EX21

Rushcliffe Borough Council
Viability Update Study

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1 Introduction: aims and background

Review of project aims

1.1 Rushcliffe Borough Council appointed Three Dragons to undertake an affordable housing viability study (AHVS) in 2009. The study brief explained that the AHVS would be used by the Council to inform the development of Core Strategy housing policies and other Local Development Documents under preparation.

1.2 There have been a number of changes since the publication of the Viability report. The National Planning Policy Framework has been introduced. This does not necessarily give a different focus to viability, but alongside this has come some impetus from central government to local authorities to be flexible when negotiating Section 106 matters.

1.3 The national housing market has seen, since 2009, a general decline, but in isolated instances, prices have moved ahead. Rushcliffe has proven relatively 'recession proof' as the analysis below suggests.

1.4 The brief for this study was to:

- Refresh the Affordable Housing Viability Study 2009;
- Updating of all inputs/base assumptions including build/ land values/developer margin etc to inform residual value calculations;
- Re-run the baseline scenarios taking account of the introduction of affordable rent but also considering the effect of potentially requiring a combination of affordable rent and social rent alongside other intermediate housing;
- Comment on the likely implications for CIL (The Community Infrastructure Levy) of viability considerations.

1.5 In achieving these objectives, it is very important to establish an approach that is simple, clear and can be explained to a planning Inspector at examination in such a way that the varying policy and site specific viability tests can be shown to have been met.

2 Review of the policy position

Overview

2.1 Since the AHVS (2009) a number of policy changes have taken place nationally. In conjunction, at the local level, the Council have developed their Core Strategy.

The changes nationally can be summarised:

- Replacement of PPS3 Housing with the National Planning Policy Framework;
- Development of policy around the Community Infrastructure Levy
- Greater emphasis on intermediate affordable housing, rather than Social Rent.
- The introduction of affordable rent

2.2 In conjunction, guidance has been produced, most notably the RICS Planning and Viability report and the Harman guidance on viability generally.

National policy

2.3 There is little systematic analysis of the change in policy thrust between PPS3 and the NPPF. There are however subtle important differences between the two policy documents in terms of viability and there could be argued to be a shift in favour of the development industry and land owners at the expense of council policy.

2.4 Whereas the emphasis in PPS3 (Companion Guide) was on:

"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."

The NPPF is much more focused on ensuring that developers and land owners achieve 'competitive' returns (Para 173 and 174).

2.5 Paragraph 173 of the NPPF states that 'Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable'.

2.6 The NPPF states further that (paragraph 174), Local planning authorities should set out their policy on local standards in their Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle.

2.7 Thus, it might be argued that to some extent policy is now more developer-friendly than was the case under the previous political situation.

2.8 This conclusion can be supported by looking at the range of policy exhortations to local authorities to be prepared to re-negotiate Section 106 agreements where development have stalled. A DCLG paper has just been released along similar lines.........................

https://www.gov.uk/government/publications/section-106-affordable-housing-requirements-review-and-appeal

2.9 The national housing strategy 'Laying the Foundations: A Housing Strategy for England (2011)' seeks to achieve a thriving, active but stable housing market that offers choice, flexibility and affordable housing critical to economic and social wellbeing. It builds upon the Government's reforms of how to supply and fund affordable housing. Specifically, the new Affordable Rent product gives social landlords the flexibility to charge rents of up to 80 per cent of local market levels, on both new properties and a proportion of re-lets, as part of an agreement to build new homes. The Strategy seeks to increase housing supply and achieve stable growth.

National debate on viability

2.10 There has been increased debate on viability.

2.11 The Royal Institution of Chartered Surveyors (RICS) issued guidance on Planning and Viability. This puts forward the idea of 'market value' as a benchmark for assessing viability. Although this 'market value' has to take into account policy, it is very unclear as to how in practice, using this guidance moves us forward in terms of either policy setting or site specific negotiations.

2.12 Most problematic is the fact that the RICS chose totally to ignore case law precedent when drawing up their guidance. Most of the case law is based on an 'EUV Plus' approach where viability is assessed by reference to Existing Use Value, plus a competitive land owner return. This approach is specifically rejected by the RICS.

2.13 Further then is the Harman Report which provides advice on policy development and viability assessment. This is in many ways not that helpful, as approaches are multi-faceted and lacking in a definition of viability. It does however provide a useful broader context setting viability into the wider debate about land supply. It also stresses the need to focus on existing use value as a viability benchmark.

Local policy development in Rushcliffe Borough

2.14 The AHVS of 2009 provided two main options, reflecting differences in house prices at a sub market level. It suggested:

- A target of 45% for West Bridgford and 'Rural' with a target of 30% elsewhere, except for Cotgrave and Bingham where a 10% target is used (and accepting that public subsidy may be required to meet these percentages, especially in Cotgrave and Bingham);

- A more refined set of targets which provide individual percentage for each market value area:

West Bridgford	40%
'Rural'	40%
Radcliffe	35%

Ruddington	30%
'Leake'	25%
Bingham	20%
Cotgrave	10%

2.15 The AHVS showed that the Council could justifiably reduce its threshold to one dwelling but that in doing so, there could be significant resource implications.

2.16 The Council's Preferred Option for Affordable Housing policy set out in the Core Strategy (March 2012) its 'Approach to Affordable Housing':

'New residential developments should provide for a proportion of affordable housing;

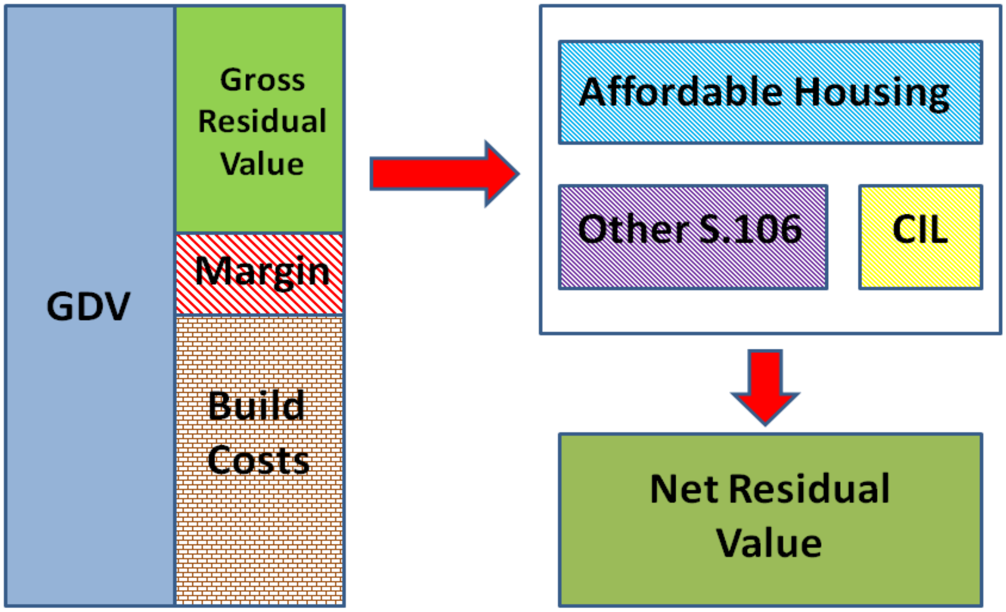
Affordable housing will be sought on qualifying sites at a level of 30% of total dwellings except where evidence from viability assessments clearly identifies that a lower proportion is justifiable. The mix and qualifying thresholds for affordable housing will be set out in a separate Development Plan Document'.

3 Approach to viability assessment

Overview

3.1 It is important to understand how viability is assessed in the planning and development process. The assessment of viability is usually referred to a residual development appraisal approach. Our understanding is illustrated in the diagram below. This shows that the starting point for negotiations is the gross residual site value which is the difference between the scheme revenue and scheme costs, including a reasonable allowance for developer return.

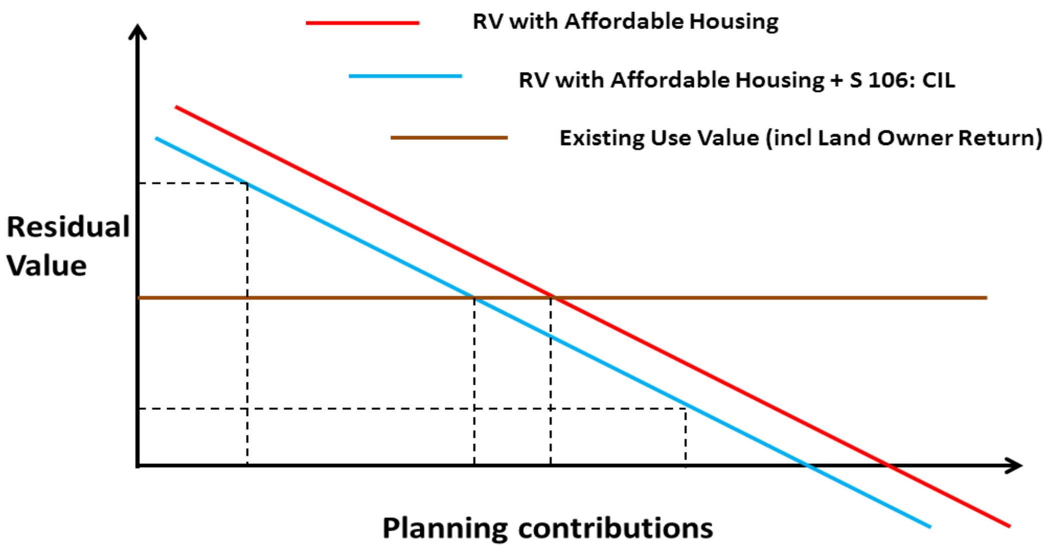
3.2 Once Section 106 contributions (including affordable housing and other obligations; CIL (Community Infrastructure Levy – if in place) have been deducted from the gross residual value, a 'net' residual value results. The question is then whether this net residual value is sufficient in terms of development value relative to the value of the site in its current use.



3.3 The diagram below shows how this operates in theory. Residual value (RV) falls as the scale of planning obligations increase. The diagram below shows this for both affordable housing (alone) and affordable housing and other planning obligations; the latter making the greater impact on viability.

3.4 The Existing Use Value (EUV) is shown as the brown line. This is independent of the scheme and will apply whatever development scheme is promoted.

3.5 The key viability question is whether the scheme (blue and red lines) generates a surplus over and above the EUV.



3.6 If the scheme does not (i.e. the red and blue lines are below the brown one) then a scheme may be considered unviable.

3.7 If the scheme (red and blue lines) generates a RV above the brown line then there is a greater chance that the site will come forward for development.

3.8 There will be several ways in which the scheme can generate a surplus over EUV. Clearly a lower planning obligation bundle will increase RV. However, changing the development mix and/or tenure could increase viability.

3.9 Market change will also have an important impact on viability and the key financial relationship between RV and EUV. Over RV and EUV will change over time. In some instances schemes will become more viable as a result of the RV changing; in other, a change in the EUV may make scheme more viable.

Cases and precedent supporting the approach outlined above:

3.10 In 2009, the Homes and Communities Agency published a good practice guidance manual 'Investment and Planning Obligations: Responding to the Downturn'. This defines viability as follows: "a viable development will support a residual land value at level sufficiently above the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner".

3.11 A number of planning appeal decisions provide guidance on the extent to which the residual land value should exceed existing use value to be considered viable:

Barnet & Chase Farm: APP/Q5300/A/07/2043798/NWF

3.12 Here it is stated that: 'the appropriate test is that the value generated by the scheme should exceed the value of the site in its current use. The logic is that, if the converse were the case, then sites would not come forward for development'.

Bath Road, Bristol: APP/P0119/A/08/2069226

3.13 The key quotation from this case is that: 'the difference between the RLV and the existing site value provides a basis for ascertaining the viability of contributing towards affordable housing'.

Beckenham: APP/G5180/A/08/2084559

3.14 The statement on the definition of viability is here less clear cut, although the approach to defining viability is nevertheless implicit in the statement: 'without an affordable housing contribution, the scheme will only yield less than 12% above the existing use value, 8% below the generally accepted margin necessary to induce such development to proceed'.

Oxford Street, Woodstock: APP/D3125/A/09/2104658.

3.15 This case, consistent with the previous one outlined here, focuses on the margin required for a land owner to achieve over and above the Existing Use Value in order to achieve to a change of use of the land:

3.16 'The main parties' valuations of the current existing value of the land are not dissimilar but the Appellant has sought to add a 10% premium. Though the site is owned by the Appellants it must be assumed, for valuation purposes, that the land is being acquired now. It is unreasonable to assume that an existing owner and user of the land would not require a premium over the actual value of the land to offset inconvenience and assist with relocation. The Appellants addition of the 10% premium is not unreasonable in these circumstances.'

3.17 The approach has been very much bolstered in the report by Mr Keith Holland, the Examiner appointed by the Mayor of London to evaluate the London Community Infrastructure Levy. The planning Inspector stated in response to an alternative (and 'market value') approach being promoted by the Royal Institution of Chartered Surveyors.

3.18 'The market value approach is not formalised as RICS policy and I understand that there is considerable debate within the RICS about this matter. The EUV plus a margin approach was used not only by the GLA team but also by several chartered surveyors in viability evidence presented to the examination. Furthermore the guidance at paragraph 22 refers to a number of valuation models and methodologies and states that there is no requirement for a charging authority to use one of these models. Accordingly I don't believe that the EUV approach can be accurately described as fundamentally flawed or that this examination should be adjourned to allow work based on the market approach to be done'.

3.19 There are a number of cases where the (RV versus EUV) approach set out above has been followed, along with guidance on reasonable land owner premiums.

4 High Level Testing: Update

Introduction

4.1 This chapter of the report 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 sub markets that have been identified. The approach is an update of the 2009 analysis.

Market value areas

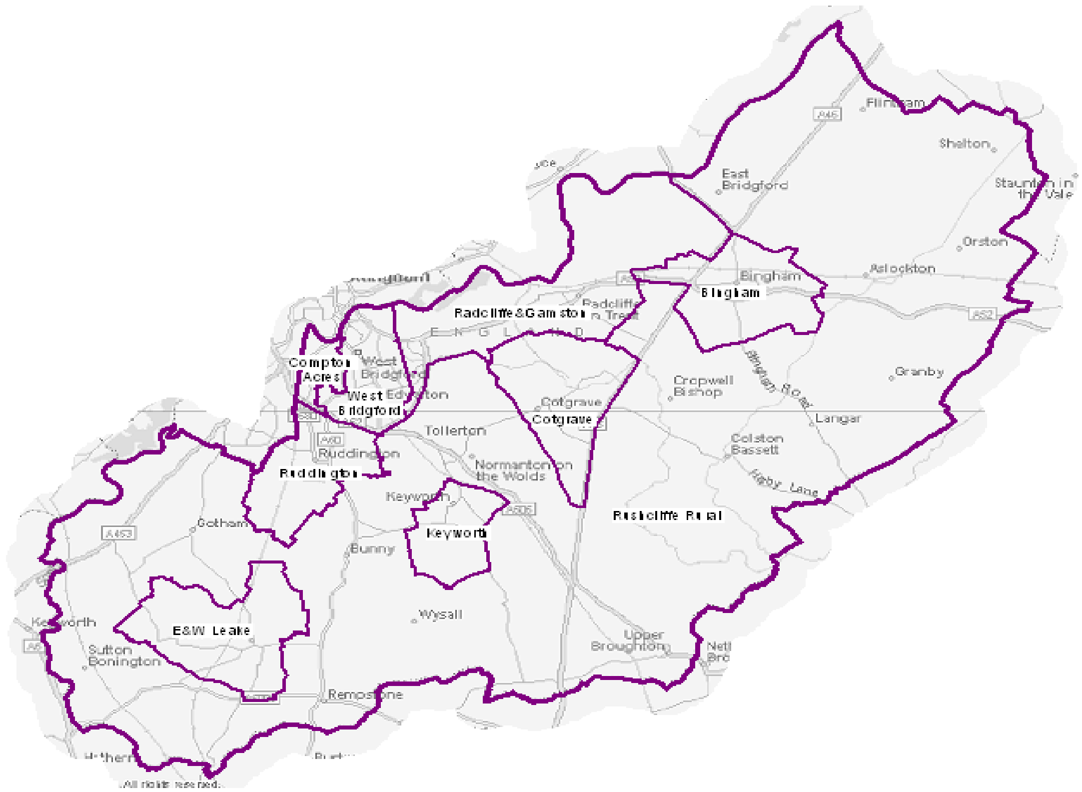
4.2 Variations in house prices have a significant impact on development economics and the impact of affordable housing on scheme viability.

4.3 In 2009 we undertook an analysis of house prices and sub markets in the Rushcliffe Borough using HM Land Registry data. As previously, the table below (Table 3.1) sets out the sub markets developed for the study.

Table 3.1 Viability sub markets in the Rushcliffe BC area

RUSHCLIFFE
NEW BUILD INDICATIVE
1) West Bridgford
2) Rushcliffe Rural East and West
3) Radcliffe
Gamston
4) Ruddington
Compton Acres
5) E&W Leake
Keyworth
6) Bingham
7) Cotgrave

Source: Market value areas as agreed between AGA and Rushcliffe BC



House price change since 2009

4.4 The analysis in the baseline AHVS (2009), reflected house prices as at December 2008. To bring these prices up to date, I have referred to HM Land Registry data. The latest prices reflect sales as at June 2013. I have taken Nottinghamshire as a wide 'marker' as this will reflect a high number of transactions. Prices across the County fell by 5% over the period.

4.5 In the context of the wider housing market, and against the backdrop of a depressed economy, these price falls may be relatively insignificant. They may reflect a number of factors although probably one of the more important is the buoyancy of the local housing market which is based on accessibility and relative attraction.

4.6 The updated prices are shown in the table below (Table 3.2):

Table 3.2 Indicative new build selling prices in Rushcliffe Borough

	Detached			Semis			Terraces			Flats				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	3 Bed	2 Bed
1) West Bridgford	£428,000	£375,000	£318,000	£272,000	£244,000	£220,000	£261,000	£240,000	£209,000	£230,000	£199,000	£140,000	£99,000	£293,000	£266,600
2) Rushcliffe Rural	£390,000	£339,000	£289,000	£243,000	£221,000	£198,000	£237,000	£217,000	£188,000	£208,000	£180,000	£126,000	£88,000	£266,000	£239,000
3) Radcliffe	£361,000	£314,000	£267,000	£226,000	£206,000	£185,000	£221,000	£201,000	£175,000	£194,000	£169,000	£118,000	£83,000	£247,000	£223,000
4) Ruddington	£339,000	£295,000	£251,000	£212,000	£193,000	£174,000	£207,000	£188,000	£163,000	£182,000	£158,000	£111,000	£78,000	£232,000	£209,000
5) E&W Leake	£300,000	£261,000	£222,000	£188,000	£171,000	£154,000	£183,000	£167,000	£145,000	£161,000	£140,000	£98,000	£68,000	£205,000	£184,000
6) Bingham	£272,000	£238,000	£201,000	£171,000	£156,000	£140,000	£167,000	£152,000	£132,000	£146,000	£127,000	£89,000	£63,000	£186,000	£168,000
7) Cotgrave	£240,000	£209,000	£177,000	£150,000	£136,000	£122,000	£146,000	£134,000	£116,000	£128,000	£112,000	£79,000	£55,000	£165,000	£147,000

Testing assumptions (notional one hectare site)

4.7 We have adopted a consistent approach to the development densities and mix, using a range of assumptions agreed with the Council. The scenarios were based on an analysis of typical development mixes and were discussed at the stakeholder workshop (2013). We have tested, for this Update study, at 20 dph, 30 dph, 40 dph, 50 dph and 80 dph.

4.8 The development mixes are as follows:

	Dwellings per Hectare				
	20	30	40	50	80
1 Bed Flats			5	10	20
2 Bed Flats		10	15	20	30
2 Bed Terraces	10	10	15	20	30
3 Bed Terraces	20	15	15	15	20
3 Bed Semis	25	20	20	15	
3 Bed Detached	20	25	20	15	
4 Bed Detached	20	15	10	5	
5 Bed Detached	5	5			

4.9 In terms of testing the affordable housing policy, I have tested at 10%; 20%; 30% and 40% AH based on a Rented: Intermediate split. The latest housing needs assessment suggests that within the affordable housing element:

- 40% should be Shared Ownership;
- 60% should be Rented (of which two thirds should be Affordable Rent and one third, Social Rent).

Other s106 contributions and CIL

4.10 The 2009 study, there was an allowance of £7,000 per unit made for other (than affordable housing) contributions. This was agreed as part and parcel of the wider testing for the Nottingham Core group of local authorities. This equates to a CIL charge for residential development of around £90 per square metre (based on a unit size of around 80 sq m).

4.11 Given that the Council is likely to undertake CIL viability assessment work going forward, I have carried out the analysis gross of these contributions with a view to looking at the headroom for these contributions, once the affordable housing contributions have been taken into account. I comment on these impacts later in the report.

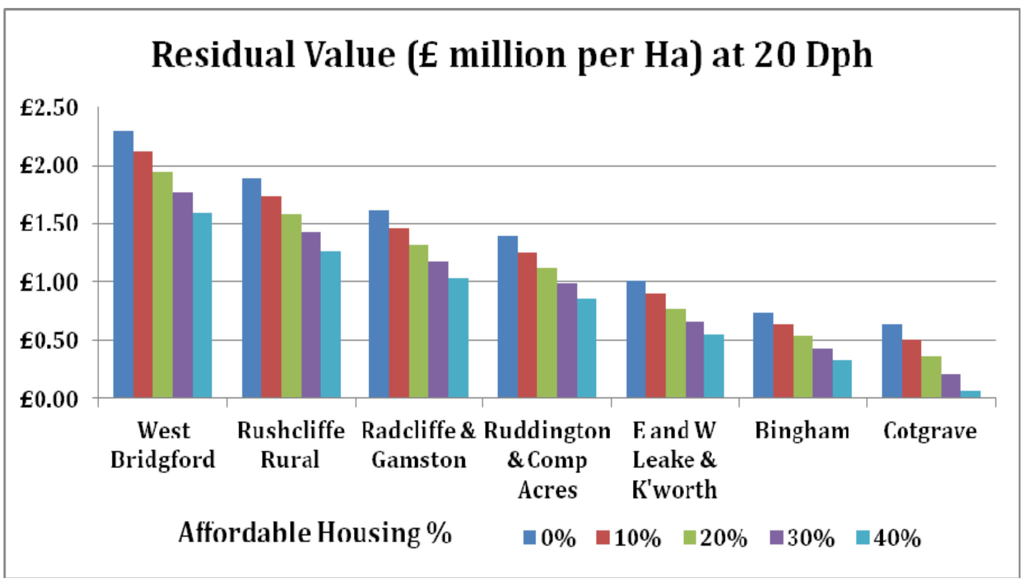
Baseline results: residual values for a notional one hectare site

4.12 As in the baseline report of 2009, a range of scheme types have been looked at. The analysis which follows, 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 results are expressed gross of any CIL or Section 106 contributions other than affordable housing.

Low density housing (20 dph)

4.13 Figure 3.1 shows low density housing (20dph) and the residual values for each of the market value areas outlined previously.

Figure 3.1 Low density housing (20 dph) – Residual value in £s million



4.14 The chart above (Figure 3.1) shows a range of residual values (RVs) across the Borough. The range is very wide. At nil affordable housing residual value (RV) is £2.30 million per hectare in West Bridgford and at 40% affordable housing in Cotgrave, RV is £60,000 per hectare.

4.15 Most significant to note is that residual value in West Bridgford assuming a 40% affordable housing contribution is almost four times as high as RV in Cotgrave with nil affordable housing.

4.16 At the current (30%) policy position, the following residuals result:

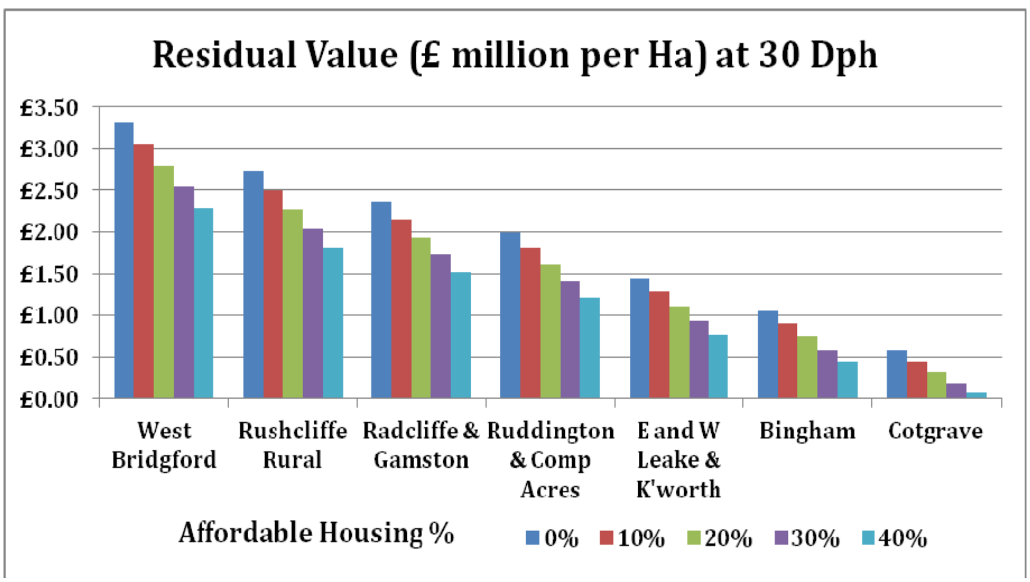
- West Bridford - £1.76 million per hectare RV;
- Rushcliffe Rural - £1.42 million per hectare RV;
- Radcliffe and Gamston - £1.18 million per hectare RV;
- Ruddington and Compton Acres - £0.99 million per hectare;
- East and West Leake & Keyworth - £0.66 million per hectare;
- Bingham - £0.43 million per hectare;
- Cotgrave - £0.15 million per hectare.

4.17 Taking into account a Section 106 contribution of around £7,000 per unit (CIL of equivalent c.£90 per square metre – and the figure that was adopted in the 2009 study), these residual values would reduce by around £140,000 per hectare.

30 dph scheme

4.18 Figure 3.2 shows residual values for a (30 dph) scheme and the residual values for each of the market value areas outlined earlier. These are RVs gross of other contributions,

Figure 3.2 Lower density housing (30 dph) – Residual value in £s million



4.19 The chart above (Figure 3.2) shows a similar analysis at 30 dph. The general impact of increasing density between 20 dph and 30 dph is to increase the residual value and hence, viability. This means that it will, all other things equal, be easier to 'clear' existing use value, than at 20 dph.

4.20 As with the previous analysis (2009) residual values 'grade down' across the sub markets. There is no obvious grouping by which a differentiated policy might be set. A four way split is probably the best that could be done in this direction encompassing 1) West Brigdford and Rushcliffe Rural, 2) Radcliffe and Gamston and Ruddington and Compton Acres, 3) East and West Leake, Keyworth and Bingham and 4) Cotgrave.

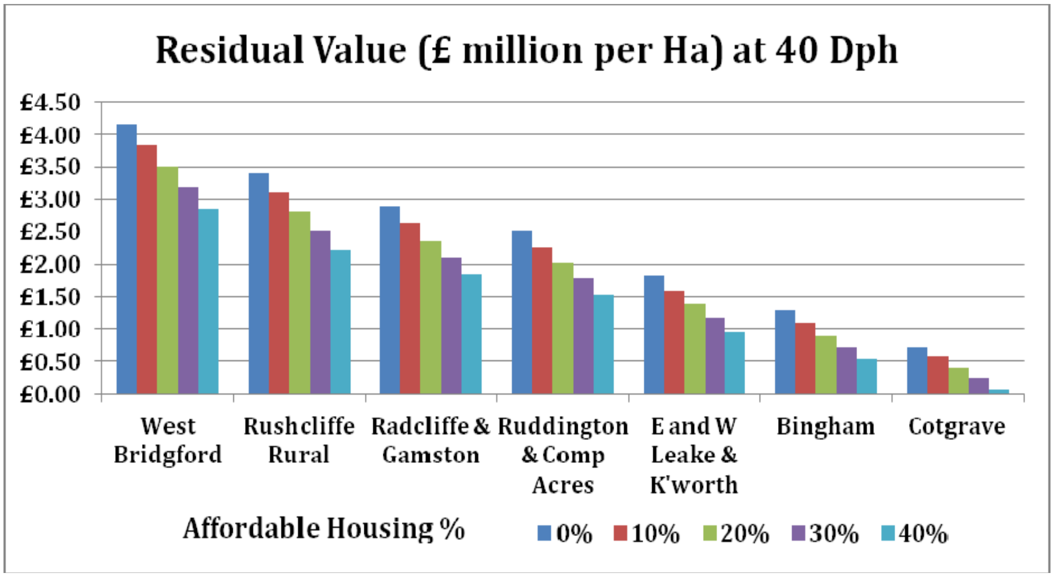
4.21 Schemes at 30 dph generate very substantial residual values in most instances. Allowing for a contribution of £7,000 per unit (as previously), this would provide the following land owner returns against benchmark existing use values assuming the following affordable housing contributions:

	% Affordable Housing	RVs less s.106	Land owner return	Land owner return
		(£ mill per Ha)	(Greenfield)	(Brownfield)
West Bridgford	40%	2.07	x 207	x 6.9
Rushcliffe Rural	40%	1.59	x 159	x 5.3
Radcliffe & Gamston	30%	1.52	x 152	x 5.1
Ruddington & Comp Acres	30%	1.2	x 120	x 4.0
E and W Leake & K'worth	20%	0.9	x 90	x 3.0
Bingham	20%	0.54	x 54	x 1.8
Cotgrave	10%	0.24	x 24	x 0.8

40 dph scheme

4.22 Figure 3.3 shows residual values for a (40 dph) scheme and the residual values for each of the sub markets

Figure 3.3 Medium density housing (40 dph) – Residual value in £s million



4.23 The 40 dph scenario produces higher residuals than at 30 dph. In large measure this is because the mix is similar and a higher density is applied. In the weaker sub markets, a density of 40 dph is likely to prove the optimal position by which to achieve Section 106 and/or CIL contributions. This is because the inclusion of a greater percentage of flats and smaller units will not cover development costs so well as larger dwellings.

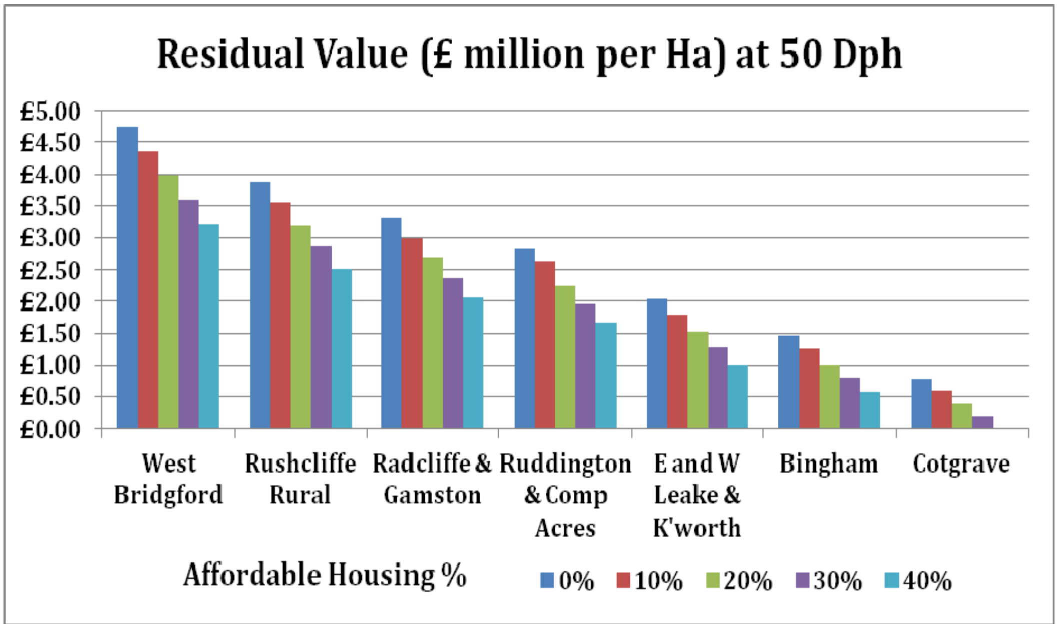
4.24 Viability looks strong however in the middle and lower ends of the market at the current (30% affordable housing) policy position. For example, a 30% affordable housing contribution in Ruddington and Compton Acres should generate a RV of between £1.2 and £1.5 million per hectare once Section 106: CIL costs have been taken account of (although this does depend on how ambitiously CIL is set).

4.25 All these results (all density tests) reflect the fact that the developer will receive a 17% return (plus 5% overhead).

50 dph scheme

4.26 Figure 3.4 shows residual values for a (50 dph) scheme and the residual values for each of the sub markets

Figure 3.4 Higher density housing (50 dph) – Residual value in £s million



4.27 As previously, the 50 dph scenario produces very robust residual values, particularly at the middle and top end of the market.

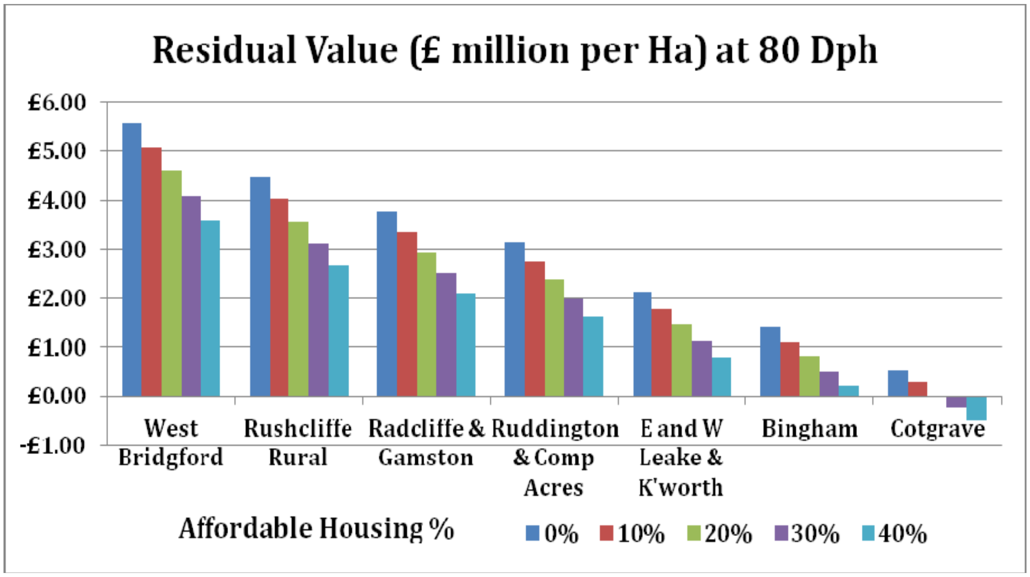
4.28 On the basis that there would be a split in the uplift from existing use value (green field) to residual value for residential in a location such as Radcliffe, this would allow the Council to set a CIL charge of around £250 per square metre (or equivalent Section 106:CIL contribution/charge) even at 40% affordable housing. In a location such as West Bridgford, the CIL (or equivalent) could be set at £400 per square metre on the same basis. These are very viable locations.

4.29 The varied nature of the market in Rushcliffe does determine that in the weaker sub markets, the delivery of Section 106, affordable housing and CIL will be more challenging. Nevertheless at Cotgrave. At 20% affordable housing, residual value is almost £400,000 per hectare before other impacts are taken into account.

80 dph scheme

4.30 Figure 3.5 shows residual values for a (80 dph) scheme and the residual values for each of the sub markets

Figure 3.5 Higher density housing (80 dph) – Residual value in £s million



4.31 This density assumes a quite different mix to those previously tested with 50% of a scheme being flats and 50% being terraced housing.

4.32 In the higher value locations, this has the effect of making schemes even more viable (since flats provide a good return to residual value). However, in locations such as Bingham and Cotgrave, residual values are lower at 80 dph than is the case at 50 dph.

4.33 It can be seen that residual values in Cotgrave are negative at higher percentages of affordable housing (and this is before other contributions are taken into account). This does not mean that schemes will not come forward with affordable housing (as there will be hot spots within each sub market), but it does mean that routinely schemes will be challenging to deliver from a viability aspect.

Impacts of potential grant funding

4.34 As previously, it is important to comment on grant. This analysis, as was the case with the previous work, assumes that the affordable housing revenue (what the housing association is deemed to be able to pay to the developer for the affordable units), does not include grant.

4.35 In practice, the Council will need, when negotiating sites, to ensure that developers provide full information on deals done with housing associations. In most cases, it is likely that payment will exceed those assumed to be made as part and parcel of this analysis.

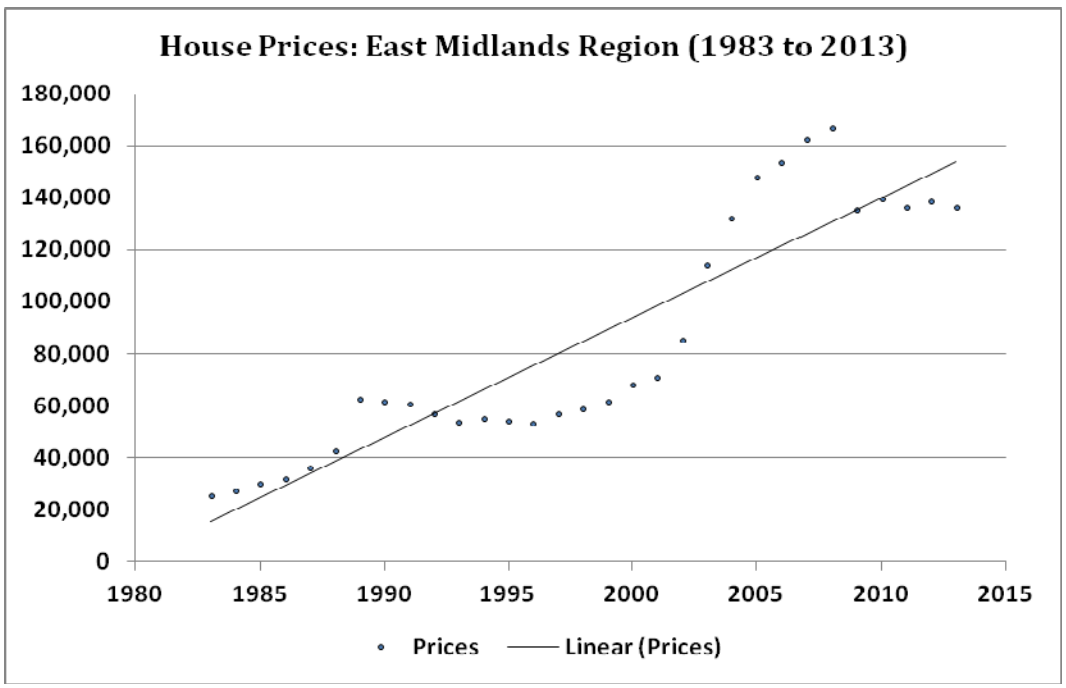
4.36 As commented on in the previous report, the introduction of grant has a greater proportionate impact in the weaker sub markets.

Currency of results

4.37 It is important to set the results of the update analysis in the context of the Plan period as a whole. In this respect it is helpful to look at the current position of the housing market in the light of longer terms trends.

4.38 Figure 3.8 shows the short term (fluctuating line) house price trend versus the long term 'straight line' trend.

Figure 3.8 House price trends



Source: Halifax House Price Index

4.39 The key point to note is that at the beginning of 2013 (last data set from Halifax is Q2 2012) prices (the dotted line) are still below the long term trend.

4.40 This means that in terms of this report, the policy conclusions will have been relatively cautiously drawn, since we are below the long terms housing market position. The Council may wish to review the policy position at a future point where the housing market returns to its long term equilibrium.

5 Small sites and the implications for thresholds

Background

5.1 The 2009 Viability Report ('basline') found that there was a significant need for affordable housing in Rushcliffe and it was appropriate for the Council to give consideration to a lower threshold than the indicative national minimum (15 dwellings) set out in PPS3 and which [was] current council policy. The report stated further that:

5.2 'We believe that consideration should be given to reducing the threshold at which affordable housing contributions are sought. The relatively small number of units provided on sites of 10-14 units indicates that there is little point in reducing the threshold to 10 units. The possible options, if a decision was taken to reduce the threshold, would be a threshold of 5 units (catching 87% of supply) or a threshold of 0 units (catching 100% of supply).

5.3 The Council chose in the Core Strategy to run with the saved policy of 15 dwellings and to deal with thresholds through a DPD. However, the Rushcliffe Core Strategy Exploratory Note (report from the Planning Inspectorate) stated that the Core Strategy was 'very unlikely to meet prevailing and future needs for affordable housing' on a number of grounds, one of which was the 'high site size threshold of 15 dwellings or 0.5 Hectares). Thus it is important that the issue of thresholds is re-considered.

Supply of small sites

5.4 The Council have provided me with a break down of the location and scale of small developments. This is based on the most recent (2012) SHLAA (Strategic Housing Land Availability Asessment).

5.5 The SHLAA provides information on sites above and below 15 dwellings and I present the information in Table 5.1 below.

Table 5.1 Small sites: by parish and by sub market

		By Parish			By Sub Market		
Parish	Sub Market	Total Dwellings	No of Schemes	Average Dw per Scheme	Total Dwellings	No of Schemes	Average Dw per Scheme
Bingham	Bingham	13	4	3.25	13	4	3.25
Cotgrave	Cotgrave	15	8	1.88	15	8	1.88
East Leake	East & West Leake; Keyworth	13	6	2.17			
Keyworth	East & West Leake; Keyworth	12	5	2.40	25	11	2.27
Gamston	Radcliffe; Gamston	3	2	1.50			
Holme Pierrepoint	Radcliffe; Gamston	5	1	5.00			
Radcliffe on Trent	Radcliffe; Gamston	9	8	1.13	17	11	1.55
Ruddington	Ruddington & Compton Acres	22	9	2.44	22	2	11.00
Aslockton	Rushcliffe Rural	4	4	1.00			
Car Colston	Rushcliffe Rural	1	1	1.00			
Colston Bassett	Rushcliffe Rural	1	1	1.00			
Cropwell Butler	Rushcliffe Rural	1	1	1.00			
East Bridgford	Rushcliffe Rural	9	4	2.25			
Flintham	Rushcliffe Rural	6	4	1.50			
Gotham	Rushcliffe Rural	8	1	8.00			
Granby	Rushcliffe Rural	1	1	1.00			
Hickling	Rushcliffe Rural	1	1	1.00			
Kinoulton	Rushcliffe Rural	4	2	2.00			
Normanton-on-Soar	Rushcliffe Rural	3	1	3.00			
Orston	Rushcliffe Rural	8	4	2.00			
Rempstone	Rushcliffe Rural	1	1	1.00			
Shelford	Rushcliffe Rural	1	1	1.00			
Stanford on Soar	Rushcliffe Rural	4	1	4.00			
Sutton Bonington	Rushcliffe Rural	11	7	1.57			
Tithby	Rushcliffe Rural	4	1	4.00			
Tollerton	Rushcliffe Rural	8	2	4.00			
Whatton in the Vale	Rushcliffe Rural	2	1	2.00			
Widmerpool	Rushcliffe Rural	2	2	1.00			
Willoughby-on-the-W	Rushcliffe Rural	4	2	2.00	84	43	1.95
West Bridgford	West Bridgford	38	17	2.24	38	17	2.24

5.6 The table shows the total dwellings, number of schemes and average number of dwellings per scheme at a parish and sub market level. In total there are 214 dwellings to be delivered in 103 schemes at an average of 2.24 dwellings per scheme. This shows that there are significant number of dwellings to be built on small sites.

5.7 179 dwellings (84% of all) should be developed over the next three years. The Council currentlyestimates a windfall of around 500 dwellings by 2026 purely based upon small site supply.

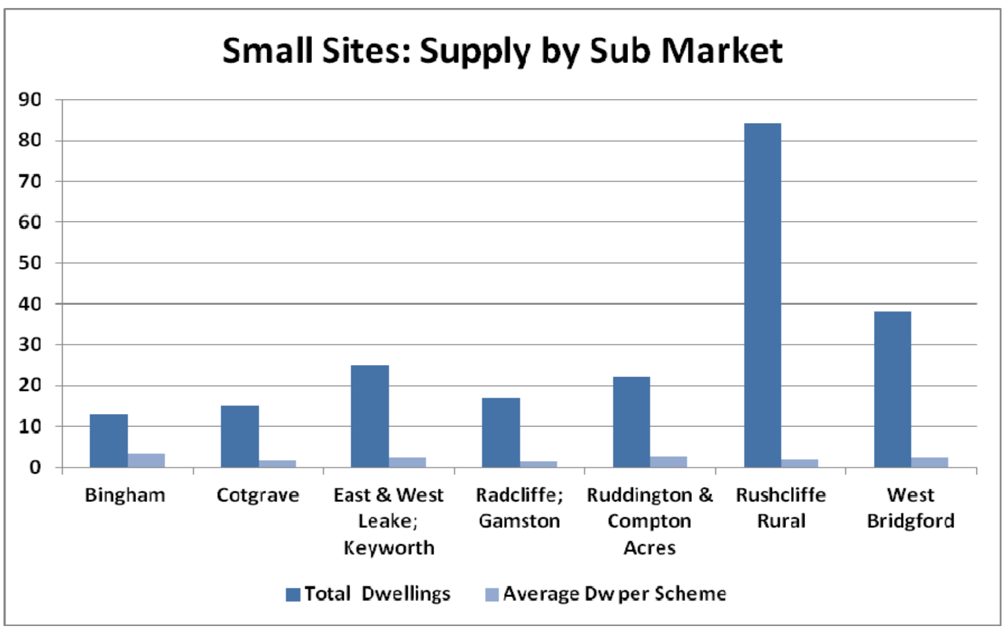
5.8 Table 5.2 sets out small site supply by sub market. It shows (see also Figure 5.1 below) that a very significant amount of dwellings on small sites will be built in the Rushcliffe Rural area.

Table 5.2 Small site supply by sub market

	By Sub Market	
Sub Market	Total	Average Dw
	Dwellings	per Scheme
Bingham	13	3.25
Cotgrave	15	1.88
East & West Leake; Keyworth	25	2.27
Radcliffe; Gamston	17	1.55
Ruddington & Compton Acres	22	2.44
Rushcliffe Rural	84	1.95
West Bridgford	38	2.24

5.9 However, small sites are also being brought forward in the urban areas, and West Bridgford is the best example.

Figure 5.1 Small sites and sub markets



5.10 A closer analysis will show that there is a relatively strong correletion between the supply of small sites and house prices, where more small sites come forward in high value areas.

5.11 Whilst this does not mean that small sites will not come forward in lower value areas (because small schemes are coming forward in locations such as Bingham and Cotgrave), it does suggest that the Council should focus particularly on taking affordable housing contributions where development is more viable.

Viability and small sites

5.12 Whilst clearly some schemes may not be described as 'small' they are all neverthless under 15, and the average scheme size is 2.6 units (based on Table 5.2: by sub market). This means very small schemes.

5.13 The viability of small housing development schemes was tested fully in the 2009 report. It was concluded that small schemes are no less viable than large ones in principle and hence should the Council wish to reduce their threshold to one unit, this would be defensible on viability grounds.

5.14 The conclusion that it is location that matters and not site size is one that has been tested and found sound on numerous occasions. Indeed many local authorities find themselves in a situation where their larger sites cannot deliver the necessary physical and social infrastructure meaning that contributions have to be levied from smaller, higher value schemes.

5.15 The arguments against low thresholds are mainly put on three grounds. First, that small sites are less viable per se, second that it is in some way 'unfair' to load contributions to small land owners (sometimes owners of garden land) and third that to reduce thresholds to a mimumum will generate an unmanageable amount of work for local authorities.

5.16 It is true in these respects to state that small development are often more costly to build on a pro-rata basis. However it is also true to state that small development, particularly one of houses, are also often sold at very much higher prices. The information available here is not systematic and hence it is more reliable to work with the headline figures presented previously.

5.17 Residual value (as single dwelling), assuming a density of around 20 dph, would then be around £80,000 on the basis of a 40% affordable housing contribution in a location such as West Bridgford. In a middle market location such as Radcliffe and Gamston, plot residual value is around £60,000 at 30% affordable housing and at the bottom end of the market, for example at Bingham, residual value is around £25,000 (20% affordable housing). These are significant values at relatively high affordable housing percentages.

5.18 Clearly in some instances existing use values will mitigate against viability but many of these sites will be back or garden land with a very low existing use value.

Thresholds and CIL

5.19 When setting a CIL, the Council will need to consider the viability impact of the affordable housing threshold.

5.20 Should the affordable housing threshold be maintained at 15 units, then this creates a very clear viability division between smaller and larger sites in so far as CIL is concerned.

5.21 In these respects, clearly a higher CIL can be charged on smaller sites (which might be exempted from an affordable housing contribution) than on larger sites (who do attract an affordable housing contribution).

5.22 My recommendation is that the Council consider location as the driver of viability and set affordable housing targets and the CIL charging schedule accordingly.

6 MAIN FINDINGS AND CONCLUSIONS

Overview

6.1 This study has updated the Affordable Housing Viability Study of 2009 and has looked forward over the Plan period. The study has taken into account changes in house prices and build costs as the key viability variables. It has also taken account of changes in national and local planning policy.

6.2 Key policy changes include the implementation of the NPPF, the Council's Core Strategy and policies relating to affordable housing delivery.

6.3 Since the baseline study of 2009, the housing market in Nottinghamshire has held up well in relation to the national housing market. Development costs have remained relatively stable. With updating of the development mix and taking on board updated information on affordable housing payments, this means that viability has largely improved. This is key in helping the Council to formulate its affordable housing policies following feedback on the Core Strategy.

Targets

6.4 To put itself into a sounder policy position on affordable housing, it would seem helpful to adopt a differentiated target approach, reflecting the very wide range of residual values across the district. Such an approach was set out in the 2009 report which stated that a [refined] set of targets [would] provide the following individual percentages for each market value area:

West Bridgford	40%
'Rural'	40%
Radcliffe and Gamston	35%
Ruddington and Compton Acres	30%
'Leakes' and Keyworth	25%
Bingham	20%
Cotgrave	10%

6.5 Given that viability is no weaker, and in fact significantly stronger in most scenarios, I think it appropriate that such a general approach is adopted. Taking on board the fact that there would be a large 'jump' from a single target to a (6 way) target, it may be however more appropriate to blend some areas under the same general target. Then, the following policy would seem to be appropriate:

West Bridgford and Rushcliffe Rural	40%
Radcliffe, Gamston, Ruddington & Comp Acres	30%
'Leake', Keyworth and Bingham	20%
Cotgrave	10%

These targets are set reflecting the need for land owners and developers to achieve competitive returns in the light of the National Planning Policy Framework and related guidance. The returns achievable by land owners of both brown and green field sites are competitive in the light of national and local circumstances.

Thresholds

6.6 Current policy suggests an affordable housing threshold of 15 units or 0.5 hectare site size. The Inspector has commented that this is a 'high' threshold. The question is then whether this can be reduced without impacting on viability.

6.7 The 2009 study found that small sites were no less viable than large ones. A significant number of other studies have come to the same conclusion and that it is location and development mix that determine viability, not site size. On the basis of viability therefore there are no grounds for such a 'high' threshold.

6.8 Analysis I have undertaken here, using the Council's latest SHLAA data, suggests that there are a significant amount of dwellings to be developed on small sites in the Borough. Moreover, these sites are being brought forward in areas where prices are generally high. Given that many of the Council's larger sites are located in more challenging areas, it would seem sensible to reduce the threshold so that high value sites can contribute to affordable housing. However, including small sites within the policy may generate resource challenges within the authority.

Related policies and viability

6.9 The Council are considering implementing a CIL (Community Infrastructure Levy) charge and this will need to reflect the affordable housing policy adopted in the Core Strategy.

6.10 This study has not fully tested for CIL, but it does recommend affordable housing targets which allow for a fairly generous (by

Nottinghamshire standards) CIL levy. For example, in a mid market location such as Radcliffe and Gamston, a 30% affordable housing target should generate a residual value of around £1.75 million at 30 dwellings per hectare.

6.11 On a greenfield site, this would mean an uplift of some £1.74 million, which, is split 50% to the local authority and 50% to the land owner (a hypothetical figure only), would mean that CIL could be set at around £362 per square metre. To put this into context, the highest value CIL in Newark and Sherwood (the first CIL authority) is £75 per square metre.

6.12 These are notional figures at this stage although it will be critical for the Council to clearly state how it is going to prioritise its policy requirements. This is to meet the expectations of the latest CIL Guidance (DCLG December 2012). Paragraph 29 states:

'In proposing a levy rate(s) charging authorities should show that the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole. They should also take into account other development costs arising from existing regulatory requirements, including taking account of any policies on planning obligations in the relevant Plan (in particular those for affordable housing and major strategic sites)'.

6.13 This means that the test of the CIL set by the Council will be its affordable housing targets and related viability impacts.

6.14 If the affordable housing threshold is to be reduced, then this has implications for policies with respect to commuted sums, which will be necessary where either a site is not suitable for on-site provision, or, the scheme is so small that a commuted sum if the only way that an affordable housing contribution can be provided.

6.15 If commuted sums are taken, they should follow the formula:

1) Calculate residual value (RV) taking into account the policy impacts of affordable housing;

2) Calculate residual value as if the impact of the affordable housing were alleviated, leaving the site to be developed for 100% market housing;

6.16 Calculate the difference in residual value between steps 1) and 2). This is the amount of the commuted sum.

Appendix 1

HOUSING VIABILITY STUDY UPDATE: RUSHCLIFFE BC: JULY 2013

Rushcliffe Borough Council, July 18th 2013

Delegates

Dr Andrew Golland	Andrew Golland Associates (AGA)
Phillip Marshall	Rushcliffe Borough Council
Sue Green	Home Builders Federation
Paul Randle	Rushcliffe Borough Council
Steve Harley	Oxalis Planning
Matthew Grant	Greater Nottingham Partnership
Hiren Vaithe	Nottingham City Regeneration Projects

Workshop Notes

A workshop was held on Thursday 18th July 2013 at Rushcliffe Borough Council. Representatives of the development industry, landowners and RSLs were in attendance.

The Council would very much like to thank all those in attendance for their inputs to the study.

At the workshop Andrew Golland 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 feedback notes.

1 Background and planning policy position

The Council gave an initial overview of the planning and Core Strategy position.

Following submission of the Council's Core Strategy Publication Version (March 2012), the Inspector recently raised certain concerns with respect to development strategy and housing policy.

As a result, the Core Strategy examination has been suspended in order to undertake various works, such as increasing the number of homes generally to meet the evolving housing requirements.

One aspect of the Inspector's focused on viability and affordable housing delivery. The report stated that:

'The Core Strategy refers to the lower affordable need figure from the 2009 SHMA Update of 362 affordable dwellings pa, and Policy 7 seeks 30% of new housing to be affordable on „qualifying sites" of 15 or more dwellings or 0.5 ha or more. The Core Strategy does not give a target number of affordable dwellings to be achieved over the plan period, and this could hinder arrangements for monitoring and managing supply.

Andrew Golland Associates (AGA) has been commissioned to carry out an update of the Affordable Housing Viability Study of in order to establish a robust evidence base to support emerging policy requirements as set out in the LDPs. There are two parts to the commission:

An update of the Affordable Housing Viability Study (AHVS) of 2010;
A brief viability assessment to look at a charging schedule for the Community Infrastructure Charge (CIL);

The purpose of the Workshop was to discuss strategic policy and the overall methodology and assumptions.

2 Basis for interpreting viability

AGA outlined the methodology of the viability model which is based upon scheme revenue versus development costs (including developer margin and S106 agreements).

Delegates agreed in principle to the over-riding method for assessing viability. This measures viability by reference to residual scheme value and the existing use value of a site. One key question relates to the quantum of return required by a land owner. It was agreed that this would differ from site to site. There are a number of cases here of which the 'Shinfield' decision is perhaps the most recent.

It would be important that local authorities generally monitored this key information through the planning process.

The Harman report was highlighted by one delegate and in particular a reference to a viability ‘cushion’.

3 Overall methodology

AGA explained that as previously, 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.

It was emphasised that the approach will not preclude the rights of developers to negotiate on a scheme by scheme basis. Developers can demonstrate that where costs for example, are higher than those tested, and can be justified, policy might be relaxed.

Participants at the workshops did not express any particularly strong comments about the approach set out (see also Powerpoint which explains the approach diagrammatically). AGA explained that this was an approach which has been accepted elsewhere at Core Strategy Exam and is also adopted in the SEWSPEG Good Practice Guide.

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.

4 Sub markets and market values

A key part of the study will involve the analysis of viability at a sub market level. It was explained that the previous sub markets should form the basis of policy development. Sub markets are defined primarily by house prices. The Powerpoint presentation shows a table of areas.

It was explained by Three Dragons that prices were derived from three years worth of HM Land Registry data and then adjusted to today’s values. AGA clarified that the prices are indicative new build for April 2013.

Delegates commented on the prices presented. Generally they were felt to be some 5% too high, with prices in West Bridgford being marginally too high. New Build schemes in the Borough will provide a good indication.

5 Land values

Delegates were asked what they thought current land values are.

It was stated that in Leicester, at the height of the market (3 or 4 years ago), land values were around £400,000 per hectare.

A realistic value now for greenfield is £100,000 to £300,000 per hectare.

6 Density and development mix

AGA set out the suggested range of schemes which the DAT will test. These are set out in the Powerpoint Presentation. It was suggested that a 20 dph test should also be included.

7 Thresholds and the viability of smaller sites

The inspector had questioned the affordable housing threshold set in the Core Strategy. It was agreed that this should be reviewed in the light of the update study.

8 Development costs

AGA 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.

There was a discussion about whether BCIS included an allowance for external works. These are excluded in the base data but an allowance of 15% will be made in the analysis.

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.

9 Section 106 costs (in addition to affordable housing) and CIL

The study will consider the impacts of other (than affordable housing) Section 106 as well as CIL viability impacts.

The approach will be to assess the affordable housing impacts and then look at the potential headroom for CIL and/or Section 106 contributions.

10 Affordable housing tests and issues

AGA suggested a range of policy scenarios which should be tested and questioned whether they were reasonable. These are set out in the Powerpoint Presentation - 10%; 20%; 30% and 40% AH based on a Rented: Intermediate split.

The latest housing needs assessment suggests:

40% Shared Ownership;
60% Rented (of which two thirds should be Affordable Rent and one third, Social Rent).

It was pointed out that Affordable Rent levels will differ by location; for example, at £100 per week in Cotgrave versus £300 per week in West Bridgford.

Revenues for Social Rented units are around £60,000 per unit.

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.

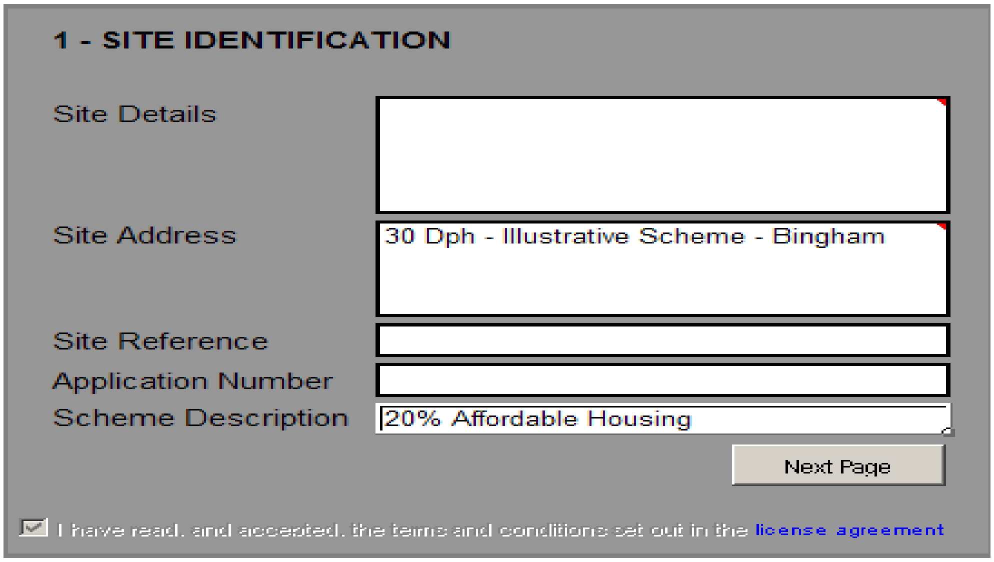
The Toolkit compares the potential revenue from a site with the potential costs of development before a payment for land is made. In estimating the potential revenue, the income from selling dwellings in the market and the income from producing specific forms of affordable housing are considered. The 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.

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

20 Dph	0%	10%	20%	30%	40%
West Bridgford	£2.30	£2.12	£1.94	£1.76	£1.58
Rushcliffe Rural	£1.89	£1.74	£1.58	£1.42	£1.26
Radcliffe & Gamston	£1.61	£1.47	£1.32	£1.18	£1.04
Ruddington & Comp Acres	£1.40	£1.25	£1.13	£0.99	£0.86
E and W Leake & K'worth	£1.01	£0.89	£0.77	£0.66	£0.55
Bingham	£0.74	£0.64	£0.53	£0.43	£0.32
Cotgrave	£0.41	£0.32	£0.24	£0.15	£0.06
30 Dph	0%	10%	20%	30%	40%
West Bridgford	£3.31	£3.05	£2.79	£2.54	£2.28
Rushcliffe Rural	£2.73	£2.49	£2.27	£2.03	£1.80
Radcliffe & Gamston	£2.37	£2.15	£1.94	£1.73	£1.51
Ruddington & Comp Acres	£2.00	£1.80	£1.61	£1.41	£1.22
E and W Leake & K'worth	£1.44	£1.28	£1.11	£0.94	£0.77
Bingham	£1.05	£0.91	£0.75	£0.59	£0.45
Cotgrave	£0.58	£0.45	£0.32	£0.19	£0.06
40 Dph	0%	10%	20%	30%	40%
West Bridgford	£4.17	£3.84	£3.51	£3.19	£2.86
Rushcliffe Rural	£3.40	£3.11	£2.82	£2.52	£2.23
Radcliffe & Gamston	£2.89	£2.63	£2.36	£2.10	£1.83
Ruddington & Comp Acres	£2.52	£2.27	£2.02	£1.77	£1.52
E and W Leake & K'worth	£1.82	£1.60	£1.39	£1.17	£0.95
Bingham	£1.30	£1.10	£0.91	£0.72	£0.53
Cotgrave	£0.73	£0.57	£0.40	£0.23	£0.07
50 Dph	0%	10%	20%	30%	40%
West Bridgford	£4.74	£4.36	£3.98	£3.59	£3.22
Rushcliffe Rural	£3.89	£3.55	£3.20	£2.87	£2.52
Radcliffe & Gamston	£3.31	£3.00	£2.68	£2.38	£2.06
Ruddington & Comp Acres	£2.84	£2.64	£2.25	£1.96	£1.67
E and W Leake & K'worth	£2.03	£1.78	£1.53	£1.27	£1.02
Bingham	£1.47	£1.26	£1.02	£0.79	£0.57
Cotgrave	£0.78	£0.59	£0.39	£0.20	£0.00
80 Dph	0%	10%	20%	30%	40%
West Bridgford	£5.58	£5.08	£4.58	£4.09	£3.58
Rushcliffe Rural	£4.46	£4.01	£3.56	£3.12	£2.67
Radcliffe & Gamston	£3.77	£3.36	£2.94	£2.53	£2.12
Ruddington & Comp Acres	£3.14	£2.75	£2.38	£1.99	£1.61
E and W Leake & K'worth	£2.12	£1.79	£1.46	£1.13	£0.78
Bingham	£1.40	£1.10	£0.80	£0.50	£0.20
Cotgrave	£0.54	£0.29	£0.02	-£0.24	-£0.50

Appendix 4 Worked example; one hectare site at 30 dph at 20% affordable housing – Bingham sub market



1 - SITE IDENTIFICATION

Site Details	
Site Address	30 Dph - Illustrative Scheme - Bingham
Site Reference	
Application Number	
Scheme Description	20% Affordable Housing

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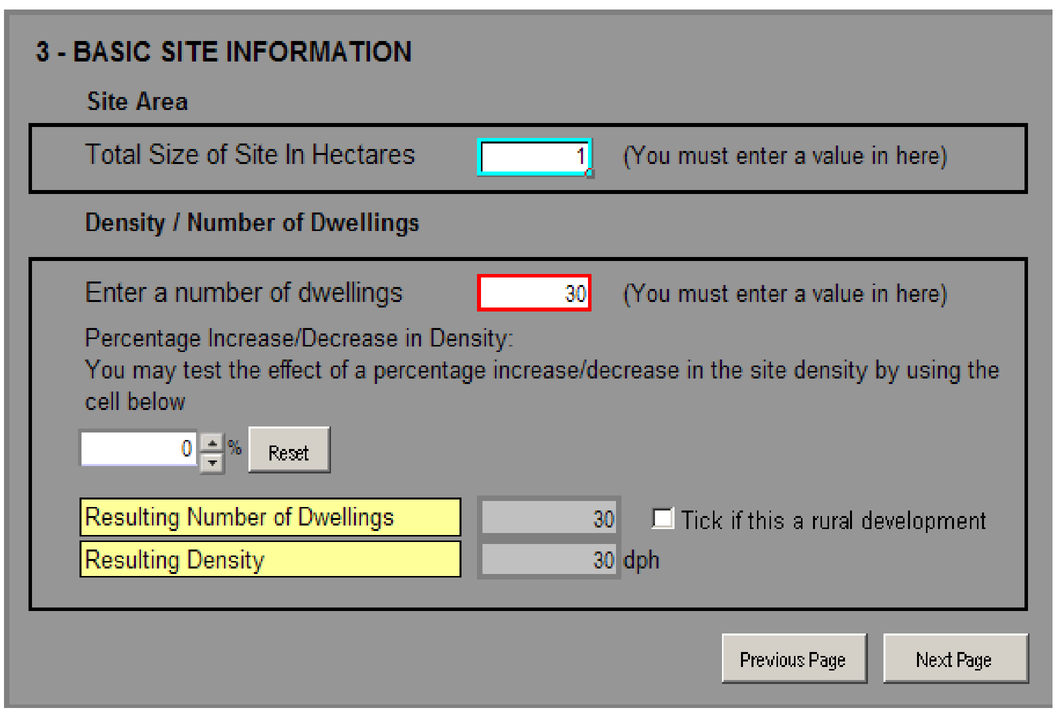
I have read, and accepted, the terms and conditions set out in the license agreement



3 - BASIC SITE INFORMATION

Site Area

Total Size of Site In Hectares 1 (You must enter a value in here)

Density / Number of Dwellings

Enter a number of dwellings 30 (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

0 % Reset

Resulting Number of Dwellings 30 Tick if this a rural development

Resulting Density 30 dph

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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	1.5	67	65	n/a	2
2	2 Bed Terraces	2	House	3.0	68	67	n/a	n/a
3	3 Bed Terraces	3	House	4.5	80	78	n/a	n/a
4	3 Bed Semis	3	House	6.0	84	82	n/a	n/a
5	3 Bed Detached	3	House	6.0	90	94	n/a	n/a
6	4 Bed Detcahed	4	House	4.5	110	120	n/a	n/a
7	5 Bed Detached	5	House	1.5	120	135	n/a	n/a
8	3 Bed Bungalows	3	Bungalow	3.0	90	94	n/a	n/a
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
	Total Number of units			30				

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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

Reset button to return to base market value

Ref.	Unit Type	No of Bed-	Market Value	Adjusted Market Value
1	2 Bed Flats	2	£127,000	£127,000
2	2 Bed Terraces	2	£132,000	£132,000
3	3 Bed Terraces	3	£152,000	£152,000
4	3 Bed Semis	3	£156,000	£156,000
5	3 Bed Detached	3	£201,000	£201,000
6	4 Bed Detcahed	4	£238,000	£238,000
7	5 Bed Detached	5	£272,000	£272,000
8	3 Bed Bungalows	3	£186,000	£186,000
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

			AFFORDABLE					
		SALE	Social rent	New Build HomeBuy	Intermediate rent	Discount Market	Local Sale	Required No. of Units
Ref	Description	80%	4%	8%		8%		
1	2 Bed Flats	1.2	0.1	0.1		0.1		1.5
2	2 Bed Terraces	2.4	0.1	0.3		0.2		3.0
3	3 Bed Terraces	3.6	0.2	0.4		0.3		4.5
4	3 Bed Semis	4.8	0.2	0.5		0.5		6.0
5	3 Bed Detached	4.8	0.2	0.5		0.5		6.0
6	4 Bed Detcahed	3.6	0.2	0.4		0.3		4.5
7	5 Bed Detached	1.2	0.1	0.1		0.1		1.5
8	3 Bed Bungalows	2.4	0.1	0.3		0.2		3.0
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
	Total	24.0	1.2	2.5		2.3		30.0

New Build HomeBuy	Percentage Purchased	50%
	Rental limit on unbought sha	100%
Percentage purchased by purchaser for Discount Market		50%

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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	
Bungalows	£1,049	
Flats (6+ storeys)	£1,545	
Flats (5 & less store	£1,115	£1,137
Houses <= 75m2	£999	£933
Houses > 75m2	£901	£921

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

	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	£ -
<Enter Costs Description>	£ -
<Enter Costs Description>	£ -
<Enter Costs Description>	£ -

Scheme Total	
per dwelling	
per hectare	

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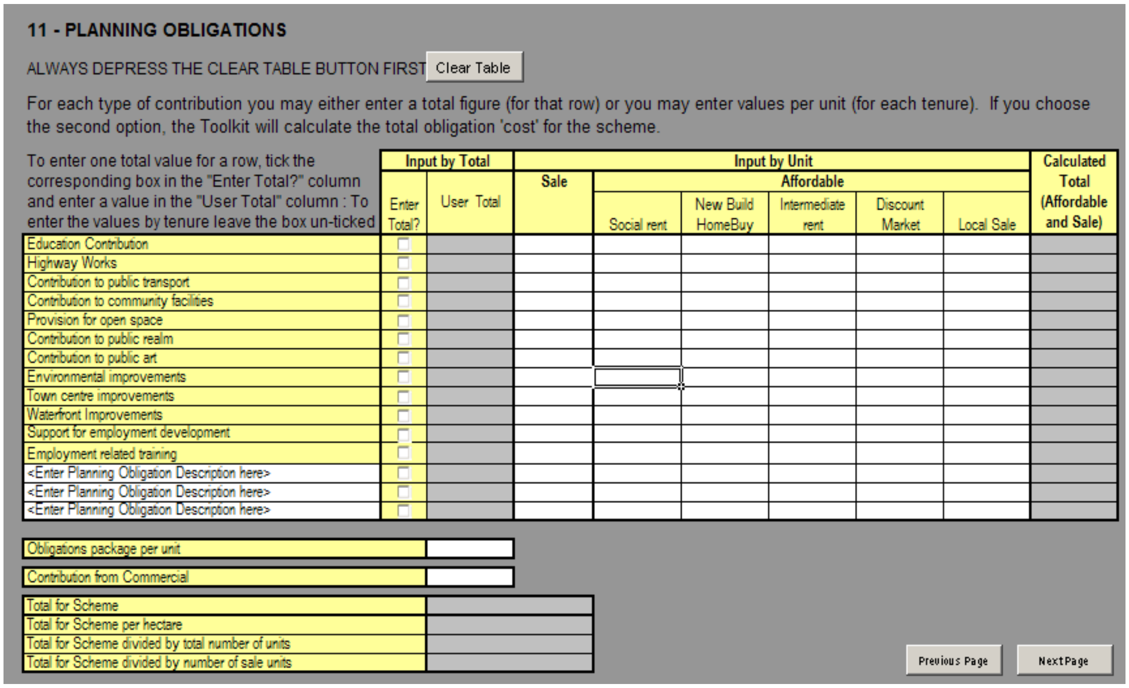

11 - PLANNING OBLIGATIONS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST Clear Table

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									
Highway Works									
Contribution to public transport									
Contribution to community facilities									
Provision for open space									
Contribution to public realm									
Contribution to public art									
Environmental improvements									
Town centre improvements									
Waterfront Improvements									
Support for employment development									
Employment related training									
<Enter Planning Obligation Description here>									
<Enter Planning Obligation Description here>									
<Enter Planning Obligation Description here>									

Obligations package per unit	
Contribution from Commercial	

Total for Scheme	
Total for Scheme per hectare	
Total for Scheme divided by total number of units	
Total for Scheme divided by number of sale units	

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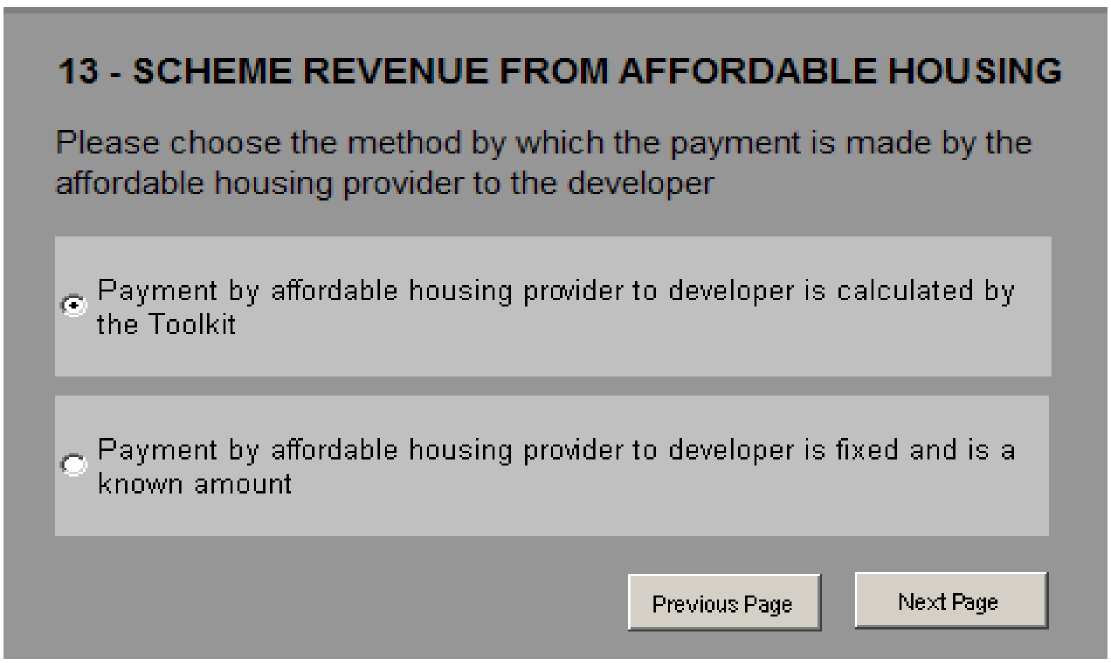

13 - SCHEME REVENUE FROM AFFORDABLE HOUSING

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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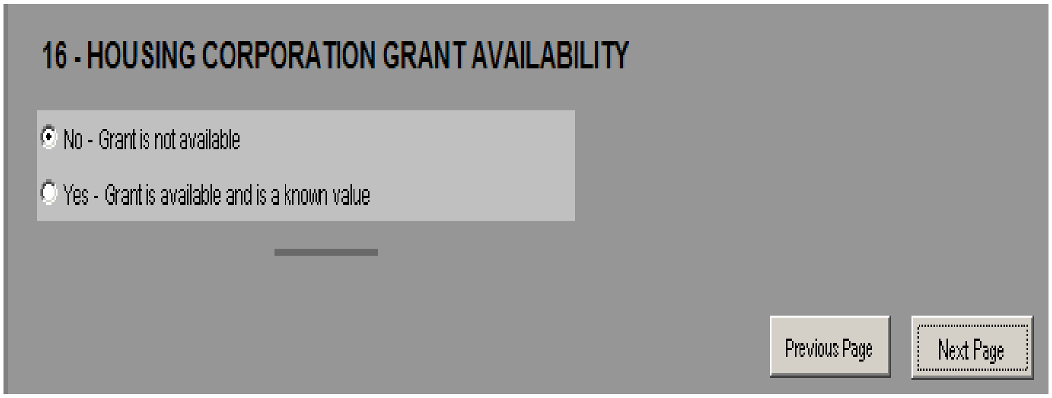

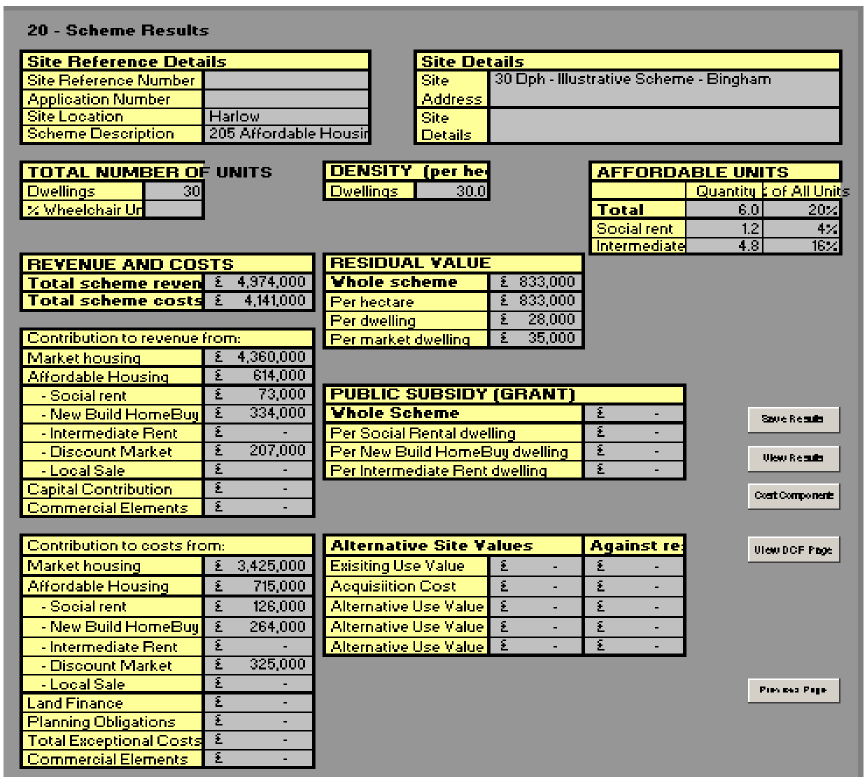
20 - Scheme Results

Site Reference Details	
Site Reference Number	
Application Number	
Site Location	Harlow
Scheme Description	205 Affordable Housir

Site Details	
Site Address	30 Dph - Illustrative Scheme - Bingham
Site Details	

TOTAL NUMBER OF UNITS	
Dwellings	30
% Wheelchair Ur	

DENSITY (per he	
Dwellings	30.0

AFFORDABLE UNITS	Quantity	: of All Units
Total	6.0	20%
Social rent	1.2	4%
Intermediate	4.8	16%

REVENUE AND COSTS	
Total scheme reven	£ 4,974,000
Total scheme costs	£ 4,141,000

RESIDUAL VALUE	
Whole scheme	£ 833,000
Per hectare	£ 833,000
Per dwelling	£ 28,000
Per market dwelling	£ 35,000

Contribution to revenue from:	
Market housing	£ 4,360,000
Affordable Housing	£ 614,000
- Social rent	£ 73,000
- New Build HomeBuy	£ 334,000
- Intermediate Rent	£ -
- Discount Market	£ 207,000
- Local Sale	£ -
Capital Contribution	£ -
Commercial Elements	£ -

PUBLIC SUBSIDY (GRANT)	
Whole Scheme	£ -
Per Social Rental dwelling	£ -
Per New Build HomeBuy dwelling	£ -
Per Intermediate Rent dwelling	£ -

Contribution to costs from:	
Market housing	£ 3,425,000
Affordable Housing	£ 715,000
- Social rent	£ 126,000
- New Build HomeBuy	£ 264,000
- Intermediate Rent	£ -
- Discount Market	£ 325,000
- Local Sale	£ -
Land Finance	£ -
Planning Obligations	£ -
Total Exceptional Costs	£ -
Commercial Elements	£ -

Alternative Site Values		Against re
Exisiting Use Value	£ -	£ -
Acquisiition Cost	£ -	£ -
Alternative Use Value	£ -	£ -
Alternative Use Value	£ -	£ -
Alternative Use Value	£ -	£ -

Save Results
View Results
Cost Components
View DCF Page
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GLOSSARY OF TERMS

A

Abnormal Development Costs: Costs associated with difficult ground conditions eg contamination.

Affordable Housing: As defined in The National Planning Policy Framework as housing that includes Social Rent, Affordable Rent and Intermediate Affordable housing.

Affordable Rented Housing: Housing let at above Social Rented levels and up to 80% of Open Market Rent

Appraisal: development calculation taking into account scheme revenue and scheme cost and accounting for key variables such as house prices, development costs and developer profit.

B

Base Build Costs: including costs of construction: preliminaries, sub and superstructure; plus an allowance for external works.

C

Commuted Sum: a sum of money paid by the applicant in lieu of providing affordable housing on site.

Community Infrastructure Levy

A standard financial payment by developers to councils towards the cost of local and sub-regional infrastructure to support development (including transport, social and environmental infrastructure, schools and parks).

D

Developer's Profit or margin: a sum of money required by a developer to undertake the scheme in question. Profit or margin can be based on cost, development value; and be expressed in terms of net or gross level.

Developer Cost: all encompassing term including base build costs (see above) plus any additional costs incurred such as fees, finance and developer margin.

Development Economics: The assessment of key variables included within a development appraisal; principally items such as house prices, build costs and affordable housing revenue.

E

Existing Use Value (EUV): The value of a site in its current use; for example, farmland, industrial or commercial land.

F

Finance (developer): usually considered in two ways. Finance on the building process; and finance on the land. Relates to current market circumstances

G

Gross Development Value (GDV): the total revenue from the scheme. This may include housing as well as commercial revenue (in a mixed use scheme). It should include revenue from the sale of open market housing as well as the value of affordable units reflected in any payment by a housing association(s) to the developer.

I

Intermediate Affordable Housing: PPS3 Housing defines intermediate affordable housing as housing at prices and rents above those of social rent, but below market
price or rents, and which meet the criteria set out above. These can include shared
equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent.

L

Land Value: the actual amount paid for land taking into account the competition for sites. It should be distinguished from Residual Value (RV) which is the figure that indicates how much should be paid for a site.

Local Plan The plan for the future development of the area, including Core strategies or other policies saved under the 2004 Act.

M

Market Housing: residential units sold into the open market at full market price to owner occupiers, and in some instances, property investors. Usually financed through a mortgage or through cash purchase in less frequent cases.

P

Planning Obligation: a contribution, either in kind or in financial terms which is necessary to mitigate the impacts of the proposed development. Affordable housing is a planning obligation as are, for example, education and open space contributions. (See Section 106)

Proportion or percentage of Affordable Housing: the proportion of the scheme given over to affordable housing. This can be expressed in terms of units, habitable rooms or floorspace

R

Residual Valuation: a key valuation approach to assessing how much should be paid for a site. The process relies on the deduction of development costs from development value. The difference is the resulting 'residue'

Residual Value (RV): the difference between Gross Development Value (GDV) and total scheme costs. Residual value provides an indication to the developer and/or land owner of what should be paid for a site. Should not be confused with land value (see above)

Registered Provider (RP): a housing association or a not for profit company registered with the Homes and Communities Agency and which provides affordable housing

S

Scheme: development proposed to be built. Can include a range of uses – housing, commercial or community, etc

Section 106 (of the Town and Country Planning Act 1990): This is a legally binding agreement between the parties to a development; typically the developer, housing association, local authority and/or land owner. The agreement runs with the land and bids subsequent purchasers. (See Planning Obligation)

Shared Ownership (SO): Also known as a product as 'New Build HomeBuy'. From a developer or land owner's perspective SO provides two revenue streams: to the housing association as a fixed purchase sum on part of the value of the unit; and on the rental stream. Rent charged on the rental element is normally lower than the prevailing interest rate, making this product more affordable than home ownership.

Social Rented Housing (SR): Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are SET through the national rent regime.

Sub Markets: Areas defined in the Viability Study by reference to house price differentials. Areas defined by reference to postcode sectors, or amalgams thereof.

Supplementary Planning Document (SPD): planning documents that provide specific policy guidance on e.g. affordable housing, open space, planning obligations generally. These documents expand policies typically set out in Local Plans and LDFs.

T

Target: Affordable housing target. Sets the requirement for the affordable housing contribution. If say 30% on a scheme of 100 units, 30 must be affordable (if viable).

Tenure Mix: development schemes usually comprise a range of housing tenures. These are described above including market and affordable housing.

Threshold: the trigger point which activates an affordable housing contribution. If a threshold is set at say 15 units, then no contribution is payable with a scheme of 14, but is payable with a scheme of 15. The appropriate affordable housing target is then applied at the 15 units, e.g. 20%, or 30%.

V

Viability: financial variable that determines whether a scheme progresses or not. For a scheme to be viable, there must be a reasonable developer and land owner return. Scale of land owner return depends on the planning process itself.