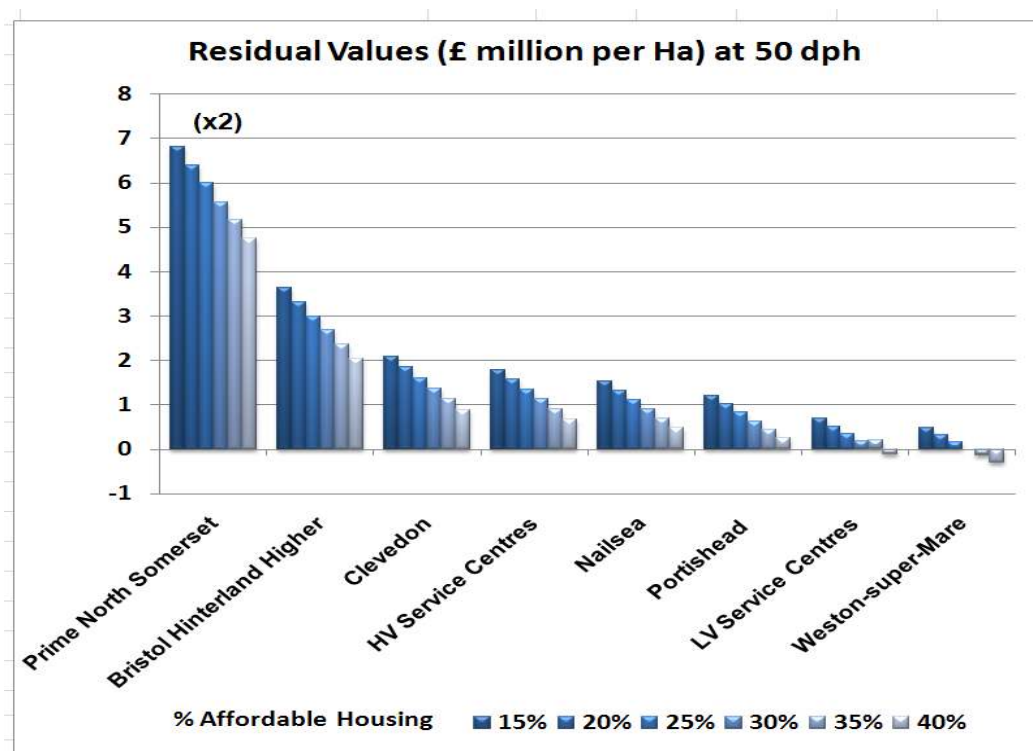
- Figure 3.2, like Figure 3.1, shows a similar pattern of residual values. As previously, most are positive i.e. scheme revenue exceeds scheme costs; the exceptions being schemes at 35% and 40% affordable housing in WsM.
- There are broadly four groups of sub markets. First, Prime North Somerset, which has significantly higher residual values than the other sub markets. Then (second), Bristol Hinterland Higher, third, Clevedon, the Higher Value Service Centres, Nailsea (including M5 Corridor) and Portishead (including Bristol Hinterland Lower) and fourth, the Lower Value Service Centres and WsM.

- At 30% affordable housing, residual values in Prime North Somerset are approaching £10 million per hectare; in Bristol Higher Hinterland, £2.44 million per hectare; in the third group the range (at 30% affordable housing) is £1.28 million per hectare (Clevedon) to £0.64 million per hectare (Portishead). At the lower end (Service Centres and WsM), the range at the same affordable housing target is £0.25 million to £0.16 million per hectare).
- At 40 dph, residual values in the lower value sub markets are beginning to look marginal at higher proportions of affordable housing. This is not only because of the impact that affordable housing makes, but also because of the correspondingly regressive effects of other Section 106 contributions (here the £10,000 per unit) on lower value areas.
- In most cases, residual values are higher at 40 dph than at 30 dph. In the lower value sub markets at higher percentages of affordable housing, a 30 dph scheme looks likely to generate a higher residual value than at 40 dph. This will apply particularly in a location such as WsM.

Residual values at 50 dph

3.16 Figure 3.3 shows residual values for a 50 dph scheme and the residual values for each of the market value areas.

Figure 3.3 Housing development (at a density of 50 dph) – Residual value in £s million



- As with the 30 and 40 dph scenarios, a range of positive land values is shown in most instances.
- An increase in density from 40 dph to 50 dph increases residual value in the majority of scenarios (see Appendix 3). This follows the same pattern

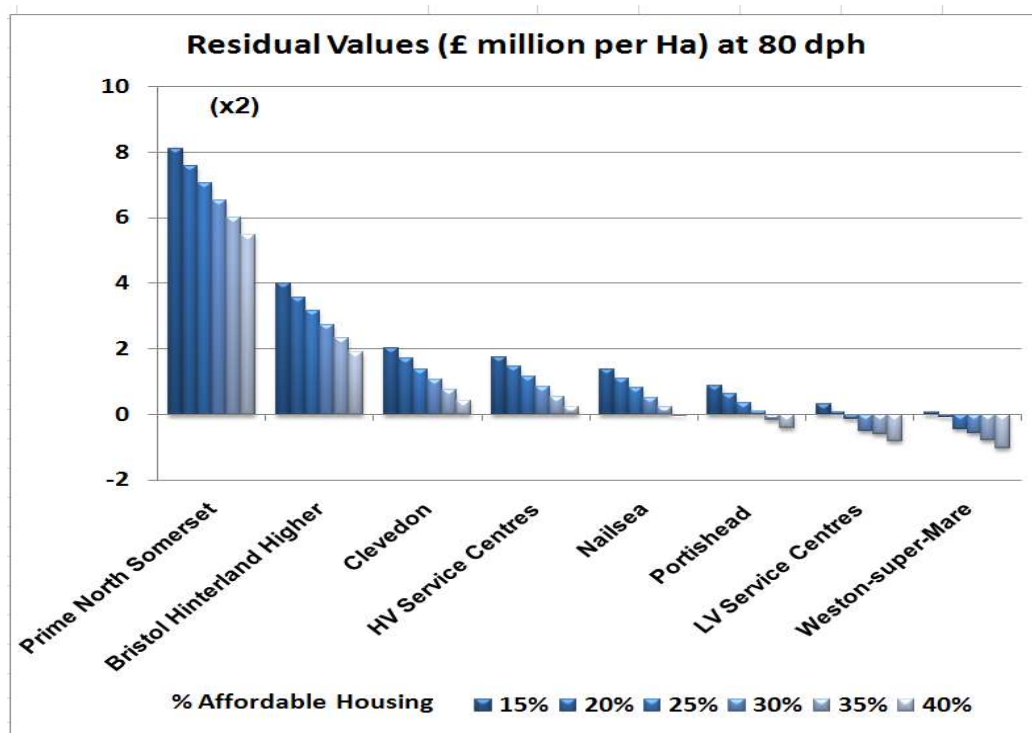
as when increasing from 30 dph to 40 dph; i.e., residual value is lower at higher percentage affordable housing targets in lower value sub markets.

- Significant residual values are seen across most locations. Residual value ranges from £2.68 million per hectare in Bristol Hinterland Higher to £0.9 million per hectare in Nailsea – at 30% affordable housing in both cases. Residual value approaching £750,000 per hectare are generated at 40% affordable housing in a mid market location such as the Higher Value Service Centres. In the lower value sub markets this level of residual is generated only at around 15% affordable housing.
- Between 40 dph and 50 dph is probably the optimal density at which affordable housing contributions can be maximised in the North Somerset area. At higher density, residuals are lower in several instances (see Figures 3.4 and 3.5).

Residual values at 80 dph

3.17 Figure 3.4 shows residual values for a 80 dph scheme and the residual values for each of the market value areas outlined earlier.

Figure 3.4 Housing development (at a density of 80 dph) – Residual value in £s million



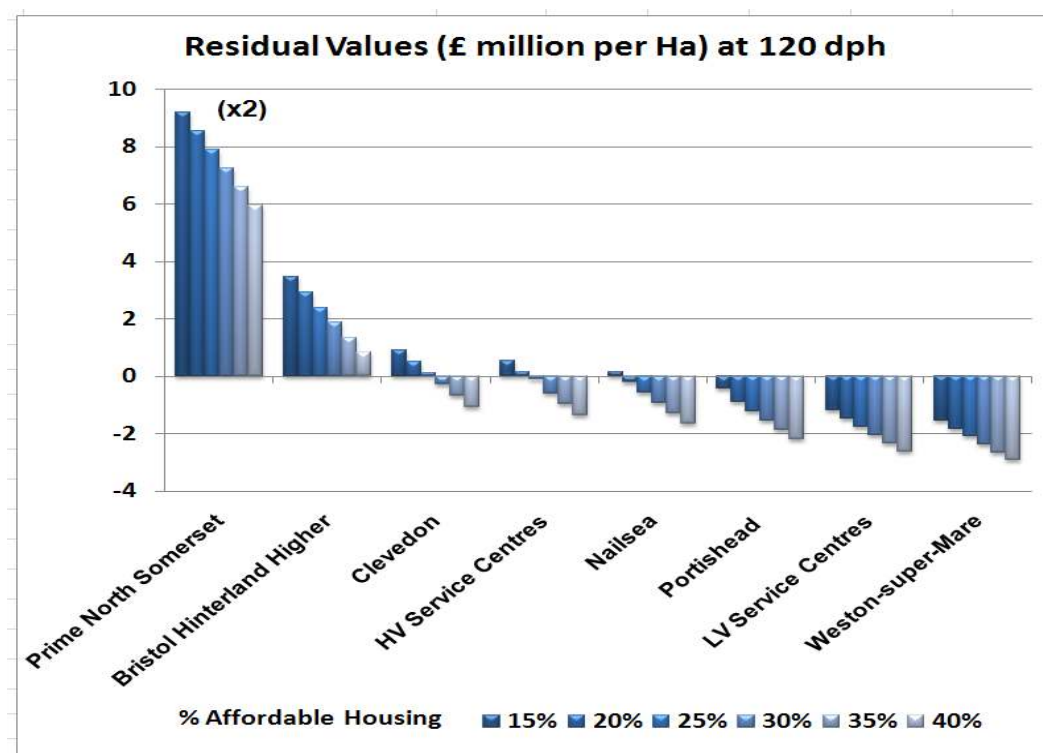
- At a higher density the development mix changes to include a higher proportion of smaller housing units. The mix we have modelled here assumes 100% flats and terraces. The impact of going from a 50 dph scheme to one of 80 dph is to 'stretch' the range of residual values. For example, in the highest value areas at low proportions of affordable housing, residual values increase from 50 dph to 80 dph. However, in the lower value areas, at higher proportions of affordable housing, residual value falls.
- In all but the two highest value sub market areas, residual values are lower at 80 dph than at 50 dph. This effect occurs because in the lower value areas, smaller dwellings produce only a narrow gap between revenue and costs which is quickly eroded by affordable housing impacts. In the higher value areas, the surplus of revenue over cost with smaller units is multiplied (positively) and which then offsets the impact of affordable housing.
- The chart (Figure 3.4) shows that in the Lower Value Service Centres and WsM, development at 80 dph is likely to be marginal even at lower affordable housing percentages. This is because the gap between scheme revenue and scheme cost is narrow in lower value locations where smaller housing units are built.

- At the top end of the market, Prime North Somerset, residual value at 40% affordable housing at this density, is well in excess of £10 million per hectare.

Residual values (at 120 dph)

3.18 Figure 3.5 shows residual values for a 120 dph scheme and the residual values for each of the sub markets.

Figure 3.5 Housing development (at a density of 120 dph) – Residual value in £s million



- At 120 dph, all lower value areas show negative residual values. This does not mean that development will not proceed in these locations (principally Portishead, the Lower Value Service Centres and WsM) but that if it does so, then either profit margins or existing use value will be lower. At higher percentages of affordable housing, both conditions may need to apply in order to bring a scheme forward.
- In a mid to higher value sub market such as Clevedon, residual value at 25% affordable housing is around £100,000 per hectare. This does not allow very much 'headway' for scheme that may have abnormal costs.
- Thus development, other than in the very high value, Prime North Somerset, looks difficult at this higher density.
- Looking at the trends in Appendix 3, and in the preceding charts, we believe that generally higher density will deliver only modest amounts of affordable housing.

Impacts of housing association payments and grant

- 3.19 The analysis carried out so far is based on assumptions made about what housing associations are prepared to pay for affordable housing units. Social Rented and Shared Ownership units were modelled. Following feedback from local housing associations, we modelled Social Rented units at £70,000 per unit for the 30 dph, 40 dph and 50 dph scenarios; and £60,000 per unit at 80 dph; finally, £50,000 per unit at 120 dph.
- 3.20 For Shared Ownership, a 40% equity stake was assumed, with rent by charged at 1% on the unsold equity. This was consistent with feedback from housing associations.
- 3.21 The rates for Social Rent are assumed to be 'going rates' that are reasonable in the current market circumstances. We have assumed that they reflect the assumption that grant is unlikely to be available for most schemes.
- 3.22 We demonstrate however also here the impacts that grant might have on schemes should it be available. We assume a grant of £50,000 per Social Rented unit and £15,000 per New Build HomeBuy. This is reasonably consistent with similar authorities for which viability testing work has been undertaken.
- 3.23 We test here the impact of grant on residual values for a 1 Ha site at 40 dph for all locations. The results are shown for selected sub markets in Table 3.3.

Table 3.3 Comparison showing the impact of grant (versus no grant) on residual values (at 40 dph): Residual Value (£s million per hectare); Affordable Housing tenure split assumed at 82% Social Rent: 18% Shared Ownership

40 Dph £million	Bristol HH		Clevedon		Nailsea		Portishead		WsM	
	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant
15% AH	£3.25	£3.51	£1.87	£2.13	£1.39	£1.65	£1.12	£1.38	£0.47	£0.73
20% AH	£2.99	£3.34	£1.69	£2.04	£1.23	£1.58	£0.97	£1.32	£0.35	£0.70
30% AH	£2.44	£2.96	£1.28	£1.80	£0.87	£1.39	£0.64	£1.16	£0.16	£0.68
40% AH	£1.90	£2.60	£0.88	£1.58	£0.52	£1.22	£0.32	£1.02	-£0.17	£0.53

AH = percentage affordable housing

- 3.24 Table 3.3 shows that the availability of grant will enhance site viability in all scenarios.
- 3.25 The introduction of grant has a greater proportionate impact in the weaker sub markets. For example, in WsM, there is a fourfold increase in the residual value at 30% affordable housing (from £0.16m per hectare to £0.68m). The equivalent uplift in Bath Rural Hinterland sub market is 21%.
- 3.26 We would question the requirement for grant in many instances, particularly in the higher value sub markets. There is a danger that grant simply bolsters land owner value, or land owner expectation, which would seem counter-intuitive to the objective of the Section 106 process and the use of public subsidy.

Impacts of increasing the proportion of Intermediate housing within the affordable element

3.27 In the previous section we considered the impact of the availability of grant funding on scheme viability. Where grant is not available to support schemes (or is not sufficient on its own), scheme viability can be (further) enhanced by increasing the percentage of intermediate affordable housing (although the local authority would need to carefully consider if this would be meeting local need for affordable housing). We have tested all scenarios thus far assuming the relevant affordable element is tenure split on the basis of 82% Social Rent and 18% Shared Ownership. In the following section we test a 50%:50% tenure split in the affordable element.

Table 3.4 Residual values (£ million per hectare) for a 40 dph scheme comparing 50% Social Rent and 50% Shared Ownership versus 82% Social Rent and 18% Shared Ownership (No grant both scenarios)

Affordable Housing %	15%		20%		30%		40%	
	Baseline	50%:50%	Baseline	50%:50%	Baseline	50%:50%	Baseline	50%:50%
Bristol Hinterland Higher	£3.25	£3.38	£2.99	£3.14	£2.44	£2.67	£1.90	£2.05
Clevedon	£1.87	£1.96	£1.69	£1.78	£1.28	£1.42	£0.88	£1.06
Nailsea	£1.39	£1.45	£1.23	£1.29	£0.87	£0.97	£0.52	£0.65
Portishead	£1.12	£1.18	£0.97	£1.03	£0.64	£0.73	£0.32	£0.43
Weston-super-Mare	£0.47	£0.50	£0.35	£0.38	£0.16	£0.13	£-0.17	£-0.12

3.28 Table 3.4 shows that tenure switch (from a 82%:18% split to a 50%:50% split) will increase residual value in most instances. In a sub market such as Clevedon, residual value is increased by 11% at 30% affordable housing. In Portishead an increase in residual value of 14% is generated by increasing the proportion of Shared Ownership from 18% to 50% within the affordable element.

3.29 A careful reading of the results is needed however. At WsM, residual value falls at 30% affordable housing. This is because the offsetting impact of the Intermediate affordable housing is less effective where market values are lower.

3.30 These results need to be seen in the context of the assumptions made. In the case of Shared Ownership, RSLs are currently been paying relatively low amounts for this tenure. This is reflected in the 1% rental assumption on the unsold equity. There is currently no evidence to suggest more generous payments although clearly the Council will need to monitor this position going forward.

3.31 In all instances where a higher proportion of Intermediate affordable housing is envisaged, it will be necessary that the Intermediate product is affordable as well as viable.

Impacts of the new Affordable Rent model

- 3.32 Government has recently introduced the potential for local authority and RSLs to enable Affordable Rented housing. It is uncertain at this stage how this tenure will be accommodated within new development as although it should provide a significant boost to viability (over Social Rented housing) the new tenure raises substantial questions about affordability, particularly in higher value areas.
- 3.33 We have run an additional scenario for a notional 40 dph scheme including 50% of the affordable element being Affordable Rent and 50% being Shared Ownership.
- 3.34 The results are shown in Table 3.5. As previously, we compare the results with the baseline results (at an 82% (SR): 18% (SO) split).

Table 3.5 Residual values (£ million per hectare) for a 40 dph scheme comparing 50% Affordable Rent and 50% Shared Ownership versus 82% Social Rent and 18% Shared Ownership (No grant both scenarios)

Affordable Housing %	15%		20%		30%		40%	
	Baseline	50%:50%	Baseline	50%:50%	Baseline	50%:50%	Baseline	50%:50%
Bristol Hinterland Higher	£3.25	£3.46	£2.99	£3.25	£2.44	£2.84	£1.90	£2.43
Clevedon	£1.87	£2.04	£1.69	£1.89	£1.28	£1.59	£0.88	£1.28
Nailsea	£1.39	£1.53	£1.23	£1.41	£0.87	£1.14	£0.52	£0.88
Portishead	£1.12	£1.26	£0.97	£1.14	£0.64	£0.89	£0.32	£0.65
Weston-super-Mare	£0.47	£0.58	£0.35	£0.49	£0.16	£0.30	-£0.17	£0.11

- 3.35 On the basis of the analysis, the increase in residual value is not significant at lower percentages of affordable housing. However, at higher percentages, the substitution of Social Rent by Affordable Rent begins to generate more substantial increases over and above the baseline testing position. For example, at 30% affordable housing, the residual in WsM is now virtually £0.5 million per hectare; at 40% affordable housing, it is just over £100,000 per hectare.
- 3.36 An option to pursue this tenure therefore strengthens the hand of the Council with respect to targets particularly at the lower end of the local housing market.
- 3.37 The weekly Affordable rents adopted in this analysis are: £125 for a 2 bed flat; £130 for a 2 bed terrace; £140 for a 3 bed terrace; £145 for a 3 bed semi; £150 for a 3 bed detached and £160 for 4 bed detached.

Market sensitivity

3.38 We have looked also at a situation where house prices are 10% higher and 10% lower than the levels assumed in our main testing, based at December 2010

3.39 Table 3.6 shows residual values for a 40 dph scheme with house prices increased and decreased by 10%. This is not a reflection of any particular forecast of how the market will perform, but aims to show the sensitivity of residual values to changes in house prices.

Table 3.6 Residual values (£ million per hectare) for a 40 dph scheme with prices 10% higher and lower than the baseline position (April 2010). No grant assumed with a tenure split of 82% Social Rent: 18% Shared Ownership

		Clevedon	Nailsea	Weston-super-Mare
Price increase +10%	15%AH	£2.41	£1.95	£0.93
	20%AH	£2.25	£1.74	£0.77
	30%AH	£1.77	£1.31	£0.46
	40%AH	£1.29	£0.89	£0.14
Baseline	15%AH	£1.87	£1.39	£0.47
	20%AH	£1.69	£1.23	£0.35
	30%AH	£1.28	£0.87	£0.16
	40%AH	£0.88	£0.52	-£0.17
Price decrease- 10%	15%AH	£1.28	£0.84	£0.01
	20%AH	£1.10	£0.68	-£0.10
	30%AH	£0.75	£0.38	-£0.33
	40%AH	£0.39	£0.07	-£0.55

AH = percentage of affordable housing

3.40 Table 3.6 sets out the impact on residual values, were prices to increase or fall from the current levels. The impact of price changes will tend to be felt more significantly in the lower value areas.

3.41 For example, at 30% affordable housing, a 10% increase in house prices will bring about a 2.88 fold increase in residual values in the WsM sub market, compared to a 61% increase in Clevedon for the equivalent scenario.

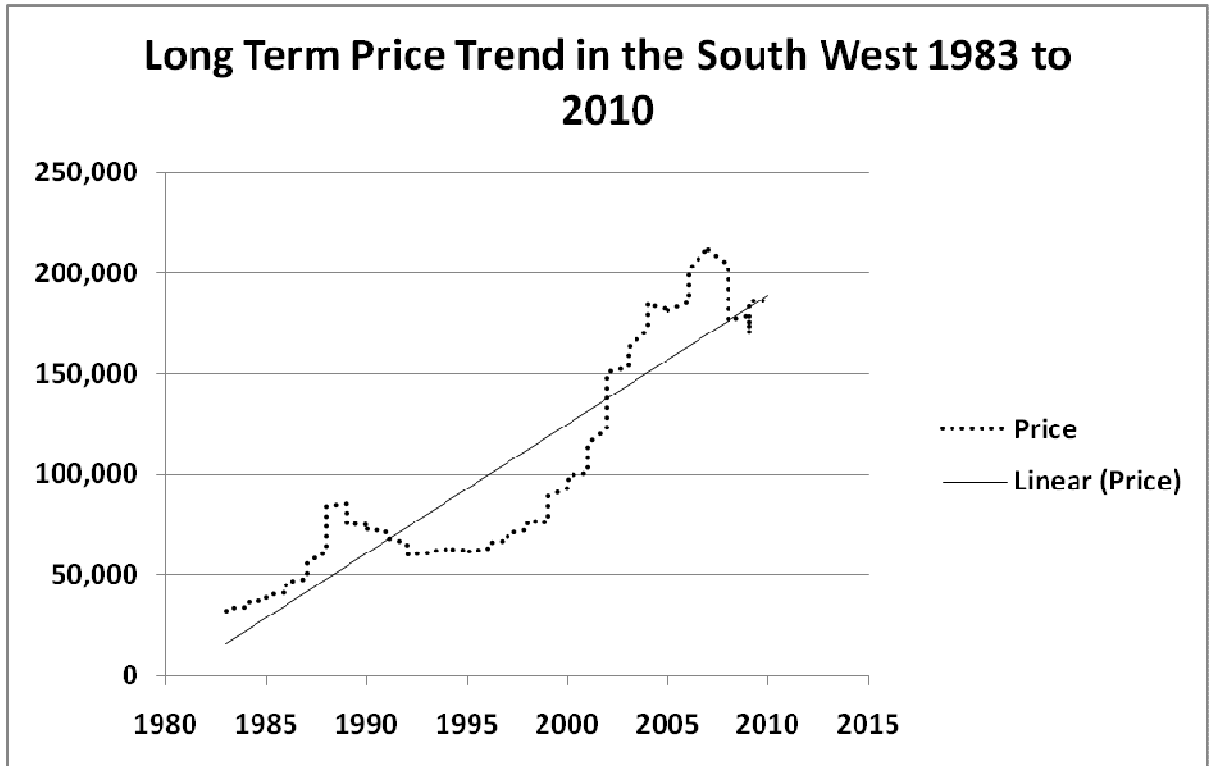
3.42 Price falls will have similar effects with price decreases hitting lower value sub markets disproportionately hard in terms of residual value. A price fall of 10% in WsM is likely to generate only a very marginal (£10,000 per hectare) residual value (from circa £500,000 per hectare) at the baseline.

3.43 A viability related question relates to the relationship between short and long term trends. Figure 3.6 shows trends for the South West region. It

demonstrates the short term volatility in house prices against the long term straight line trend.

- 3.44 It puts into context the findings of this study, in that our analysis has been based on figures in line with the long term price trend.

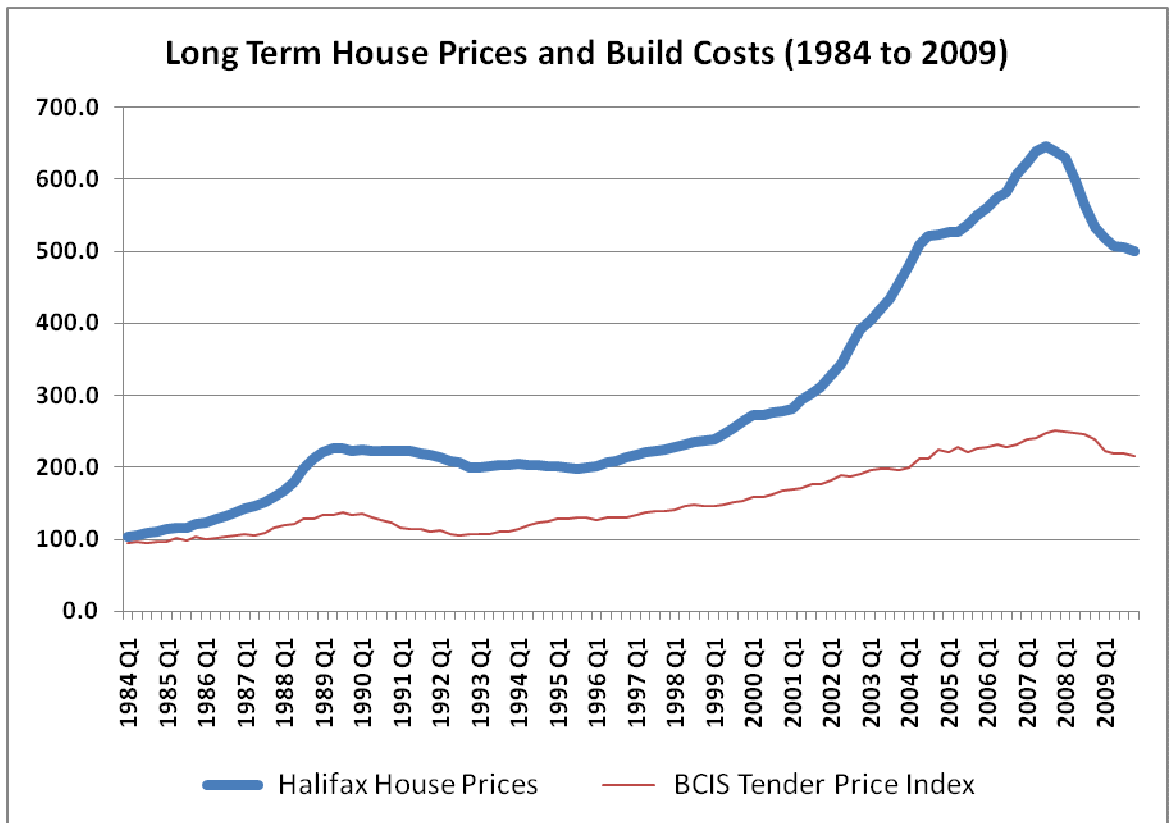
Figure 3.6 Long term house price trend



Source: Halifax House Price Index November 2009

- 3.45 Figure 3.7 shows the longer term relationship between house prices and build costs (for the UK). This shows a significant widening in the gap between prices and costs since the early 1980s with the gap between the two variables appearing most wide in 2007.
- 3.46 The trends in Figures 3.6 and 3.7 need careful interpretation. Whilst we appear to be in a market which is not far away from long term trend, it is clear that over time the gap between prices and costs has widened significantly in recent years leading to one conclusion that affordable housing has become increasingly viable to deliver as time has gone by.
- 3.47 Nevertheless, the gap has narrowed over the past two years and there is no certainty that it will not narrow over the period of the Plan.
- 3.48 We believe that there is sufficient evidence from past trends to suggest that our analysis, carried out in 2009, will produce policy recommendations which are reasonable and realistic.

Figure 3.7 Long term house prices and build costs



Source: Halifax House Price Index and the Building Cost Information Service Tender Price Index.

3.49 The figure shows the longer term relationship between house prices and build costs (UK trends). It suggests a steadily widening long term gap between revenues and costs, which if emulated over the long term period of the Plan, should allow the local authority to find it it less challenging to deliver Section 106.

Impact of the Code for Sustainable Homes

- 3.50 The Code for Sustainable Homes may have a negative impact on the viability of schemes. It should be stressed that it is uncertain whether higher levels of code will impact negatively since viability, as we define it, depends on the relationship between scheme revenue and scheme cost, not simply costs alone. Thus housing development could become more viable in the future despite the impacts of the Code.
- 3.51 This viability study uses current BCIS build cost data. As RSLs must already build to Code Level 3 of the CFSH in order to qualify for grant funding, the average build costs are assumed to include Code Level 3 as a baseline position. The testing has assumed Code Level 3 for all units, not just affordable housing. The cost impact of moving from Level 3 to Level 4 of the CFSH is estimated, according to recent DCLG research (Cost Analysis of The Code for Sustainable Homes: Final Report, July 2008), at around £5,000 per unit. Moving to Code Level 4 could therefore generate additional costs of around £200,000 per hectare (based on a 40 dph scheme) for example.
- 3.52 The precise impacts will vary according to location within the District. As a broad indication, reaching Code Level 4 (versus Code Level 3 now) will reduce residual value by around 7% at the top of the market (Bristol Rural Hinterland) but will reduce residuals by 37% at the bottom of the market (WsM). This figures relate to a 40 dph scheme at 20% affordable housing. At the top of the market this is unlikely to prevent land being brought forward, although at the bottom the impacts are more significant and may hold sites back where existing use values are significant.
- 3.53 For a number of reasons, we have not considered it appropriate to test any additional impact of achieving higher Code Levels at this time. The DCLG recently consulted (December 2009 to March 2010) on The Code for Sustainable Homes and ZCH Energy efficiency. The objective is to seek agreement to changes to the Code for Sustainable Homes in 2010 to align it with changes to Part L of the Building Regulations and an approach to adopting a 2016 definition of zero carbon.
- 3.54 In the consultation document, it was acknowledged that there have been a number of areas where the Code may not work as well as planned. The aim is to streamline the Code where necessary to make it easier and cheaper to build sustainable homes. The outcome of this consultation may therefore result in new cost estimates being produced at a future time. Also, as achieving the Codes become part of a standard delivery package, there is evidence to suggest that reductions can be made to any additional costs. It is not possible to estimate the full and proper impact of any changes that may arise following this consultation event. Assumptions would also need to be made about house prices into the future; i.e house price growth may well 'pay for' the additional costs of the various Codes and once meeting the various Code Levels is made mandatory for all developers, the costs should become

absorbed via the implementation of the Building Regulations as a standard build cost and not an exceptional cost.

Impact of a higher Section 106 package

- 3.46 The baseline testing has been undertaken at £10,000 per unit. This was the figure agreed at the Developer Workshop. It was further agreed however that the report would take into account higher planning obligation packages; specifically a package of £20,000 per unit and £42,000 per unit as a maximum.
- 3.47 In doing so it should be noted that the Council have not as yet opted for a specific level. Since April 2010, the Community Infrastructure Levy (CIL) has become a policy option for local authorities. The Planning Act (2008) provides a wide definition of the infrastructure which can be funded by the levy, including transport, flood defences, schools, hospitals, and other health and social care facilities. This definition allows the levy to be used to fund a very broad range of facilities such as play areas, parks and green spaces, cultural and sports facilities, district heating schemes and police stations and other community safety facilities.
- 3.48 If local authorities choose to adopt a CIL approach then they should produce charging schedules setting out the levels of levy. Authorities should prepare viability evidence on the impact of a levy. Any new build scheme of 100 sq m or more, or being a dwelling, will attract the levy.
- 3.49 There remains a fine line between what might be charged under CIL and what could be charged under planning obligations (although affordable housing is not a CIL matter). Government guidance (the Community Infrastructure Levy: an Overview) states that there should not be an overlap. The guidance upholds (since April 2010) the requirement for planning obligations to be necessary, directly related to the development and fair and reasonable.
- 3.50 However the impacts are delivered, the key issue is the quantum. A £20,000 per unit levy will reduce residual value by some £400,000 per hectare. As with other scenario tests, the impacts are regressive, with lower value sub markets likely to be hit hardest.
- 3.51 In Prime North Somerset a £20,000 per unit levy over and above affordable housing would only reduce residual value by around 5% even at a 40% (affordable housing) target. By complete contrast a £20,000 per unit levy would almost wipe out all residual value at 20% affordable housing in Weston-super-Mare. This is therefore a very significant hit.
- 3.52 The highest levy (£42,000 per unit) is likely to reduce residual values from the baseline testing by £1.28 million per hectare. In the higher value sub market, the impact at this level will be significant. In Bristol Hinterland Higher, residual value will be almost halved at 30% affordable housing. In a mid market location such as Nailsea residual value will be eradicated at 30% affordable housing. Clearly this level of impact is not viable in locations such as WsM.

- 3.53 These conclusions assume that any levy is applied to all units, not just affordable.

Lifetime Homes

- 3.54 Lifetime Homes may be included within new developments. We think the additional costs of these will be around £500 per unit and will not prove a constraint to viability.
- 3.55 Thus residual values could be expected to hold up well under these circumstances.

Benchmarking results

- 3.56 There is no specific guidance on the assessment of viability which is published by national government. In Section 2, we set out that we think viability should be judged against return to developer and return to land owner.
- 3.57 To put things broadly into context (although not as a definition of viability), it is sometimes helpful to look at “current” land values for different development uses and consider residual values achieved for the various scenarios tested against these. Table 3.7 shows residential land values for selected locations within the South West.

Table 3.7 Residential land values regionally

SOUTH WEST			
REGION	Small Sites (sites for less than five houses)	Bulk Land (sites in excess of two hectares)	Sites for flats or maisonettes
	£s per hectare	£s per hectare	£s per hectare
Bournemouth	2,300,000	2,100,000	2,700,000
Weymouth	1,700,000	1,600,000	2,000,000
Exeter	2,500,000	1,750,000	2,500,000
Barnstaple	1,500,000	1,250,000	1,500,000
Plymouth	1,500,000	1,450,000	1,400,000
Truro	1,700,000	1,450,000	2,050,000
Taunton	1,850,000	1,600,000	1,800,000
Bath	2,500,000	1,800,000	2,300,000
Bristol	1,950,000	1,700,000	1,850,000
Gloucester	2,000,000	1,800,000	2,000,000
Swindon	1,350,000	1,300,000	1,600,000

Source: Valuation Office; Property Market Report, July 2009

- 3.58 The table indicates a range of land values for the region between £1.3 million per hectare (Swindon) and £2.1 million per hectare (Bournemouth). There is no direct comparable data for North Somerset (eg WsM). Closest geographically are Taunton (£1.6 million per hectare), Bath (£1.8 million per hectare) and Bristol (£1.7 million per hectare).

- 3.59 Another benchmark which can be referred to is that of industrial land. Table 3.8 shows values ranging across the South West region.

Table 3.8 South West industrial land values

SOUTH WEST			
	From £s per ha	To £s per ha	Typical £s per ha
Poole/Bournemouth	650,000	900,000	800,000
Weymouth	425,000	725,000	575,000
Exeter	700,000	900,000	800,000
Barnstaple	325,000	500,000	360,000
Plymouth	355,000	475,000	380,000
Bodmin	330,000	430,000	380,000
Yeovil	495,000	835,000	675,000
Bristol	625,000	850,000	680,000
Gloucester	625,000	800,000	650,000
Swindon	625,000	800,000	650,000

Source: Valuation Office; Property Market Report, July 2009

- 3.60 The 'benchmark' of industrial land value can be important where land, currently in use as industrial land, is being brought forward for residential development or where sites may be developed either for residential or employment use.

Commentary on results

- 3.61 This Study has assessed the residual value for a notional 1 hectare site for a series of scenarios across the ten market value areas identified in the District.
- 3.62 There are significant variations in the residual values generated for each of the sub markets. Prime North Somerset has disproportionately high values relative to the other sub markets. Residual values are relatively buoyant in locations such as Bristol Hinterland Higher, Clevedon, the Higher Value Service Centres and Nailsea.
- 3.63 In locations such as Portishead, Lower Value Service Centres and Weston-super-Mare, affordable housing and other Section 106 requirements may hold back sites where these requirements are set at a high level; in particular we do not believe that a planning gain package set at £42,000 per unit will be viable in locations such as WsM.
- 3.64 The baseline testing was on the assumption of nil grant with an affordable housing tenure split of 82% social rent and 18% intermediate affordable housing. The introduction of grant enhances residual values, having a greater proportionate impact in the lower value sub markets.
- 3.65 The results show the sensitivity of viability to changes in tenure. The Council will have to consider the relationship between viability and housing needs in balancing site specific requirements.

4 LAND SUPPLY, SMALL SITES AND USE OF COMMUTED SUMS

Introduction

- 4.1 This chapter reviews the options for identifying the size of sites above which affordable housing contributions would be sought, in the national policy context. The current affordable housing threshold operating in the North Somerset area is 15 dwellings (0.5 Ha). This applies across the District.
- 4.2 The chapter provides an assessment of the profile of recent planning permissions and the likely relative importance of small sites. It then considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed).

Purpose of the Analysis

- 4.3 PPS3 Housing sets out national policy on thresholds and affordable housing and states:
"The national indicative minimum site size threshold is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area." (Para 29).
- 4.4 North Somerset Council currently has a thresholds of 15 dwellings for its affordable housing policy. By reducing site size thresholds and 'capturing' more sites from which affordable housing can be sought, the authority can potentially increase the amount of affordable housing delivered through the planning system.
- 4.5 In this section we examine the impact that varying site size thresholds would have on affordable housing supply. In order to do this we need to examine the likely site supply profile.

Site size analysis

We have analysed data on recent permissions (April 2007 to December 2010) to consider how important sites of different sizes may be to future land supply. The table below (Table 4.1) shows the results of this exercise.

Table 4.1 Site supply by scheme size for the whole District

Site Size	No of Dwellings	% of Total
1 to 4	704	19.50
5 to 9	247	6.84
10 to 14	226	6.26
15 to 24	109	3.02
25 to 49	503	13.93
50 to 100	585	16.20
> 100	1236	34.24
Total	3610	100.00

Source: North Somerset Planning Permissions data.

- 4.6 Table 4.1 shows that overall across the District, small sites make a significant important contribution to supply. The table suggests that 33% of all new dwellings granted permission during the period analysed will be developed on sites of less than 15 dwellings. Further, that 26% of all dwellings granted permission over the period will be developed on sites of less than 10 dwellings. 25% of dwellings will be developed on sites of less than five dwellings. This is a very significant number particularly in an area where housing need is high and justifies in principle a reduction in the current threshold.
- 4.7 Table 4.2 shows equivalent analysis for the larger urban areas, namely WsM, Clevedon, Nailsea and Portishead.
- 4.8 Table 4.2 shows that these larger urban settlements rely to a significant extent on small sites. 33% of all dwellings will be built on sites of less than 15 dwellings. This suggests we feel, that the current threshold should in principle be reduced in particular to capture additional affordable housing in the higher value settlements.
- 4.9 Consistent with the District as a whole, almost 20% of all dwellings are delivered on sites with a capacity for one to four dwellings. A higher (than the District as a whole) proportion of dwellings are built on sites with a capacity for more than 100 dwellings.

Table 4.2 Site supply by scheme in larger urban settlements

Large Urban Areas	(WsM; Clevedon; Nailsea; Portishead)	
Site Size	No of Dwellings	% of Total
1 to 4	490	18.82
5 to 9	182	6.99
10 to 14	192	7.38
15 to 24	39	1.50
25 to 49	315	12.10
50 to 100	328	12.60
> 100	1057	40.61
Total	2603	100.00

Source: North Somerset Planning Permissions data.

- 4.10 Looking at the smaller settlements (those not included by WsM, Clevedon, Nailsea and Portishead), it can be seen that (Table 4.3) a significant number of dwellings will be developed on smaller sites; 31% on sites of less than 15 dwellings to be specific.

Table 4.3 Site supply by scheme in smaller settlement

Smaller settlements		
Site Size	No of Dwellings	% of Total
1 to 4	214	21.25
5 to 9	65	6.45
10 to 14	34	3.38
15 to 24	70	6.95
25 to 49	188	18.67
50 to 100	257	25.52
> 100	179	17.78
Total	1007	100.00

- 4.11 This is actually less than the equivalent figure for the District as a whole and for the larger settlements. This makes the case for a split threshold (typically between urban and rural areas in other districts) less convincing.

Small sites and management of affordable housing

- 4.13 We discussed the suitability of small sites for affordable housing at the stakeholder workshop with the development industry.
- 4.14 RSLs generally had no objection to managing affordable housing stock on small sites. Schemes with one or two units are manageable. There are circumstances in which on-site provision is not suitable e.g. if the occupier service charges are high. Housing associations can advise on this on a scheme by scheme basis.

Use of commuted sums

- 4.15 As a general principle, we recognise that seeking on-site provision of affordable housing will be the first priority and that provision of affordable housing on an alternative site or by way of a financial payment in lieu (or commuted sum) should only be used in exceptional circumstances. This position is consistent with national guidance in Paragraph 29 of PPS3 which states:

“In seeking developer contributions, the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing. However, where it can be robustly justified, off-site provision or a financial contribution in lieu of on-site provision (of broadly equivalent value) may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area”
Para 29.

- 4.16 Where commuted sums are sought as an alternative to direct on or off-site provision, PPS3 sets out the appropriate principle for assessing financial contributions - that they should be of “broadly equivalent value” (see para set out 29 above). Our approach is that the commuted sum should be equivalent to the ‘developer/landowner contribution’ if the affordable housing was provided on site.
- 4.17 If the ‘equivalence’ principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution. In other words, the local authority should not take viability into account when deciding whether to deliver on or off site contributions.
- 4.18 Any fully validated concerns about scheme viability (whatever size of site) should be reflected by providing grant or altering tenure mix, or by a ‘reduced’ affordable housing contribution whether provided on-site, off-site or as a financial contribution. Other planning obligations may also need to be reduced under some circumstances.
- 4.19 However, if affordable housing is sought from very small sites, in certain circumstances it becomes impractical to achieve on site provision e.g. seeking less than 33% on a scheme of 3 dwellings or less than 50% with a scheme of 2 dwellings. There will also be occasions where on-site provision can only

deliver a partial contribution towards the proportion of affordable housing sought e.g. 40% affordable housing in a scheme of 3 dwellings would deliver one affordable unit on site (representing 33% of provision).

5 CASE STUDY VIABILITY ANALYSIS – SMALLER SITES

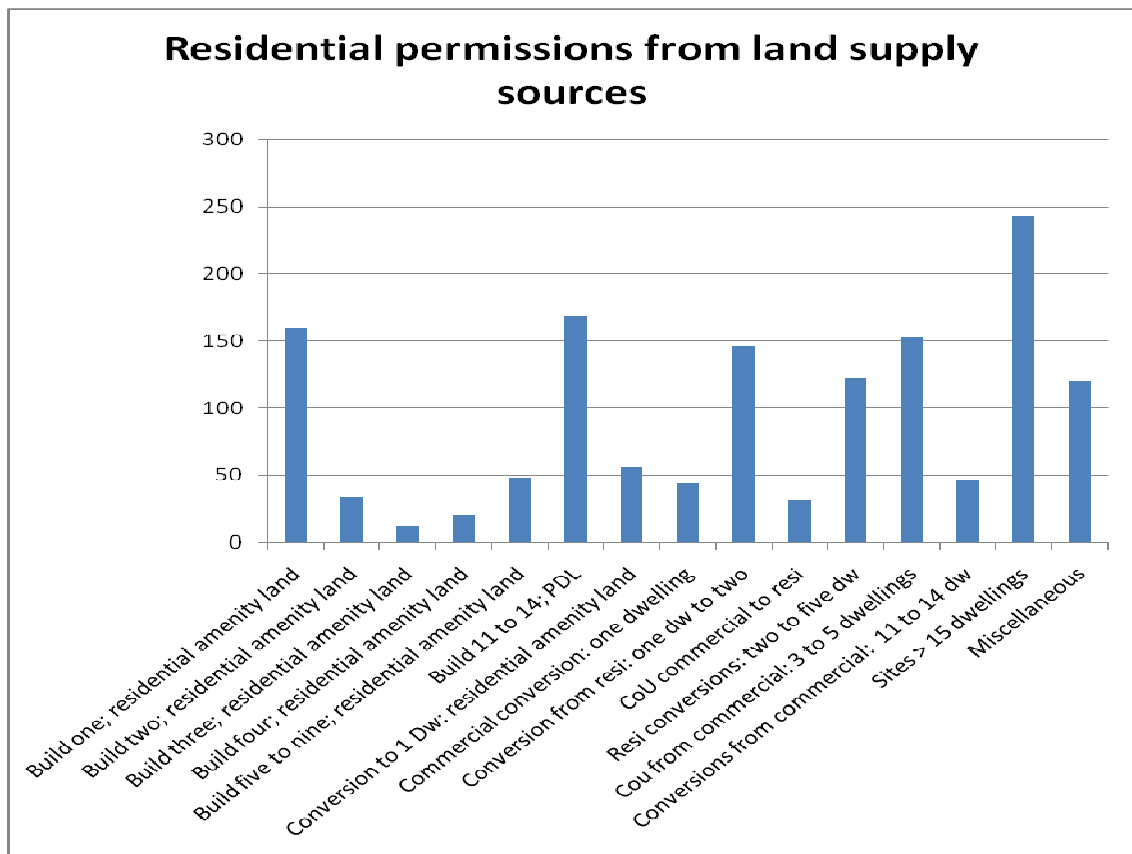
Introduction

- 5.1 The analysis in Chapter 3 provides a good indication of the likely viability of sites in the District. The residual values can be compared with existing use values to establish whether land owners are likely to make a return over and above existing use value, taking into account a developer margin.
- 5.2 The analysis in Chapter 3 will apply for large as well as small sites (on a pro rata hectare basis). We do not have any evidence to suggest that the economics change significantly between large and small sites. This assumption was discussed at the development industry workshop where it was accepted location is the key driver of site viability; not site size.
- 5.3 In theory therefore there is no real need to review in detail viability issues for small sites. However, for the sake of further illustration, and recognising that there may be circumstances which impact on the viability of some types of smaller sites, it was felt helpful to review the development economics of some illustrative case studies of smaller sites.

Case study sites

- 5.4 In this section we review a number of case study developments which are examples of small sites for residential development. Figure 5.1 sets out the various sources of supply which provide residential development in the North Somerset area. The chart shows incidences of planning permission for different types of scheme.

Figure 5.1 Planning permissions by land supply source (April 2007 – Dec 2010)



- 5.5 The sites of over 15 dwellings are reduced to one tenth of actual to allow for the scale. Data on recent planning permissions suggests that a significant number (24% of all incidences of planning permission) of the small sites (those with a capacity of less than 15 dwellings) involve the development of land which might be termed residential ancillary or infill. Garden land is likely to be the most significant source here. Of these sites, 14% of planning consents are developments of one dwelling on garden sites.
- 5.6 12% of all incidences of planning permission involve the creation via conversion of two dwellings, from an existing residential dwelling.
- 5.7 Medium sized schemes (11 to 14 dwellings) on previously developed land make up 14% of planning permissions.
- 5.8 Changes of use from commercial (smaller schemes of 3 to 5 dwellings) are also significant, making up 13% of all permissions over the period 2007 to 2010.
- 5.9 There are then a range of schemes which are not easily categorised. We have termed these 'Miscellaneous'. They make up around 10% of all incidences of planning permission.
- 5.10 These percentages need to be seen in the light of the bigger picture; the figures do not take account of sites with a capacity of more than 15 dwellings.
- 5.11 In terms of testing for viability on smaller sites, much relies on individual site circumstances, and particularly the schemes which emanate from commercial premises. The economics of these schemes, and especially those involving conversions are very site specific and the Council, should it decide to go for a low affordable housing threshold, will need to use its appraisal Toolkit to establish viability.
- 5.12 We have however selected four new build cases studies which reflect a significant proportion of development coming forward:

Table 5.1 Case study sites

Case Study	No of dwellings	Type of new development	Site Size (Ha)	Dph
A	1	1 x 4 bed detached house	0.03	33
B	2	1 x 3 bed detached house; 1 x 4 bed detached house	0.05	40
C	4	2 x 3 bed semis; 3 x 4 bed detached	0.1	40
D	12	2 x 2 bed flats 4 x 2 bed terraces 4 x 3 bed terraces 2 x 4 bed detached	0.2	60

For each case study we have undertaken an analysis of residual values for a selection of sub markets. We test at 15%, 20%, 25%, 30% and 35%

affordable housing. All the other assumptions used are the same as for the main analysis described in Chapter 3. Outputs are by scheme and the equivalent per hectare.

Case study A – Develop one detached house on a 0.03 ha site

- 5.13 The first scenario assumes the development of one four bed detached house. The results, with the affordable housing impacts are shown in Table 5.2:

Table 5.2 Develop one detached house

	% Affordable Housing				
	15%	20%	25%	30%	35%
Bristol Hinterland Higher					
(RV for scheme)	£137,000	£124,000	£113,000	£102,000	£91,000
(RV per ha)	£4.56	£4.13	£3.77	£3.40	£3.03
Clevedon					
(RV for scheme)	£77,000	£68,000	£60,000	£53,000	£43,000
(RV per ha)	£2.57	£2.27	£2.00	£1.77	£1.43
Nailsea					
(RV for scheme)	£61,000	£51,000	£45,000	£37,000	£29,000
(RV per ha)	£2.03	£1.70	£1.50	£1.23	£0.97
Weston-super-Mare					
(RV for scheme)	£22,000	£15,000	£10,000	£6,000	-£1,000
(RV per ha)	£0.73	£0.50	£0.33	£0.20	-£0.03

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million).

- 5.14 Table 5.2 shows that the development of one new detached house will generate a substantial residual value at 30% affordable housing across all sub markets. In WsM, residual value per hectare is £200,000. At lower proportions of affordable housing, plot values are (e.g. at 15% affordable housing) around £20,000.
- 5.15 Where one dwelling of this type is built on, for instance, infill or back-land, we would expect the uplift in site value to be substantial in many instances. For sites taken from garden land, this will also be the case although a devaluation to the existing dwelling may also occur. In locations such as WsM, where absolute plot values are low, devaluation to existing dwellings may hold back some sites.
- 5.16 Where a single new house replaces an existing dwelling, as is the case in some instances, we would expect the economics to be difficult. Even at the top of the market such a scheme will only generate around £140,000 for a

building plot – on the basis of a 15% affordable housing contribution. In most cases, we do not think this will be sufficient to cover the property acquisition costs for an existing dwelling, unless these are exceptionally favourable.

Case study B – Develop two detached houses (one 3 bed and one four bed) on a 0.05 ha site.

- 5.17 The viability of developing two detached houses rather than one will depend on a number of factors including the development mix and the intensity to which the site is developed as well on the location. There will also be some instances where the relationship between existing use value and residual development value is favourable and some where this may not be the case. Table 5.3 shows residual values for the development of two detached houses.

Table 5.3 Develop two detached houses

	% Affordable Housing				
	15%	20%	25%	30%	35%
Bristol Hinterland Higher					
(RV for scheme)	£244,000	£223,000	£203,000	£184,000	£163,000
(RV per ha)	£4.88	£4.46	£4.06	£3.68	£3.26
Clevedon					
(RV for scheme)	£139,000	£124,000	£111,000	£96,000	£79,000
(RV per ha)	£2.78	£2.48	£2.22	£1.92	£1.58
Nailsea					
(RV for scheme)	£105,000	£92,000	£79,000	£66,000	£53,000
(RV per ha)	£2.10	£1.84	£1.58	£1.32	£1.06
Weston-super-Mare					
(RV for scheme)	£39,000	£29,000	£21,000	£10,000	£0
(RV per ha)	£0.78	£0.58	£0.40	£0.20	£0.00

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million).

- 5.18 For infill, backland and garden plots, we believe that a significant uplift in residual value will occur and that a contribution to affordable housing would not make development unviable in many instances
- 5.19 At the top end of the market – Bristol Hinterland Higher - schemes are achieving over £3 million per hectare at 35% affordable housing equivalent contribution. In a middle sub market such as Nailsea, schemes achieve over

£1 million per hectare. At the bottom end of the market, WsM, the economics are less favourable.

- 5.20 We believe that small sites in employment use which are developed for residential will yield affordable housing contributions up to 30% affordable housing in most locations.

Case study C – Develop four dwellings (Two semi-detached and two detached houses) on a 0.1 ha site

- 5.21 A number of schemes in the District involve the development of three to five dwellings (we take here four dwellings as the average). We have modelled here the development of two, three bed semi-detached houses and two, four bed detached houses

Table 5.4 Develop two semis and two detached houses

	% Affordable Housing				
	15%	20%	25%	30%	35%
Bristol Hinterland Higher					
(RV for scheme)	£425,000	£390,000	£352,000	£314,000	£277,000
(RV per ha)	£4.25	£3.90	£3.52	£3.14	£2.77
Clevedon					
(RV for scheme)	£245,000	£218,000	£190,000	163,000	£134,000
(RV per ha)	£2.45	£2.18	£1.90	£1.63	£1.34
Nailsea					
(RV for scheme)	£183,000	£159,000	£134,000	£110,000	£86,000
(RV per ha)	£1.83	£1.59	£1.34	£1.10	£0.86
Weston-super-Mare					
(RV for scheme)	£59,000	£40,000	£22,000	£4,000	-£14,000
(RV per ha)	£0.60	£0.40	£0.22	£0.04	-£0.14

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million).

- 5.21 Case Study C is developed at a similar density to the scheme tested at Case Study B – 40 dph. Broadly similar results can thus be anticipated. As for Case Study B, strong residual values are seen up to 35% affordable housing in a mid market locations such as Nailsea. At 35% affordable housing, residual value there is £860,000 per hectare and as such, is likely we feel, to be higher than most other existing use values.
- 5.22 Where a scheme for four new build units replaces a demolished dwelling, we believe the Council would be justified in requiring modest contribution of

affordable housing in the medium to higher value sub markets. In the lower value sub markets, and in WsM in particular, new development involving the demolition of one existing house, will normally require more than four units to be viable.

Case study D – Develop 12 units on a 0.2 Ha site

- 5.23 There will be a number of smaller schemes coming forward, particularly on previously developed land (PDL) land. We model here 12 dwellings: 2, two bed flats, 4, 2 bed terraces, 4, three bed terraces and 2, 4 bed detached houses.

Table 5.5 Develop 12 units

	% Affordable Housing				
	15%	20%	25%	30%	35%
Bristol Hinterland Higher					
(RV for scheme)	£964,000	£879,000	£793,000	£709,000	£623,000
(RV per ha)	£4.82	£4.39	£3.96	£3.54	£3.11
Clevedon					
(RV for scheme)	£542,000	£478,000	£415,000	£350,000	£287,000
(RV per ha)	£2.71	£2.39	£2.07	£1.75	£1.43
Nailsea					
(RV for scheme)	£410,000	£353,000	£296,000	£239,000	£182,000
(RV per ha)	£2.05	£1.76	£1.48	£1.19	£0.91
Weston-super-Mare					
(RV for scheme)	£132,000	£90,000	£47,000	£5,000	-£38,000
(RV per ha)	£0.66	£0.45	£0.23	£0.02	-£0.19

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million).

- 5.26 This type of scheme which is at higher density (60 dph) provides a marginally higher residual value (on a per hectare basis) than Case Study in most instances.
- 5.27 The key issue in this case study is whether the residual value for housing (including affordable housing) generates sufficient returns for a land owner over and above the current use. Inevitably, there will be a range of types of previously developed land. Where this is employment we think a £500,000 per hectare benchmark is appropriate. This means that medium to higher value sub markets should sustain a 30% affordable housing target and lower value locations such WsM, a 20% target.

Rural Exception schemes

- 5.29 Invariably the Council will want to consider Rural Exception schemes (RESs), raising issues about the viability of delivery. We have not tested here a RES on the basis that these schemes are normally not viable without grant input. RESs require sub market land plots to be provided, and require an operator (to be able to meet the full costs of building less what the scheme is worth to an RSL). Where this is Social Rent, there will in all cases be a shortfall to build costs. Where the affordable product is intermediate, then the subsidy requirement is likely be less. In all instances where a fair proportion of the scheme is Social Rent, then some significant subsidy is likely to be needed.

Commentary on the results

- 5.30 This section on case studies is primarily illustrative, looking at the economics with particular reference to smaller sites and including consideration of achieved residual values for different sites and how they compare with existing use values.
- 5.31 Sites with a low number of dwellings (smaller sites) are no less viable than sites with a larger number. They can be shown to generate higher land values than larger sites. This means that where existing use value is relatively low, as we think will be the case for example, with back-land, infill or garden land, the Council could pursue a robust approach to obtaining affordable housing and other s106 contributions.
- 5.32 The analysis shows that the Council will deliver a very high proportion of housing from larger sites (greater than 15 dwellings). Of the smaller sites, a high proportion come from residential amenity land. These schemes will in the main, not present, in our view, a significant viability challenge and should deliver affordable housing in the range 15% to 35%.
- 5.33 A significant number of schemes involve conversions or changes of use. These schemes, in particular conversions from commercial property will need to be assessed on a scheme by scheme basis, due to the complex inter-relationship between residual values created by new housing development, and existing use value. In our general experience smaller schemes involving conversions from residential are challenging for affordable housing delivery. This is not because they are small, but because they tend to have high existing use values, and often, high conversion costs.

6 MAIN FINDINGS AND CONCLUSIONS

Sub market areas

- 6.1 For the purposes of looking at viability in the District, we divided the area into ten sub markets. These are: Prime North Somerset; Bristol Hinterland Higher; Clevedon; High Value Service Centres; M5 Corridor; Nailsea; Bristol Hinterland Lower; Portishead; Lower Value Service Centres and Weston-super-Mare (WsM).
- 6.2 There is a significant difference in house prices across the sub market areas and these are reflected in the residual values for the different scenarios we tested. In particular prices in Prime North Somerset (settlements of Failand and Abbots Leigh) are significantly higher than elsewhere. We found that residual value is dependent not only on location but also on the density adopted.

Residual values and scenario testing

- 6.3 In terms of the different scenarios tested (Chapter 3) residual values were generally highest in the 30 dph to 50 dph density range. At high percentages of affordable housing weaker sub markets increasing density tend to reduce residual values, not increase them.
- 6.4 If the 40 dph scenario is taken as a likely benchmark for many new development schemes in the District, residual values at 30% affordable housing vary from £2.44 million per hectare in Bristol Hinterland Higher, to £0.16 million per hectare in WsM. If we take a mid market location such as Nailsea, residual value is £0.9 million per hectare. We think that this will be significantly above any competing land uses. The residuals here assume a planning obligations/CIL quantum of £10,000 per unit.
- 6.5 There are broadly four groups of sub markets. First, Prime North Somerset, which has significantly higher residual values than the other sub markets. Then (second), Bristol Hinterland Higher, third, Clevedon, the Higher Value Service Centres, Nailsea (including M5 Corridor) and Portishead (including Bristol Hinterland Lower) and fourth, the Lower Value Service Centres and WsM. Such a differentiation would suggest the need for a split affordable housing target within the District. This would not be a broad 'urban-rural' one, but one which is more sensitive, reflecting specific settlements, or groups of settlements.
- 6.6 All the results described above are based on nil grant and assume that the intermediate affordable element of the affordable housing was Newbuild Homebuy. This approach is seen to be a 'safe' approach where funding for affordable housing has been very substantially cut back under the current government.
- 6.7 The inclusion of grant significantly improves residual values across the District. It matters more proportionately in lower value areas. That is to say, grant has an accelerator effect in weaker market areas. We recommend that the Council focus any grant resources to these weaker sub market areas.
- 6.8 Increasing the proportion of intermediate affordable housing (of the total affordable element) will improve residual values. The increase will be more significant in lower value sub markets and at higher overall percentages of

affordable housing. In a sub market such as Clevedon for example, residual value is increased by 11% at 30% affordable housing. In Portishead an increase in residual value of 14% is generated by increasing the proportion of Shared Ownership from 18% to 50% within the affordable element.

- 6.9 However, it should be emphasised that these are ‘viability solutions’ in isolation. Increasing the volume of intermediate housing in high value areas and the volume of Social Rent in low value areas may intensify tenure concentration and therefore work against the objective of mixed communities.
- 6.10 Further, the planning authority will need to consider whether a higher proportion of intermediate housing would meet the need for affordable housing in the District.
- 6.11 It is important to stress that the analysis underpinning this report has been undertaken at a time of significant volatility in the political environment for the delivery of affordable housing. It is uncertain the extent to which the new Affordable Rent tenure will feature in the plans of housing associations taking on new development. Indeed (NHF South West Regional Briefing) it may be the case that grant funding for new development may become contingent on housing associations converting traditional Social Rented tenancies to Affordable Rent. Quite where local authorities, with their concern for affordability, fit, is very uncertain.
- 6.12 Clearly the direct impact of a higher percentage of units for Affordable Rent (rather than Social Rent) will be to improve the viability of schemes. Residual values will be relatively higher, and with this, the opportunity to ensure that existing use values are overcome. The question of Affordable Rented housing however places huge questions of affordability in front of local authorities.
- 6.13 The impact of planning contributions on viability has been tested at a baseline position of £10,000 per dwelling. In Prime North Somerset a £20,000 per unit levy over and above affordable housing would only reduce residual value by around 5% even at a 40% (affordable housing) target. By complete contrast a £20,000 per unit levy would almost wipe out all residual value at 20% affordable housing in Weston-super-Mare. This is therefore a very significant hit.

Site supply and smaller sites

- 6.14 The analysis of the planning permissions in the North Somerset area over the last three years indicates that smaller sites make an important contribution to the District’s land supply - 33% of all new dwellings granted permission during the period analysed will be developed on sites of less than 15 dwellings.
- 6.15 However, a significant number of dwellings will be developed on larger sites. Over 50% of dwellings will be built within schemes that comprise 50 or more homes. 34% of all dwellings will be developed, according to recent permissions, on sites with a capacity of more than 100 dwellings.
- 6.16 In the larger settlements (WsM, Clevedon, Nailsea and Portishead), the picture is not significantly different to that for the District as a whole. 33% of all dwellings are developed on sites of less than 15 dwellings. 41% are developed on sites with a capacity of more than 100 dwellings.

- 6.17 In the smaller settlements, as may be anticipated, a lower proportion of dwellings are developed on larger sites: 18% on sites of more than 100 dwellings.

Smaller sites and viability

- 6.18 If the Council wished to consider a threshold below the current national indicative minimum of 15 dwellings in either (or both) the urban and rural areas, the information provided in this report about viability of small sites would become important as part of the evidence for a reduced threshold. It is important to highlight that the development industry workshop did not conclude that small sites are systematically more or less viable to develop than larger sites.
- 6.19 Viability is sensitive to the relationship between existing (or, where relevant, alternative) use value. Whilst the data suggests that many small schemes involve the re-development of garden or residential ancillary land, others involve the conversion of existing dwellings or commercial premises. These schemes are likely to prove quite challenging in our experience in so far as significant proportions of affordable housing are concerned.
- 6.20 This does not mean that these schemes are unviable, but that the Council will need to assess viability for affordable housing on a case by case basis should they decide to reduce the threshold to capture these opportunities.
- 6.21 From a housing management perspective, we did not find any in-principle objections from housing associations to the on-site provision of affordable housing on small sites. There may be particular schemes where on-site provision is not the preferred option, but as a general rule, on-site provision of (very) small numbers of affordable homes is acceptable to housing associations.

Use of payments in lieu

- 6.22 Where a financial payment in lieu of on-site provision of affordable housing (or commuted sum) is to be sought, it should be of “broadly equivalent value”. This approach is, on the evidence we have considered, a reasonable one to take in policy terms.
- 6.23 If this ‘equivalence’ principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution, not in response to viability issues.

Conclusions and policy options

- 6.24 There is no detailed government guidance setting out how targets should be assessed, based on an assessment of viability. An assessment of viability for policy setting purposes might have reference to a range of factors including: past and recent delivery of affordable housing, residual values, the relationship between residual values and existing use values, what has been found to be robust targets in similar authorities through the Core Strategy process, the land supply equation and its relationship to be policy weight given to affordable housing delivery in the wider context of housing supply generally. To some extent land owner expectations are also significant. The experience of the consultant, working in conjunction with the local authority and through developer workshops helps to arrive at a robust policy stance.

- 6.25 Our analysis of residual values has led us to suggest three options for setting affordable housing proportions for spatial planning policy purposes which would be a reasonable policy conclusion from the viability information presented. In coming to our conclusions, we again note that viability is not the only consideration that the local authority will need to take into account in deciding on its policies and that it will need to consider the priority given to achieving affordable housing delivery to help address the very high level of need for affordable housing in the District.
- 6.26 We consider that the three options are:
- a. Maintain the current policy target of 30% set out in the Replacement Plan of 2007 and the Core Strategy. We believe that this target is deliverable in the mid range sub markets of the District and is therefore appropriate as a District wide figure.
 - b. Introduce a two way split target between generally higher and generally lower value areas. We would suggest a 30% target for Prime North Somerset, Bristol Hinterland Higher, Clevedon, Higher Value Service Centres, Nailsea and M5 Corridor. And a 20% target for the remaining sub market areas – Portishead, Bristol Hinterland Lower, Lower Value Service Centres and WsM.
 - c. Introduce a three way target reflecting much more the specifics of local sub markets. If this approach were adopted in principle we would suggest: a 40% target for Prime North Somerset and Bristol Hinterland Higher; a 30% target for Clevedon, Higher Value Service Centres, Nailsea and M5 Corridor; and 20% for all other locations – Portishead, Bristol Hinterland Lower, Lower Value Service Centres and WsM.
- 6.27 There is a very strong case for having a separate target for Prime North Somerset. Values are so significantly higher there than anywhere else in the District that a separate and (very ambitious) target could be justified. However, the sub market covers relatively few settlements and as such, a bespoke target may not be practical solution.
- 6.28 We have based these targets here on a no grant assumption. If grant is available it should be targeted to the lower value areas and in particular to Weston-super-Mare. This will be particularly important where sites are brown field and where existing use values are high. It needs to be recognised that a 30% target is likely to be ambitious in the lower value sub market areas.
- 6.29 It will be possible for the Council to enhance its affordable housing delivery by increasing the proportion of Intermediate Affordable housing within the affordable element. In particular, the potential under new central government policy to develop Affordable Rented housing will provide a strong impetus to deliver affordable housing viably. The impact will be most important in the lower value sub markets and the analysis (see for example Table 3.5) shows that residual values in the region of £250,000 to £500,000 per hectare can be achieved at a target range of 20% to 30% affordable housing. This will provide substantial returns to both developers and land owners of green field sites.
- 6.30 In terms of the options, a single target provides a simple, arguably more practical approach. But it will have two side effects. It will make the target

challenging in the weaker sub markets; second, it will fail to capture the value in land that is undoubtedly present in the higher value locations of the District – and especially in locations such as Prime North Somerset.

- 6.31 For these reasons, we would encourage the District to adopt a split policy target, reflecting more specifically local market circumstances. The three way target is in our view the optimal approach to ensuring that land supply is brought forward in line with realistic policy stances. However, it is our experience that the bulk of land supply is often concentrated in the weakest market locations and hence local authorities quite justifiably wish to ‘work downwards’ from a more ambitious (local authority) wide target.

Viability on individual sites

- 6.32 Our analysis has indicated that there will be site-specific circumstances where achievement of the affordable housing proportions set out above may not be possible. This should not detract from the robustness of the overall targets but the Council will need to take into account specific site viability concerns when these are justified.
- 6.33 If there is any doubt about viability on a particular site, it will be the responsibility of the developer to make a case that applying the Council’s affordable housing requirement for their scheme makes the scheme **not viable**. Where the Council is satisfied this is the case, the Council has a number of options open to it (including changing the mix of the affordable housing and supporting a bid for grant funding from the Homes and Communities Agency and/or using their own funds) before needing to consider whether a lower level of affordable housing is appropriate. In individual scheme negotiations, the Council will also need to consider the balance between seeking affordable housing and its other planning obligation requirements.

Thresholds

- 6.34 The current policy position is set out in the Council’s Core Strategy Publication Version (January 2011). This states that on-site affordable housing provision will be sought on all sites of 10 or more dwellings (0.3 ha), and for sites of 5–9 dwellings the council will seek to negotiate either on-site provision or an off-site contribution to meet local needs.
- 6.35 In policy terms therefore the Council seeks a 5 unit threshold (0.5 Ha) in the Core Strategy.
- 6.36 Taking into account the level of need for affordable housing in North Somerset and the lack of any systematic evidence to indicate that the viability of smaller sites is a specific problem, we believe there is a strong argument for seeking affordable housing contributions from sites of less than the existing policy threshold of 15 units (0.5 Ha).
- 6.37 We would thus support, on viability grounds, the reduction in the affordable housing threshold set out in the Core Strategy – in principle for all sites, however small.
- 6.38 The evidence base suggests that small sites are no less viable than large ones and provided that commuted sums are calculated in a fair and equivalent way, the only consideration the Council should make when thinking

about on site provision or a commuted sum, is the suitability of the site for affordable housing.

- 6.39 That having been stated, it is clear that the Council will deliver the bulk of its development, according to recent planning permissions granted, on medium to larger sites. This would suggest a less pressing need for threshold reduction given that the Council could ask for affordable housing from larger sites.
- 6.40 The downside of such an approach is that there will be undoubtedly many smaller sites in high value areas which would then 'escape' affordable housing contributions.
- 6.41 The precise threshold should be considered by the Council taking into account this range of factors including, not least, resource implications. In considering what levels to reduce thresholds to, the planning authority would need to consider the additional workload that would arise for the authority in negotiating an increased volume of Section 106 agreements.

Commuted sums

- 6.42 Where **commuted sums** are collected a possible approach to calculating the appropriate sum sought is to base this on the equivalent amount which would be contributed by the developer/landowner were the affordable housing provided on site.
- 6.43 Where commuted sums are collected, the Council will need to have in place a strategy to ensure the money is spent effectively and in a timely manner. Options for spending will be a matter for the Council to consider but could include supporting schemes which would otherwise not be viable, increasing the amount of social rented housing in a scheme, increasing the proportion of family units in a scheme, seeking higher quality affordable housing (e.g. a higher level of the Code for Sustainable Homes).

Major schemes within North Somerset

- 6.44 We have carried out here an analysis of notional and generic sites. The Council will need to assess sites on a scheme by scheme basis where viability issues are not agreed.
- 6.45 With respect to major schemes, we would advise the Council to undertake viability work 'up front', to establish how close delivery might be to the affordable housing target for the sub market.

The current housing market

- 6.46 At the time of preparing this report, the housing market has suffered a downturn as a result of the 'credit crunch'. Our analysis of housing market values is as recent as possible and relates to November 2010.
- 6.47 Our analysis of long term house price trends suggests that the housing market is now marginally below the long term trajectory. This means that our analysis is 'conservative' in nature.
- 6.48 We think it likely however that developers will increasingly run an argument during 2011 that the affordable housing and wider s106 policy is holding back sites. We believe that whilst the Council should be flexible in its negotiations on specific sites, we do not think it should shift its position from the policy

conclusions of this report since these will be more appropriate to the longer term trend in house prices which has been shown to be upwards. In other words, the policy position should be one which reflects the longer run and not simply the impacts of the credit crunch.

- 6.49 Currently it is difficult to see the direction of travel over the longer run. Historically, prices have risen by around 3% per annum above inflation. These sorts of rises, if emulated over the Plan period, should allow the authority to take a very robust view towards affordable housing policy.
- 6.50 Although the Council will have a Viability Toolkit with which to negotiate Section 106 contributions on a site by site basis, we recommend that viability and affordable housing delivery is monitored with a view to potentially revisiting the affordable housing targets in the medium term of the Plan.

Appendix 1

NORTH SOMERSET HOUSING VIABILITY STUDY – WORKSHOP

Workshop Notes

A workshop was held on the afternoon of 1st November 2010 in Weston-super-Mare. Representatives of the development industry, landowners and RSLs were in attendance. A full attendance list is given below.

Attendees

Louise Davidson (English Rural Housing Association)
Jon Hobbs (North Somerset Housing)
Richard Briggs (Persimmon)
Andrew Driscoll (Bloor Homes)
John Parry (Knightstone Housing Association)
Guy Emmerson (Bruton Knowles)
Paul Griffiths (Halsall Construction)
Darren Manley (Halsall Construction)
Jonathan Layzell (Raglan Housing)
Dee Drummond (Mead Group)
Jane Alderman (Somer Housing)
Michael Reep (North Somerset – planning policy)
Graham Quick (North Somerset – planning policy)
Marcus Hewlett (North Somerset – planning policy)
Neil Underhay (North Somerset – development management)
Will Bryant (North Somerset – housing)
Kay Topazio (North Somerset – housing)
Charlotte Brace (North Somerset – housing)
Martin O'Neill (North Somerset – property)

Consultants:

Andrew Golland (Three Dragons)

Three Dragons and North Somerset DC would like to thank all those in attendance for their inputs to the study.

At the workshop Three Dragons gave a presentation summarising the methodology and outlining the process of higher level and detailed testing which would be carried out to determine viability targets.

It was agreed that the Powerpoint presentation (attached) would be made available to all Workshop participants in conjunction with these feedback notes.

Introduction

Three Dragons has been commissioned to carry out an Affordable Housing Viability Appraisal in accordance with the requirements of PPS3 in order to establish a robust evidence base to support emerging policy requirements as set out in the LDF.

The Affordable Housing Viability Study is to be used to justify and demonstrate the viability of the Council's new affordable housing policies. As part of the study, the Council will be provided with a Financial Appraisal Toolkit which can be used to assess the circumstances of individual sites where viability, and therefore the ability to provide the required level of affordable housing, is in question.

Key issues

1 Basis for interpreting viability

There was no objection in principle to the over-riding method for assessing viability proposed by Three Dragons. This measures viability by reference to residual scheme value less the existing or alternative use value of a site.

One issue raised, related to how land acquisition cost would be dealt with. It was explained that land cost would not be considered as a 'fixed' input to the modelling work. The approach is a residual development appraisal, where residual value might be comparable with land value in some instances.

The report by Three Dragons will enable the local authority to set broad policies. Where necessary, individual schemes will be appraised on a scheme specific basis by the local authority using the Financial Appraisal Toolkit, taking account of site conditions and market viability. This is of particular importance in the present volatile market.

It is important that the Affordability Housing Viability Study enables policy to be set for the longer and short term.

2 Overall methodology

Three Dragons explained that the approach to the study will be two stage with the first stage focusing on testing a notional one hectare site, assuming different development mixes and different percentages of affordable housing, with the second stage looking at a range of generic site types, ranging from large green field through to small and large brown field sites.

Participants at the workshops made no particular comments on the approach (see also Powerpoint which explains the approach diagrammatically). Three Dragons stated that this was an approach which has been accepted elsewhere at Core Strategy Examination and is also adopted in Good Practice for local authorities.

Data sources (e.g. HMLR for house prices and BCIS for build costs) were explained to participants. The need for best primary data sources based on a large sample was understood and agreed.

3 Sub markets and market values

A key part of the study will involve the analysis of viability at a sub market level. Sub markets are defined primarily by house prices. The Powerpoint presentation shows

a table draft areas. Participants were invited to submit comments on submarkets by email to the Council.

The feedback identified a number of issues:

Some delegates suggested that certain settlements did not sit well within their suggested sub markets. It was suggested for example that Hutton and Uphill were higher value areas.

It was suggested by one developer that the prices assumed were too high. This may be to do with the possible lack of a new build price premium in the market. Delegates were asked to feed back on the price levels.

Three Dragons stated that the approach adopted, which looks at a range of sub markets, may lead to policy recommendations which indicate split affordable housing targets, reflecting the range of local housing market circumstances across North Somerset.

4 Land values and the land market

A range of 'going rate' land values were offered by developers and RSLs. These ranged from £100,000 to £500,000 per acre (£247,000 to £1.25 million per hectare). The values reflect land with residential planning permission. These values are for clean (uncontaminated land). The difference in the range could be explained by whether the value is quoted net or gross.

Three Dragons suggests taking a mid point here of say £250,000 per acre (net); say £600,000 per hectare as a going rate for land transactions. It is unclear however the extent to which value is affected by the potential level of development contributions, particularly at Weston.

5 Density and development mix

A template of development mixes was demonstrated showing proposed mixes of house types at different densities. This showed (see Powerpoint presentation) a density range of 30 dph, 40 dph, 50 dph, 80 dph, 120 dph and 200 dph.

It was stated that testing at 200 dph was not necessary as few developments in North Somerset would be built of that nature.

6 Thresholds and the viability of smaller sites

Three Dragons questioned the logic of a threshold in relation to viability; location and development mix are more important than site size. It was generally agreed that this is a correct assumption.

It was stated that on some smaller sites, an on-site affordable housing contribution would not be appropriate. Under these circumstances, a commuted sum would be a more suitable solution.

RSLs generally had no objection to managing affordable housing stock on small sites. Schemes with one or two units are manageable.

7 Calculation of commuted sums

Any commuted sum should be the difference between the residual value of a scheme with 100% market housing and one with a mix of market and affordable housing.

8 Development costs

Three Dragons presented the proposed page that will be used for the testing framework. This is included in the Powerpoint presentation. It was explained that the base build costs per square metre will be calculated from the BCIS data source. The other development costs (professional fees, internal overheads, profit margins, etc) are however those which Three Dragons intend to use for base viability testing.

It was stated that Three Dragons will test the analysis at a 17% return rate on gross development value for the market element of a scheme and at 6% for the affordable element of a scheme.

It was stated that some sites would have abnormal costs such as development taking place on the Somerset levels.

9 Affordable housing issues

It was agreed that Three Dragons would test 20%; 25%; 30%; 35%; 40%; 45% and 50% affordable housing.

The test of current policy should be applied; i.e. 82% Social Rent and 18% Intermediate Affordable housing, where Shared Ownership constitutes Intermediate. In turn, Shared Ownership should be modelled assuming 40% and at 1% rent on the unsold equity (again in line with policy).

It was agreed that the baseline testing would assume no grant.

There was considerable discussion on how to model affordable housing revenue. The transfer prices set out in the Council's SPD were discussed. It was suggested that these might be a bit low for current market conditions.

The uncertainty over the future of the Social Rented product was discussed. The main issue is that although moving towards an Affordable Rented product will make development more viable in theory, it will also be less affordable. Combined with the issue of Housing Benefit reductions, this is an uncertain field.

It was agreed that RSLs will feed back on the revenue levels expected for affordable housing. This should be a best estimate (if possible) for the longer/ Plan period.

10 Other Section 106 costs

A discussion took place on the appropriate amount to assume (per unit) for Section 106 costs over and above affordable housing. It was noted that Section 106 costs for some larger schemes will be high in relation to historic levels. It was agreed that baseline testing will be carried out at £10,000 per unit and that further tests will be carried out at £20,000 and £42,000 per unit.

Comments back please to

Andrew Golland draig@btopenworld.com

Appendix 2 Three Dragons model: Method statement

The Toolkit provides the user with an assessment of the economics of residential development. It allows the user to test the economic implications of different types and amounts of planning obligation and, in particular, the amount and mix of affordable housing. It uses a residual development appraisal approach which is the industry accepted approach in valuation practice.

The Toolkit compares the potential revenue from a site with the potential costs of development before a payment for land is made. In estimating the potential revenue, the income from selling dwellings in the market and the income from producing specific forms of affordable housing are considered. The estimates involve (1) assumptions about how the development process and the subsidy system operate and (2) assumptions about the values for specific inputs such as house prices and building costs. These assumptions are made explicit in the guidance notes. If the user has reason to believe that reality in specific cases differs from the assumptions used, the user may either take account of this in interpreting the results or may use different assumptions.

The main output of the Toolkit is the residual value. In practice, as shown in the diagram below, there is a 'gross' residual value and a 'net' residual value. The gross residual value is that value that a scheme generates before Section 106 is required. Once Section 106 contributions have been taken into account, the scheme then has a net residual value, which is effectively the land owner's interest.

Key data assumptions

Market areas and prices:

Sub Markets	Detached			Semi-Det			Terraced			Flat/Mais				Bungalows	
	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	4 Bed	3 Bed	2 Bed	3 Bed	2 Bed	1 Bed	Studio Flats	3 Bed	2 Bed
Prime North Somerset	£1,065,000	£930,000	£745,000	£705,000	£605,000	£570,000	£695,000	£575,000	£480,000	£490,000	£425,000	£300,000	£210,000	£725,000	£690,000
Bristol Hinterland Higher	£490,000	£430,000	£345,000	£320,000	£270,000	£255,000	£320,000	£265,000	£220,000	£225,000	£200,000	£140,000	£100,000	£325,000	£310,000
Clevedon	£400,000	£345,000	£280,000	£265,000	£225,000	£215,000	£260,000	£215,000	£180,000	£185,000	£160,000	£115,000	£85,000	£270,000	£255,000
Higher Value Service Centres	£385,000	£335,000	£265,000	£250,000	£210,000	£200,000	£250,000	£210,000	£175,000	£175,000	£155,000	£110,000	£75,000	£255,000	£220,000
M5 Corridor	£375,000	£325,000	£260,000	£245,000	£210,000	£200,000	£245,000	£205,000	£165,000	£170,000	£170,000	£110,000	£80,000	£250,000	£240,000
Nailsea	£370,000	£320,000	£255,000	£240,000	£205,000	£195,000	£240,000	£200,000	£165,000	£165,000	£150,000	£105,000	£75,000	£250,000	£235,000
Bristol Hinterland Lower	£355,000	£310,000	£250,000	£235,000	£200,000	£190,000	£230,000	£195,000	£160,000	£165,000	£145,000	£100,000	£75,000	£245,000	£230,000
Portishead	£350,000	£305,000	£245,000	£230,000	£195,000	£185,000	£225,000	£190,000	£155,000	£160,000	£140,000	£95,000	£70,000	£240,000	£225,000
Lower Value Service Centres	£320,000	£280,000	£220,000	£210,000	£180,000	£170,000	£210,000	£170,000	£145,000	£150,000	£130,000	£90,000	£65,000	£210,000	£200,000
Weston-super-Mare	£310,000	£265,000	£215,000	£205,000	£170,000	£165,000	£200,000	£165,000	£140,000	£145,000	£125,000	£85,000	£65,000	£210,000	£200,000

Development mixes and densities:

	Density (Dwellings per Hectare)				
	30	40	50	80	120
1 Bed Flat				15	40
2 Bed Flat		5	10	30	60
2 Bed Terrace	10	15	20	35	
3 Bed Terrace	15	20	25	20	
3 Bed Semi	25	25	25		
3 Bed Detached	25	20	15		
4 Bed Detached	15	15	5		
5 Bed Detached	10				
Percentage	100	100	100	100	100

Affordable housing targets:

The following affordable housing targets were tested

15%; 20%; 25%; 30%; 35% and 40% based on 82% Social Rent and 18% Intermediate split. The Intermediate Housing was assumed to be New Build HomeBuy.

Unit sizes:

	Affordable	Market
1 Bed Flat	46	45
2 Bed Flat	67	60
2 Bed Terrace	76	65
3 Bed Terrace	84	80
3 Bed Semi	86	90
3 Bed Detached	90	110
4 Bed Detached	110	135
5 Bed Detached	125	150

Appendix 3 Results – Residual values – no grant scenarios (£s million per hectare)

30 DPH						
	15%	20%	25%	30%	35%	40%
Prime North Somerset	£10.07	£9.49	£8.89	£8.23	£7.64	£7.04
Bristol Hinterland Higher	£2.78	£2.56	£2.34	£2.09	£1.88	£1.65
Clevedon	£1.64	£1.48	£1.31	£1.13	£0.98	£0.81
Higher Value Service Centres	£1.43	£1.28	£1.11	£0.95	£0.80	£0.65
Nailsea	£1.41	£1.27	£1.11	£0.94	£0.79	£0.63
Portishead	£1.01	£0.89	£0.75	£0.61	£0.48	£0.34
Lower Value Service Centres	£0.63	£0.52	£0.40	£0.28	£0.07	£0.06
Weston-super-Mare	£0.47	£0.37	£0.26	£0.15	£0.05	-£0.05
40 DPH						
	15%	20%	25%	30%	35%	40%
Prime North Somerset	£12.01	£11.30	£10.58	£9.85	£9.13	£8.41
Bristol Hinterland Higher	£3.25	£2.99	£2.72	£2.44	£2.16	£1.90
Clevedon	£1.87	£1.69	£1.49	£1.28	£1.08	£0.88
Higher Value Service Centres	£1.62	£1.44	£1.26	£1.06	£0.87	£0.69
Nailsea	£1.39	£1.23	£1.05	£0.87	£0.69	£0.52
Portishead	£1.12	£0.97	£0.81	£0.64	£0.48	£0.32
Lower Value Service Centres	£0.66	£0.53	£0.40	£0.25	£0.19	£0.06
Weston-super-Mare	£0.47	£0.35	£0.22	£0.16	-£0.04	-£0.17
50 DPH						
	15%	20%	25%	30%	35%	40%
Prime North Somerset	£13.64	£12.81	£11.98	£11.14	£10.31	£9.48
Bristol Hinterland Higher	£3.64	£3.32	£3.00	£2.68	£2.37	£2.04
Clevedon	£2.08	£1.85	£1.61	£1.37	£1.13	£0.89
Higher Value Service Centres	£1.79	£1.57	£1.35	£1.13	£0.90	£0.68
Nailsea	£1.53	£1.32	£1.11	£0.90	£0.69	£0.48
Portishead	£1.21	£1.02	£0.83	£0.63	£0.44	£0.25
Lower Value Service Centres	£0.69	£0.52	£0.36	£0.19	£0.20	-£0.12
Weston-super-Mare	£0.48	£0.32	£0.17	£0.00	-£0.14	-£0.30
80 DPH						
	15%	20%	25%	30%	35%	40%
Prime North Somerset	£16.20	£15.16	£14.11	£13.06	£12.02	£10.97
Bristol Hinterland Higher	£4.00	£3.58	£3.16	£2.74	£2.32	£1.90
Clevedon	£2.01	£1.70	£1.38	£1.06	£0.75	£0.43
Higher Value Service Centres	£1.76	£1.46	£1.16	£0.85	£0.55	£0.24
Nailsea	£1.38	£1.09	£0.81	£0.52	£0.24	-£0.05
Portishead	£0.88	£0.62	£0.36	£0.10	-£0.16	-£0.41
Lower Value Service Centres	£0.32	£0.09	-£0.14	-£0.50	-£0.60	-£0.83
Weston-super-Mare	£0.07	-£0.09	-£0.45	-£0.58	-£0.80	-£1.02
120 DPH						
	15%	20%	25%	30%	35%	40%
Prime North Somerset	£18.36	£17.06	£15.77	£14.48	£13.18	£11.89
Bristol Hinterland Higher	£3.46	£2.93	£2.40	£1.87	£1.35	£0.82
Clevedon	£0.92	£0.52	£0.12	-£0.28	£0.68	-£1.07
Higher Value Service Centres	£0.54	£0.16	-£0.11	-£0.59	-£0.97	-£1.35
Nailsea	£0.17	-£0.19	-£0.55	-£0.91	-£1.27	-£1.63
Portishead	-£0.43	-£0.90	-£1.22	-£1.55	-£1.86	-£2.19
Lower Value Service Centres	-£1.18	-£1.47	-£1.76	-£2.05	-£2.34	-£2.63
Weston-super-Mare	-£1.55	-£1.82	-£2.09	-£2.37	-£2.64	-£2.91

Appendix 4

Worked example; one hectare site at 40 dph at 15% affordable housing in Weston-super-Mare

1 - SITE IDENTIFICATION

Site Details

Site Address

Site Reference

Application Number

Scheme Description

I have read, and accepted, the terms and conditions set out in the [license agreement](#)

3 - BASIC SITE INFORMATION

Site Area

Total Size of Site In Hectares (You must enter a value in here)

Density / Number of Dwellings

Enter a number of dwellings (You must enter a value in here)

Percentage Increase/Decrease in Density:
You may test the effect of a percentage increase/decrease in the site density by using the cell below

%

Resulting Number of Dwellings	<input type="text" value="40"/>	<input type="checkbox"/> Tick if this a rural development
Resulting Density	<input type="text" value="40"/> dph	

4 - CHARACTERISTICS OF DEVELOPMENT

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

You then have 2 options for entering information about the scheme

EITHER, enter information for up to 20 dwelling types – each row must be either fully complete or left blank (enter 1 if information not relevant e.g. size of affordable unit but is a market unit)

OR select the Toolkit default mix by depressing the button called Use Default Unit Types

Clear Table Use Default Unit Types View Default Mix ->

Ref.	Description of Dwelling	No of Bed-Rooms	Dwelling Type	No of Units	Size in sq.m Affordable	Size in sq.m Market	Parking (flats only)	No. of Storeys (1-99)
1	2 Bed Flats	2	Flat	2.0	67	60	n/a	2
2	2 Bed Terraces	2	House	6.0	76	65	n/a	n/a
3	3 Bed Terraces	3	House	8.0	84	80	n/a	n/a
4	3 Bed Semis	3	House	10.0	86	90	n/a	n/a
5	3 Bed Detached	3	House	8.0	90	110	n/a	n/a
6	4 Bed Detached	4	House	6.0	110	135	n/a	n/a
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total Number of units				40				

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5 - MARKET VALUES

This is a custom scheme, default values are not available.

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear Table

You can enter your own values for each dwelling type or select the Toolkit default market values by depressing the button called Default Market Values

View Default Values ->

You can adjust the market values by using the % increase/decrease arrows

100 %

Reset

Depress the Reset button to return to base market value

Ref.	Unit Type	No of Bed-Rooms	Market Value	Adjusted Market Value
1	2 Bed Flats	2	£125,000	£125,000
2	2 Bed Terraces	2	£140,000	£140,000
3	3 Bed Terraces	3	£165,000	£165,000
4	3 Bed Semis	3	£170,000	£170,000
5	3 Bed Detached	3	£215,000	£215,000
6	4 Bed Detached	4	£265,000	£265,000
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

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6 - TENURE MIX

If you are using a default mix then you can distribute units across the tenures by percentage; enter the percentage of units to assign to each tenure in the top row. The percentages are applied equally across all unit types
 If you are not using a default mix then you may either enter units by percentage or by the exact number of units of each type for each tenure; in the table enter the exact number of units of each type for each tenure in the table
 Whichever method is selected, ensure that relevant information is entered in the boxes at the bottom of the table.

Input by Percentages Input by Quantity

[Clear Table](#)

Ref.	Description	SALE	AFFORDABLE				Required No. of Units
			Social rent	New Build HomeBuy	Intermediate rent	Discount Market	
		85%	12%	3%			
1	2 Bed Flats	1.7	0.2	0.1			2.0
2	2 Bed Terraces	5.1	0.7	0.2			6.0
3	3 Bed Terraces	6.8	1.0	0.2			8.0
4	3 Bed Semis	8.5	1.2	0.3			10.0
5	3 Bed Detached	6.8	1.0	0.2			8.0
6	4 Bed Detached	5.1	0.7	0.2			6.0
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
Total		34.0	4.9	1.1			40.0

New Build HomeBuy	Percentage Purchased	40%
	Rental limit on unbought share	100%
Percentage purchased by purchaser for Discount Market		
Local Sale	Average Income	
	Income Multiplier	

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8 - SOCIAL AND INTERMEDIATE RENT

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

[Clear Tables](#)

This is a custom scheme, default rents are not applicable. Please enter your own values into the white cells

[View Default Rents ->](#)

Ref.	Description	Social Rent Values (per week)			Intermediate Rent Values (per week)			
		No. of units	Default Rents	User Rents	No. of units	Market Rent	Adjust 75%	User Rents
1	2 Bed Flats	0.25	£ -	£ -		£ -	£ -	
2	2 Bed Terraces	0.74	£ -	£ -		£ -	£ -	
3	3 Bed Terraces	0.98	£ -	£ -		£ -	£ -	
4	3 Bed Semis	1.23	£ -	£ -		£ -	£ -	
5	3 Bed Detached	0.98	£ -	£ -		£ -	£ -	
6	4 Bed Detached	0.74	£ -	£ -		£ -	£ -	
7			£ -			£ -	£ -	
8			£ -			£ -	£ -	
9			£ -			£ -	£ -	
10			£ -			£ -	£ -	
11			£ -			£ -	£ -	
12			£ -			£ -	£ -	
13			£ -			£ -	£ -	
14			£ -			£ -	£ -	
15			£ -			£ -	£ -	
16			£ -			£ -	£ -	
17			£ -			£ -	£ -	
18			£ -			£ -	£ -	
19			£ -			£ -	£ -	
20			£ -			£ -	£ -	

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9 - AFFORDABLE HOUSING COSTS AND CAPITALISATION FACTORS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear Table

You can enter your own values in the white cells below
Where cells are left blank, the Toolkit value for that row will be used

Social Rent		ToolKit Values	User Values	
Costs per annum	Management & Maintenance	£ 1,000	£ 0	per annum
	Voids/bad debts	3.00%	0.00%	of gross rent
	Repairs reserve	£ 500	£ 0	per annum
Capitalisation		6.00%	100.00%	of net rent

New Build HomeBuy		ToolKit Values	User Values	
Costs per annum	Rental Factor	2.75%	1.00%	of share
Capitalisation		6.00%	6.75%	of net rent

Intermediate Rent		ToolKit Values	User Values	
Costs per annum	Management costs	6.00%		of gross rent
	Maintenance Costs	£ 500		per dwelling
	Voids/bad debts	5.00%		of gross rent
	Repairs Reserve	1.00%		of gross rent
Capitalisation		6.00%		of net rent

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10 - DEVELOPMENT COSTS

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

Build Costs per sq m

You can enter your own values in the white cells below.
Where cells are left blank, the Toolkit value for that row will be used

	Toolkit Values	User Values
Bungalows	£1,049	
Flats (6+ storeys)	£1,545	
Flats (5 & less storeys)	£1,115	£1,255
Houses <= 75m2	£999	£990
Houses > 75m2	£901	£975

Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items.
Where cells are left blank, the Toolkit value for that row will be used.

	Toolkit Values	User Values	
Professional Fees %	12.00%		of build costs
Internal Overheads	5.00%		of build costs (Market and Discount Market units)
Interest Rate (Market)	7.00%		of build Costs (Market, Discount Market and Low Cost Sale units)
Interest Rate (Affordable Housing)	7.00%		of build costs (SR, HB, IR units)
Marketing Fees	3.00%		of market value (Market and Discount Market units)
Developers Return	15.00%	17.00%	of market value (Market and Discount Market units)
Contractors Return	6.00%		of development costs (SR, HB, IR and LCS units)
Land financing costs	£ -		Please see the Guidance Notes for use of this value

Exceptional Development Costs

You may enter SCHEME totals for exceptional costs. The first row is for Sustainable Homes costs. The other three rows are for user defined costs. You can enter the name of the cost in the left hand cells and SCHEME value in the right hand cell.

Sustainable Homes Standard	
Market Housing	Affordable Housing
None	None

Costs incurred for Sustainable Homes Levels None and None	£	-
<Enter Costs Description>	£	-
<Enter Costs Description>	£	-
<Enter Costs Description>	£	-

Scheme Total	
per dwelling	
per hectare	

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11 - PLANNING OBLIGATIONS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit					Calculated Total (Affordable and Sale)	
	Enter Total?	User Total	Sale	Affordable					
				Social rent	New Build HomeBuy	Intermediate rent	Discount Market		Local Sale
Education Contribution	<input type="checkbox"/>								
Highway Works	<input type="checkbox"/>								
Contribution to public transport	<input type="checkbox"/>								
Contribution to community facilities	<input type="checkbox"/>								
Provision for open space	<input type="checkbox"/>								
Contribution to public realm	<input type="checkbox"/>								
Contribution to public art	<input type="checkbox"/>								
Environmental improvements	<input type="checkbox"/>								
Town centre improvements	<input type="checkbox"/>								
Waterfront Improvements	<input type="checkbox"/>								
Support for employment development	<input type="checkbox"/>								
Employment related training	<input type="checkbox"/>								
<Enter Planning Obligation Description here>	<input type="checkbox"/>								
<Enter Planning Obligation Description here>	<input type="checkbox"/>								
<Enter Planning Obligation Description here>	<input type="checkbox"/>								

Obligations package per unit

Contribution from Commercial

Total for Scheme	£400,000
Total for Scheme per hectare	£400,000
Total for Scheme divided by total number of units	£10,000
Total for Scheme divided by number of sale units	£11,765

12 - CAPITAL CONTRIBUTIONS FROM OTHER SOURCES

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total contribution for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit					Calculated Total (Affordable and Sale)	
	Enter Total?	User Total	Sale	Affordable					
				Social rent	New Build HomeBuy	Intermediate rent	Discount Market		Local Sale
European Union funding	<input type="checkbox"/>								£0
English Partnership funding	<input type="checkbox"/>								£0
Local Authority capital grant	<input type="checkbox"/>								£0
Other regeneration funding	<input type="checkbox"/>								£0
English Heritage grant	<input type="checkbox"/>								£0
Lottery grant	<input type="checkbox"/>								£0
Contribution from Payment in Lieu fund	<input type="checkbox"/>								£0
Employer contribution	<input type="checkbox"/>								£0
Fixed payment per unit for Social Rent	<input type="checkbox"/>			£70,000					£344,400
<Enter Capital Contribution Description here>	<input type="checkbox"/>								£0
<Enter Capital Contribution Description here>	<input type="checkbox"/>								£0

Total for Scheme	£344,400
Total for Scheme per hectare	£344,400
Total for Scheme divided by total number of units	£8,610
Total for Scheme divided by number of sale units	£10,129

13 - SCHEME REVENUE FROM AFFORDABLE HOUSING

Please choose the method by which the payment is made by the affordable housing provider to the developer

- Payment by affordable housing provider to developer is calculated by the Toolkit
- Payment by affordable housing provider to developer is fixed and is a known amount

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16 - HOUSING CORPORATION GRANT AVAILABILITY

- No - Grant is not available
- Yes - Grant is available and is a known value

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17 - ONCOSTS FOR AFFORDABLE HOUSING

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If applicable, the user can provide information about oncosts. You have one of 3 options: i) use the Toolkit default percentages ii) enter your own % iii) enter your own oncost value (in £s) per unit. If there are no oncosts clear the tick box called 'Apply Oncosts'.

Apply Oncosts

Oncosts are based on a percentage of development costs (not including returns to the developer)

	Affordable Housing Tenures			Total
	Social rent	New Build HomeBuy	Intermediate rent	No. Of Affordable Units
Number of units	4.9	1.1		6
i) Default oncosts rate (%)	6%	6%	6%	
ii) User oncosts (%)				
iii) User oncosts By Unit (£)				
Oncosts per Unit	£ 6,162	£ 6,162	£ -	
Total oncosts for Affordable Housing	£ 30,316	£ 6,655	£ -	
Total Oncosts for Affordable Housing	£ 36,971			

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20 - Scheme Results

Site Reference Details		Site Details	
Site Reference Number		Site	illustrative scheme - 40 dph; Weston-super-Mare
Application Number	15% Affordable Housing	Address	
Site Location	Hertsmere	Site Details	
Scheme Description			

TOTAL NUMBER OF UNITS		DENSITY (per hectare)		AFFORDABLE UNITS		
Dwellings	40	Dwellings	40.0		Quantity	% of All Units
% Wheelchair Units				Total	6.0	15%
				Social rent	4.9	12%
				Intermediate	1.1	3%

REVENUE AND COSTS		RESIDUAL VALUE	
Total scheme revenue	£ 6,712,000	Whole scheme	£ 515,000
Total scheme costs	£ 6,197,000	Per hectare	£ 515,000
		Per dwelling	£ 13,000
		Per market dwelling	£ 15,000

CONTRIBUTION TO REVENUE FROM:		PUBLIC SUBSIDY (GRANT)	
Market housing	£ 6,307,000	Whole Scheme	£ -
Affordable Housing	£ 61,000	Per Social Rental dwelling	£ -
- Social rent	£ 30,000	Per New Build HomeBuy dwelling	£ -
- New Build HomeBuy	£ 91,000	Per Intermediate Rent dwelling	£ -
- Intermediate Rent	£ -		
- Discount Market	£ -		
- Local Sale	£ -		
Capital Contribution	£ 344,000		
Commercial Elements	£ -		

CONTRIBUTION TO COSTS FROM:		Alternative Site Values		Against residual
Market housing	£ 5,146,000	Existing Use Value	£ -	£ -
Affordable Housing	£ 651,000	Acquisition Cost	£ -	£ -
- Social rent	£ 534,000	Alternative Use Value 1	£ -	£ -
- New Build HomeBuy	£ 117,000	Alternative Use Value 2	£ -	£ -
- Intermediate Rent	£ -	Alternative Use Value 3	£ -	£ -
- Discount Market	£ -			
- Local Sale	£ -			
Land Finance	£ -			
Planning Obligations	£ 400,000			
Total Exceptional Costs	£ -			
Commercial Elements	£ -			

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[Cost Components](#)

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