Bath and North East Somerset Viability Study

Final Report

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Three Dragons

1 INTRODUCTION

Review of project aims

1.1 Bath and North East Somerset Council appointed Three Dragons to undertake a development economics study in relation to a range of housing market circumstances across the District. The project brief set out that the Viability Study will be used by the Council to inform the development of policies in its Core Strategy and other documents in the Councils' Local Development Framework (LDF).

1.2 The brief for the project required the production of a Development Appraisal Toolkit to a) assess the policy impacts on viability, and b) allow the Council to test individual sites subsequent to the completion of the policy testing work. This Viability Study examines the viability of delivering affordable housing by considering a range of possible policy options for new qualifying thresholds and percentages for requiring the provision of affordable housing.

1.3 This report explains the research undertaken to address the brief and the main findings of that research.

Policy context - national

1.4 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)

1.5 The companion guide to PPS3[1] 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

1.6 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 – Bath and North East Somerset

1.7 Policy HG.8 the B&NES Local Plan, adopted in October 2007, states that:

'The Council will seek to secure the provision of 35% affordable housing before determining applications for planning permission in the following circumstances:

- in Bath, Keynsham, Norton-Radstock, Saltford, Peasedown St John and Paulton where permission is sought for 15 dwellings or more or the site has an area of 0.5ha or more; and

- in settlements where the population is 3000 or below, where permission is sought for 10 dwellings or more or the site has an area of 0.5ha or more'.

1.8 This policy position is supported in the Planning Obligations Supplementary Planning Document which was adopted in July 2009. The SPD includes further guidance in relation to affordable housing as Appendix B.

1.9 Policy HG.8 of the Local Plan additionally stated that:

'Higher or lower percentages may be sought in individual cases, taking account of:

i) the proximity of local services and facilities and access to public transport;
ii) whether there are abnormally high costs associated with development of the site;
iii) whether it would prejudice the realisation of other planning objectives that need to be given priority in development of the site; and
iv) distribution of need'

1.10 The SPD Further states that:

'Where the calculations on affordable housing requirement which is not a whole number of units the figure will be rounded up when 0.5 or above and down below 0.5, and that:

The Council will normally expect affordable housing to be provided on site, but in accordance with para B7.60 of the Local Plan, in very exceptional circumstances, the Council will consider provision in other ways'.

1.11 The SPD provides the following guidance to developers:

'If a developer considers that the level of obligations required would render their proposal unviable, then the developer will be expected to provide the full financial details of the proposal to the Council, in a financial appraisal submitted and signed by an appropriately qualified and independent financial

professional. For the Council to consider an "unviable" argument, it will be essential that the developer shares information.'

Monitoring

1.12 The Council's Annual Monitoring Report (2008/2009) provides data on affordable housing delivery and total completions on an annual basis. This is set out in Table 1.1.

1.13 Table 1.1 shows a range in delivery. In 2001 -2 almost half of all completions (48%) were affordable; in 2001-2, 11.0% of all completions were affordable. On average the District delivered over this period almost one in four units as affordable (23.7%).

Table 1.1 Affordable housing delivery as a percentage of all completions

Year	Total Completions	Affordable Completions	% Affordable to Total
2000-1	262	44	16.8
2001-2	208	100	48.1
2202-3	338	39	11.5
2003-4	376	124	33.0
2004-5	225	56	24.9
2005-6	246	27	11.0
2006-7	334	104	31.1
2007-8	557	89	16.0
2008-9	353	76	21.5
Totals	2899	659	22.7

Source: B&NES Annual Monitoring Report 2008 - 2009

1.14 The level of delivery could have been higher in the District as a threshold of 15 operated. On the other hand, some of these completions may be 100% affordable sites (i.e. not delivered through the Section 106 process) thereby having a balancing effect on the data. Rural Exceptions Sites (as 100% rural affordable housing) are low in number and so would not have a significant effect on the overall trends.

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

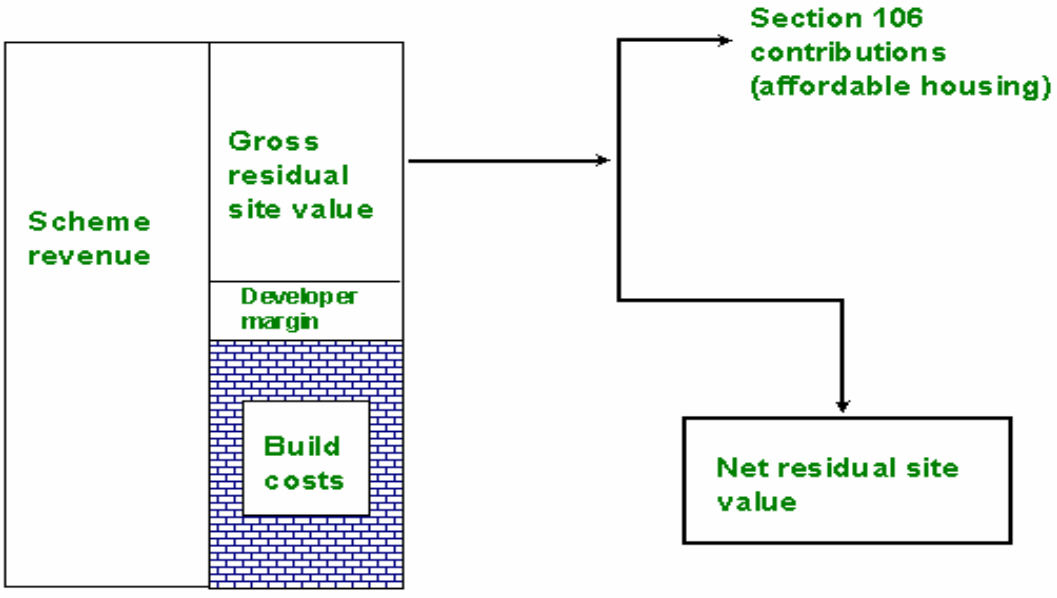
2.1 In this chapter we explain the principles underlying the methodology we have followed. The chapter explains the concept of a residual value approach and the relationship between residual values and existing/alternative use values.

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.

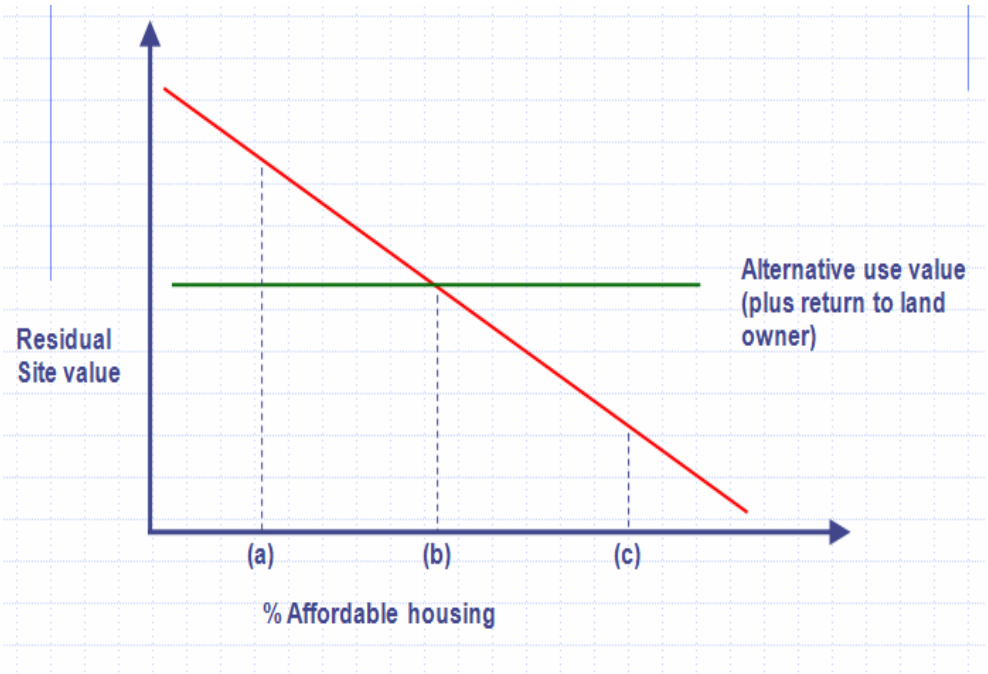
2.5 The net residual value effectively represents what the site is "worth" (the return to the landowner). Calculating what is likely to be the value of a site, given a specific planning permission, is however only one factor in deciding what is viable.

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 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 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.

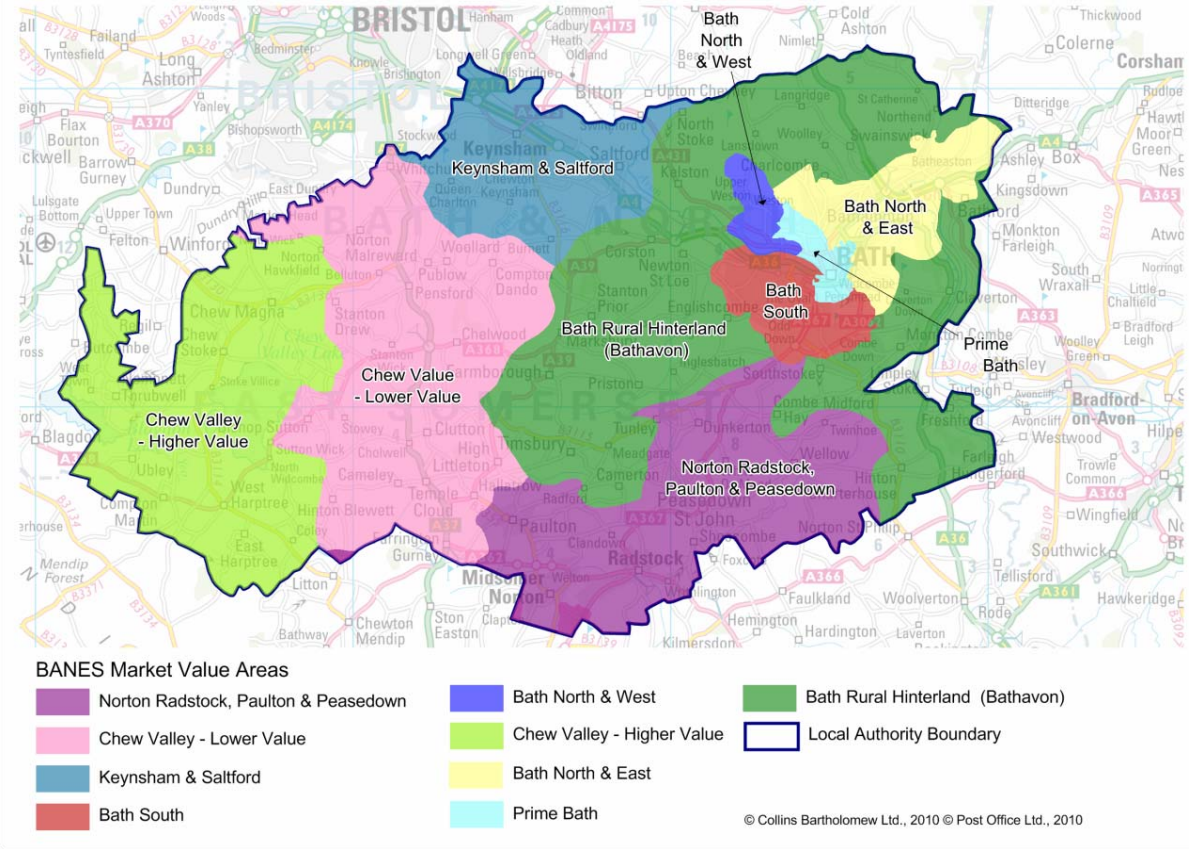
3.3 We undertook a broad analysis of house prices in the District using HM Land Registry data to identify the sub markets. These sub markets are based on post code sectors. The house prices which relate to the sub markets provide the basis for a set of indicative new build values as at April 2010. Table 3.1 and Map 3.1 below set out the sub markets adopted in the study.

Table 3.1 Viability sub markets in the B&NES area

Sub Markets	PCS	Larger settlements	Smaller settlements
Prime Bath	BA1 2	Royal Victoria Park; The Circus	
	BA1 1	City Centre; Station; Green Park Road; Manvers Street	
	BA2 4	Beechen Cliff; Chaucer Road	
Bath Rural Hinterland (Bathavon)	BA1 9		Kelston; Lansdown
	BA1 8		Upper Swainswick; Langridge; Charicombe
	BA2 7		Southstoke; Monkton Combe; Claverton
	BA2 9		Corston; Newton St Loe; Priston; Englishcombe
	BA2 0		Timsbury; Farmborough; Camerton
Bath North and East	BA1 5	Lansdown Road; Beacon Hill	
	BA1 6	London Road; Summerfield Road; Seymour Road;	
	BA2 6	Bathwick & Bathampton	
	BA1 7	Batheaston	
Chew Valley - Higher Value	BS40 6		East Harptree; West Harptree; Compton Martin; Ubley
	BS40 8		Chew Magna; Chew Stoke; Nempnett Thrubwell
Bath North and West	BA1 4	Weston	
	BA1 3	Newbridge Hill	
Bath South	BA2 3	Oldfield Park	
	BA2 2	The Oval; Kingsway; Frome Road; Upper Bloomfield Road	
	BA2 1	Twerton; Whiteway; Southdown	
	BA2 5	Combe Down; Entry Hill GC; Government Offices	
Chew Valley - Lower Value	BS39 4		Wollard; Pensford; Compton Dando; Whitley Batts
	BS39 5		Clutton; Temple Cloud; Bishop Sutton
	BS39 6		High Littleton; Hallatrow; Farrington
	BS14 0		Whitchurch
Keynsham & Saltford	BS31 1	Keynsham East	
	BS31 2	Keynsham West	
	BS31 3	Saltford	
Norton Radstock, Paulton & Peasedown	BS39 7	Paulton	
	BA3 2	Midsomer Norton	
	BA3 3	Radstock	
	BA2 8	Peasedown St John	Wellow; Shoscombe

Source: **Market value areas as agreed between Three Dragons and B&NES and tested at the Viability Workshop**

Map 3.1 Sub Markets in B&NES



3.4 We recognise that within each of these sub markets there will be hot and cold spots and that individual site circumstances may differ from that assumed at a sub market level. It should be noted that the approach here is 'driven' by postcode sectors and that an alternative geographical template would likely produce a map that was at least marginally different at a sub market level. A degree of practicality is needed. It is noted that for example the Norton Radstock, Paulton and Peasedown sub market borders Bath itself as a result of the way in which postcode sector BA2 8 is defined. New development bordering Bath for example may pick up prices from Bath rather than from the wider area of Norton Radstock, Paulton and Peasedown and thus a higher affordable housing requirement be justified.

Testing assumptions (notional one hectare site)

3.5 For the viability testing, we defined a number of development mix scenarios, 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.

3.6 The development mixes were as shows 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	200
1 Bed Flat				15	40	50
2 Bed Flat		5	10	30	60	50
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	100

3.7 We calculated residual scheme values for each of these (base mix) scenarios in line with a further set of tenure assumptions.

3.8 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%, 40%; 45% and 50% affordable targets. These were tested at 75% Social Rent and 25% New Build HomeBuy (previously known as Shared Ownership) in each case.

3.9 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

3.10 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 £15,000 per unit, which reflects the optimum level of contribution likely to be sought in line with the Council's adopted Planning Obligations SPD. 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

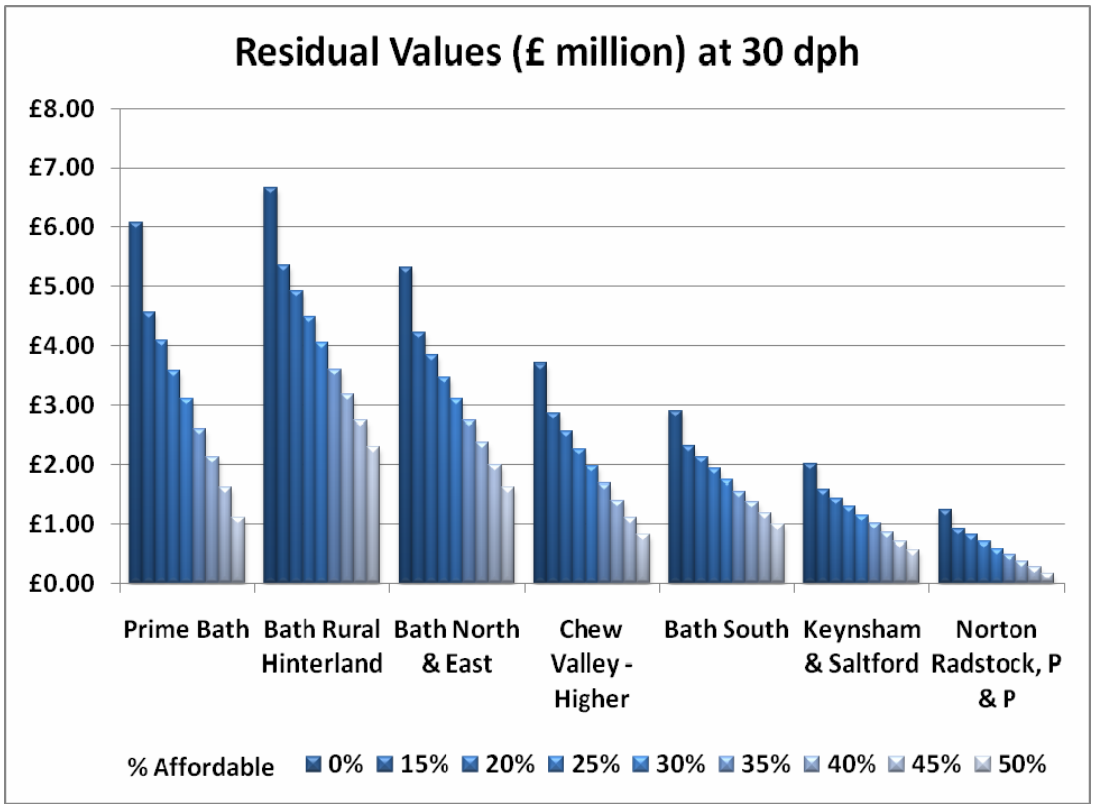
3.11 This section looks at a range of development mixes and densities. It shows the impacts of increasing the percentage of affordable housing on residual

site values. The full set of results is shown in Appendix 3. (The term "housing" is used generically and may apply to houses or flats, as appropriate to the baseline testing for each modelled scheme). The charts show results for seven of the nine sub markets areas. Chew Valley Lower Value and Bath North and West are omitted for the purposes of greater presentational clarity. The results for Bath South are a fair proxy for both Bath North and West and Chew Valley Lower Value.

Residual values at 30 dph

3.12 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 strong positive residual values. Residual values at 30% affordable housing for example range from £4.0 million per hectare in Bath Rural Hinterland to almost £0.6 million per hectare in Norton Radstock, Paulton & Peasedown.

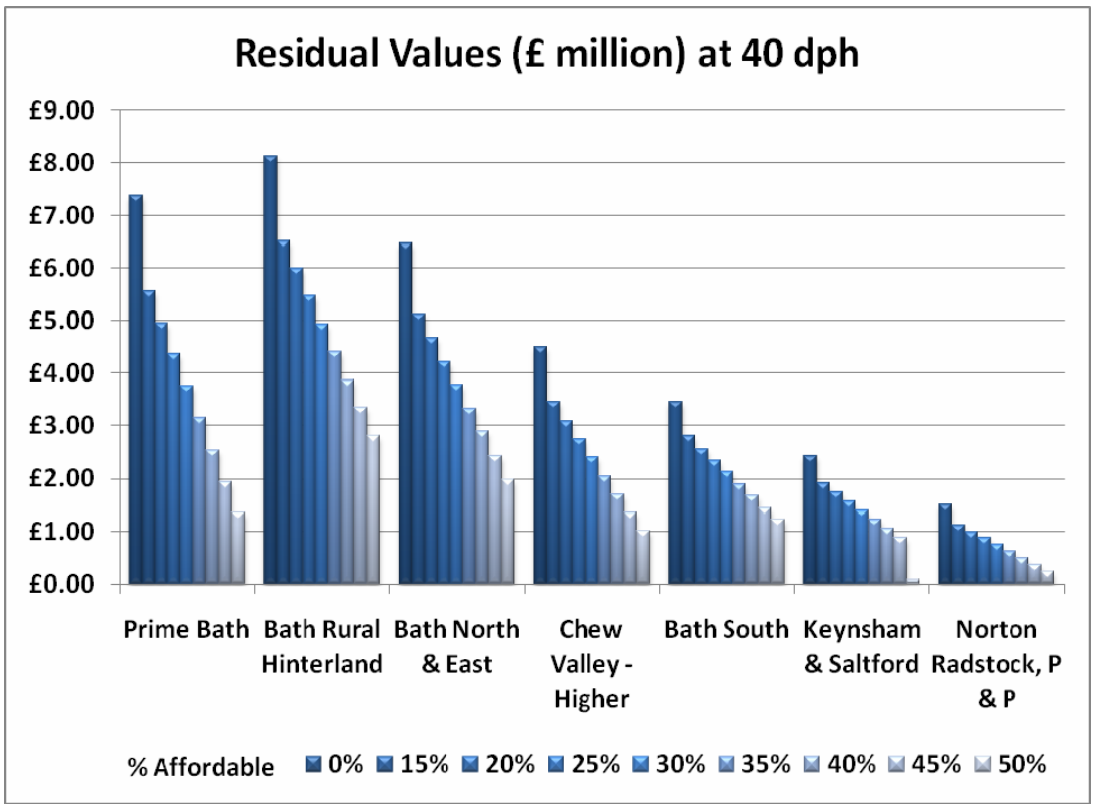
- The chart shows that there is no particular urban rural 'split; in residual values. High residuals are found in urban areas (e.g. Bath North and East and Prime Bath) as well as rural ones (e.g. Bath Rural Hinterland); similarly, lower residuals are found in both urban (eg Keynsham and Saltford as well as rural locations (e.g. Chew Valley Lower Value).

- The range in values is very significant. A 50% affordable housing contribution generates a residual which is almost double that generated by a nil affordable housing contribution in Norton Radstock. These differences have potentially important implications for policy making and question the robustness of a single policy target.

Residual values at 40 dph

3.13 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. All are positive; i.e. scheme revenue exceeds scheme costs. There are broadly four groups of sub markets. First, Bath Rural Hinterland, which has significantly higher residual values than the other sub markets. Then (second), Prime Bath and Bath North and East; third, Chew Valley Higher Value and Bath South (implicitly including Chew Valley Lower Value and Bath North and East) and fourth, Keynsham and Saltford, Norton Radstock, Paulton and Peasedown.

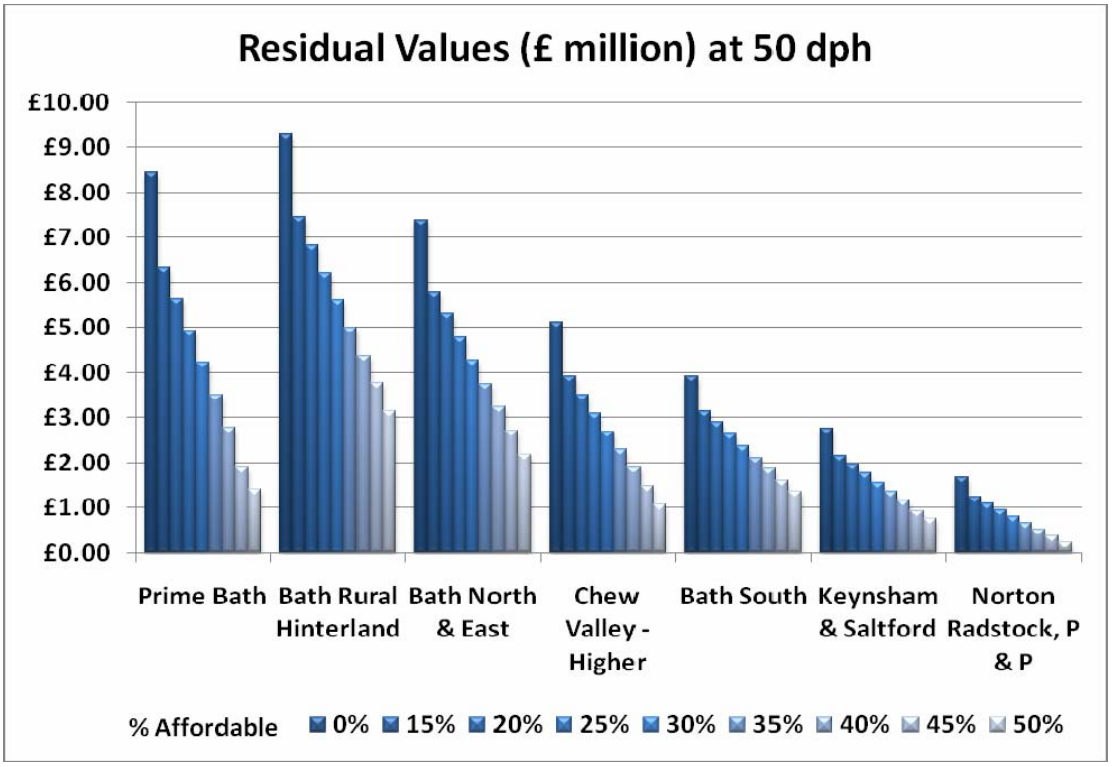
- In the second group of sub markets (Prime Bath and Bath North and East, selling prices of new build units are expected to be significantly higher in Prime Bath. However, due to higher build costs in that location, there is some balancing in the residual value with Bath North and East.

- 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 £15,000 per unit) on lower value areas

Residual values at 50 dph

3.14 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

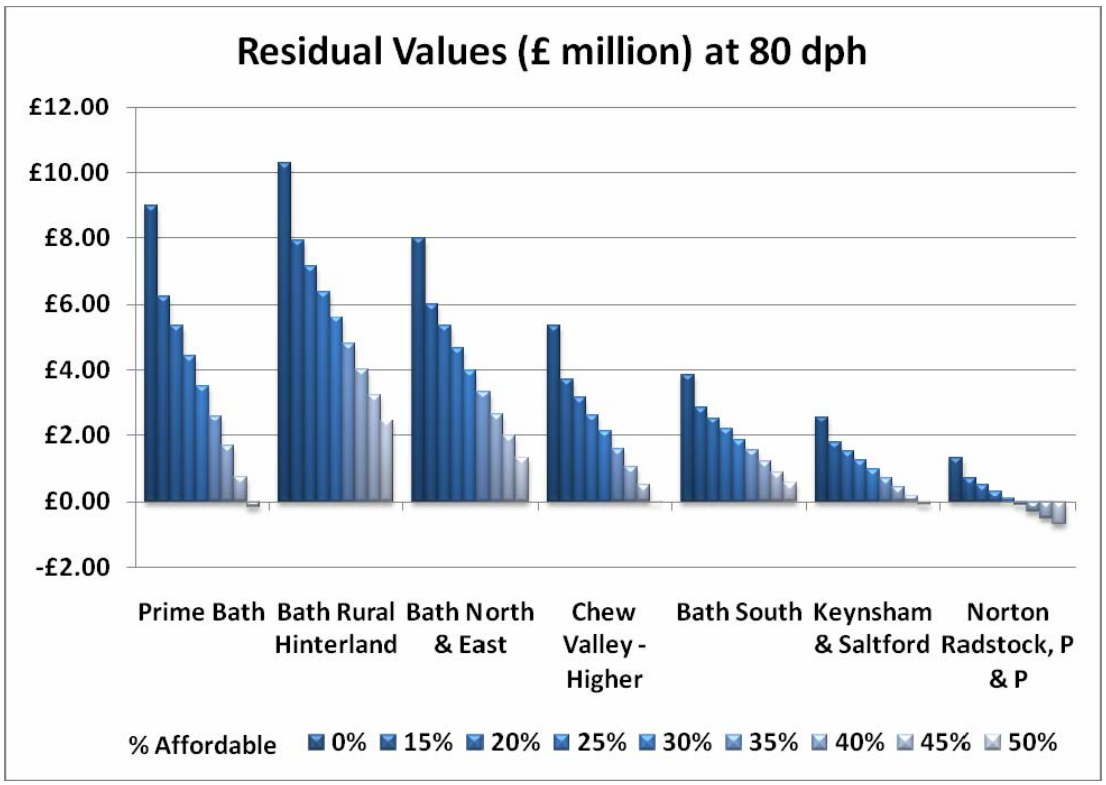


- As for the 30 and 40 dph scenarios, a range of positive land values is shown.
- An increase in density from 30 dph and 40 dph to 50 dph increases residual value in all scenarios (see Appendix 3). This is an outcome to be expected in a location such as B&NES where the housing market is relatively buoyant (in locations where house prices are low, increased density often decreases residual value).
- Significant residual values are seen across all locations. Residual value ranges from £4.4 million per hectare in Bath Rural Hinterland to £0.5 million per hectare in Norton Radstock (at 40% affordable housing). In a mid market location such as Chew Valley Higher, residual value at 40% affordable housing is approaching £2 million per hectare.
- 50 dph is probably the optimal density at which affordable housing contributions can be maximised in the B&NES area. At higher density, residuals are lower in several instances (see Figures 3.4, 3.5 and 3.6).

Residual values at 80 dph

3.15 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

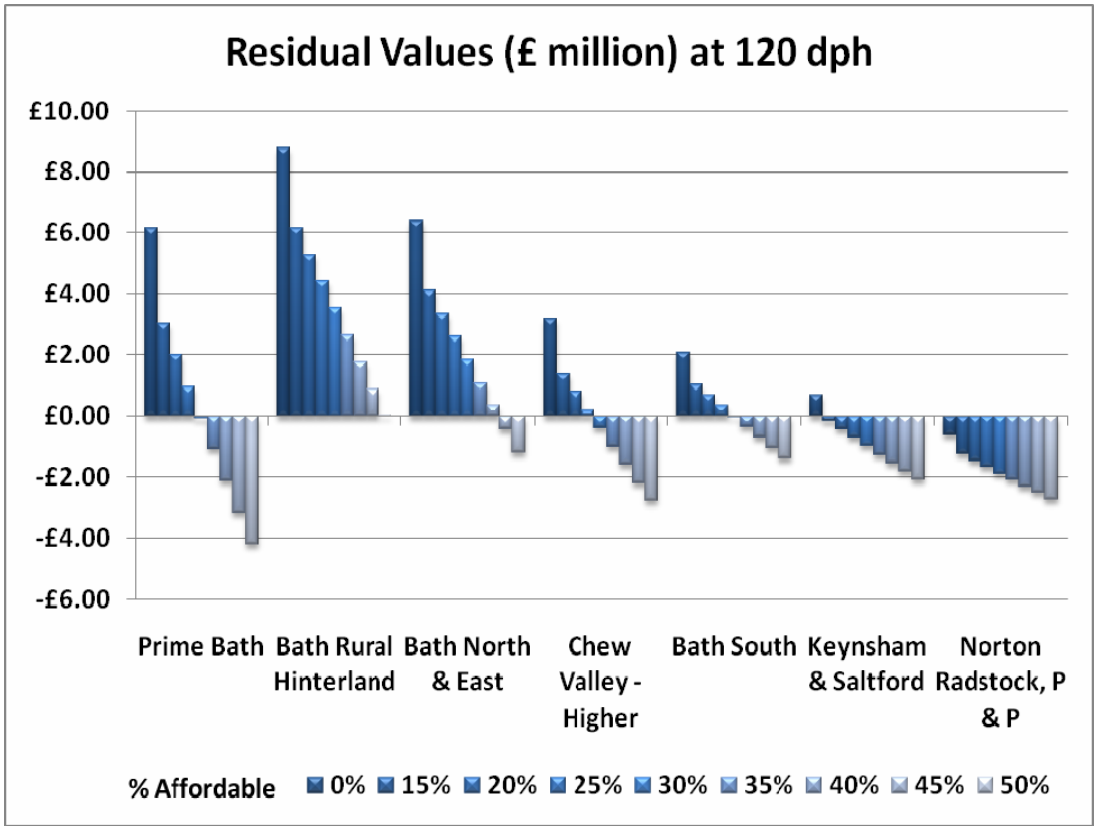


- At a higher density the development mix will change significantly to include a higher proportion of smaller housing units. The mix we have modelled here assumes 100% flats and terraces. The impact of going from a 50 dph scheme to one of 80 dph is to 'stretch' the range fo residual values. For example, 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.
- This trend emerges 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.
- Figure 3.4 shows that, for the first time, residual value is negative – in the case of Norton Radstock, Paulton and Peasedown. At 40% affordable housing, residual value is minus £300,000. This suggests that lower density housing (30 dph to 50 dph) will provide a stronger basis in the weaker sub markets from which to require Section 106 contributions.
- It will also be noted that residual value is also negative in Prime Bath at 50% affordable housing, reflecting higher development costs.

Residual values (at 120 dph)

3.16 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

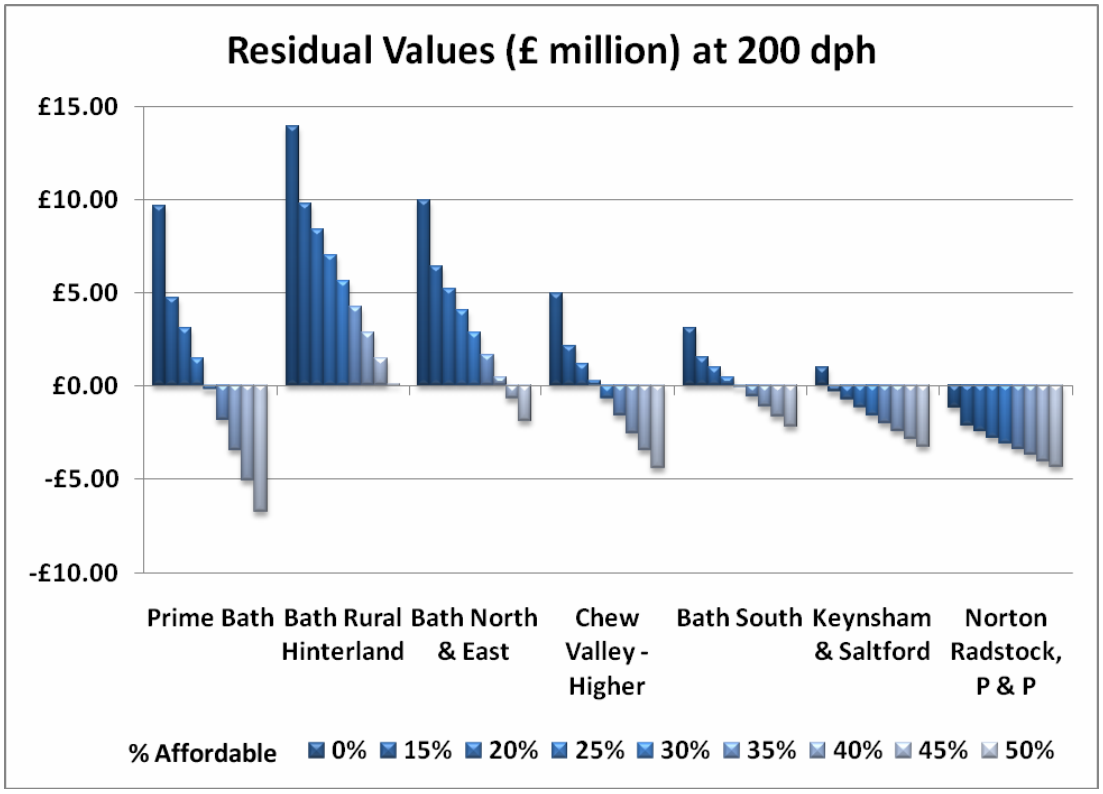


- At 120 dph, all areas with the exception of Bath Rural Hinterland show negative residual values. The evidence suggests that schemes of 100% market housing in locations such as Keynsham and Norton Radstock will produce nil or negligible residual value.
- In Prime Bath, 30% affordable housing produces a marginally negative residual value, and at 40% affordable housing, residual value is minus £2.15 million.
- Only in Bath Rural Hinterland and Bath North and East do residual values hold up relatively robustly. At 30% affordable housing in Bath North and East, residual value is approaching £2 million per hectare.
- At 120 dph, the scheme is assumed to contain only flats: 40% one bed flats and 60% two bed flats.

Residual values (at 200 dph)

3.17 Figure 3.6 shows residual values for a 200 dph scheme and the residual values for each of the sub markets.

Figure 3.6 Housing development (at a density of 200 dph) – Residual value in £s million



- The 200 dph scenario assumes half the scheme will be built as one bed flats and the other hlaf as two bed flats.
- Very severe negative residual values are now seen in the case of Keynsham and Norton Radstock, indicating that unless the development is located in a 'hot spot' (and probably commensurately with lower development costs), this type of development is unlikely to come forward in these locations.
- Similar lessons apply at 200 dph as at 120 dph. Bath Rural Hinterland and Bath North and East provide mainly robust residual values (dependent on the percentage target for affordable housing), with most other sub marktes looking unlikley to deliver significant volumes of affordable housing.

Impacts of potential grant funding

3.18 The availability of public subsidy (in the form of grant) can have a significant impact on scheme viability. Grant given to the affordable housing providers enables them to pay more for affordable housing units, thus increasing overall scheme revenue and therefore the residual value of a mixed tenure scheme. The main sources of grant which may be available is from the Homes and Communities Agency (HCA).

3.19 We have thus far carried out testing on the basis that grant is not available. Here we look at a 'with grant' scenario. For the scenarios where grant is assumed to be available, a grant of £50,000 per Social Rented unit and £15,000 per New Build HomeBuy unit has been assumed. This level of grant has been used elsewhere by Three Dragons as a reasonable assumption and was run past workshop delegates without alternative figures being suggested.

3.20 For our testing, we have tested 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 3.2.

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 75% Social Rent: 25% Shared Ownership

40 Dph £million	Bath RH		Chew Valley – Higher Value		Bath South		Keynsham & Saltford		Norton Radstock, P & P	
	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant
20% AH	£5.99	£6.32	£3.10	£3.43	£2.80	£3.13	£1.75	£2.08	£0.99	£1.32
30% AH	£4.93	£5.43	£2.40	£2.90	£2.12	£2.62	£1.40	£1.90	£0.74	£1.24
40% AH	£3.87	£2.55	£1.70	£2.36	£1.67	£2.33	£1.05	£1.71	£0.49	£1.15
50% AH	£2.81	£3.64	£1.00	£1.82	£1.22	£2.05	£0.07	£0.90	£0.23	£1.06

AH = percentage affordable housing

3.21 Table 3.3 shows that the availability of grant will enhance site viability in all scenarios.

3.22 As a general rule, the introduction of grant has a greater proportionate impact in the weaker sub markets. For example, in Norton Radstock, there is a 2.35 fold increase in the residual value at 40% affordable housing (from £0.49m per hectare to £1.15m). The equivalent uplift in Bath Rural Hinterland sub market is 50%.

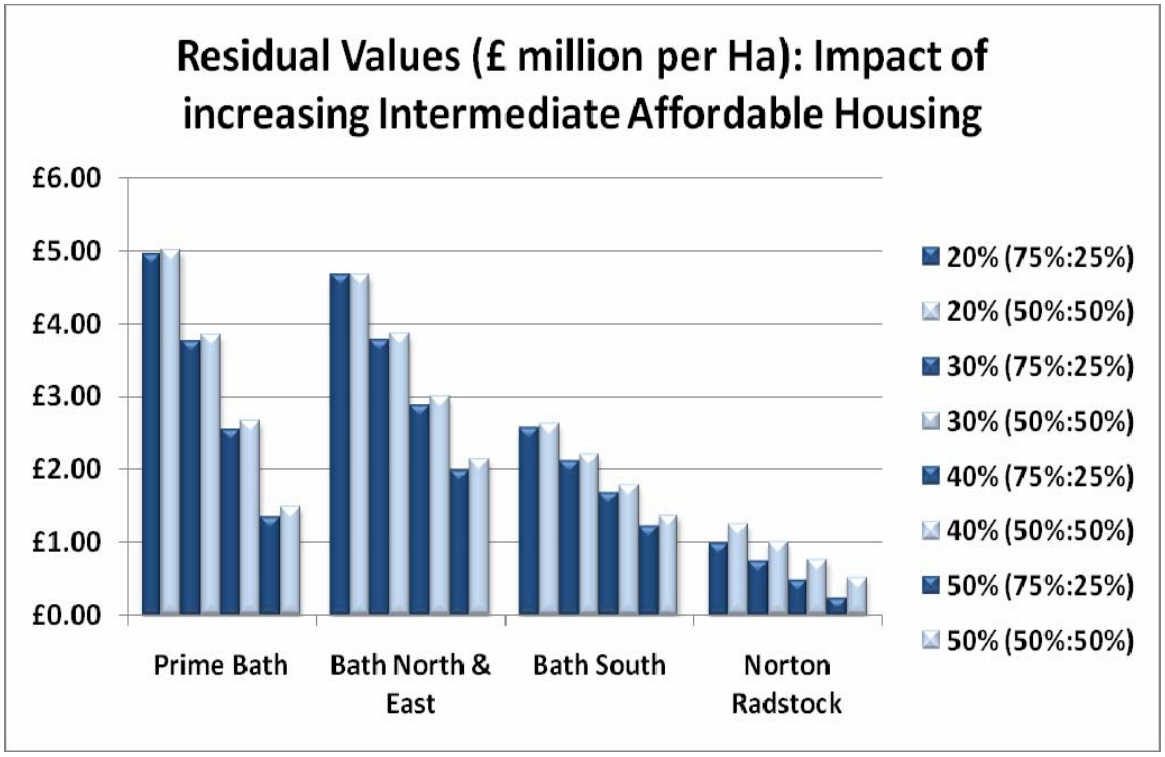
3.23 We would question the requirement for grant in many instances, particularly in the higher value sub markets. There is a danger that grant simply bolsters land owner value, or land owner expectation, which would seem counter-intuitive to the objective of the Section 106 process and the use of public subsidy.

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

3.24 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 75% Social Rent and 25% 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 Ownerhip versus 75% Social Rent and 25% Shared Ownership (No grant both scenarios)



3.25 Table 3.4 shows that tenure switch (from a 75%:25% split to a 50%:50% split) will increase residual value in all sub market areas. The increase will be more significant in lower value sub markets and at higher overall percentages of affordable housing. For example at 40% affordable housing in Norton Radstock residual value increases from £490,000 per hectare to £760,000 per hectare. At 20% affordable housing in Prime Bath, at the other end of the price scale, residual value increases only from £4.67 million per hectare to £5.01 million. The proportionate increase in the former is 55%, whilst in the latter it is only 7%.

3.26 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. To balance this, we added 25% to the RSL payments for Shared Ownership to reflect an increase over and above current payments. This makes intermediate affordable housing look more viable over the longer term. In practice 25% may prove a conservative estimate over the longer Plan period in which case we would expect to see the higher value

areas benefitting more in viability terms from an increased element of intermediate affordable housing.

3.27 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.

Market sensitivity

3.28 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 April 2010

3.29 Table 3.5 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 3.5 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 75% Social Rent: 25% Shared Ownership

		Bath Rural Hinterland	Chew Valley - Higher	Norton Radstick, Paulton & Peasedown
Price increase +10%	0%AH	£9.50	£5.55	£2.09
	20%AH	£7.12	£3.94	£1.47
	30%AH	£5.92	£3.14	£1.16
	40%AH	£5.24	£2.33	£0.84
	50%AH	£3.52	£1.53	£0.53
Baseline	0%AH	£8.11	£5.12	£1.67
	20%AH	£5.99	£3.50	£1.10
	30%AH	£4.93	£2.69	£0.81
	40%AH	£3.87	£1.88	£0.51
	50%AH	£2.81	£1.06	£0.23
Price decrease-10%	0%AH	£6.71	£3.46	£0.91
	20%AH	£4.87	£2.27	£0.52
	30%AH	£3.94	£1.67	£0.33
	40%AH	£3.02	£1.08	£0.13
	50%AH	£2.11	£0.48	-£0.06

AH = percentage of affordable housing

3.30 Table 3.5 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.

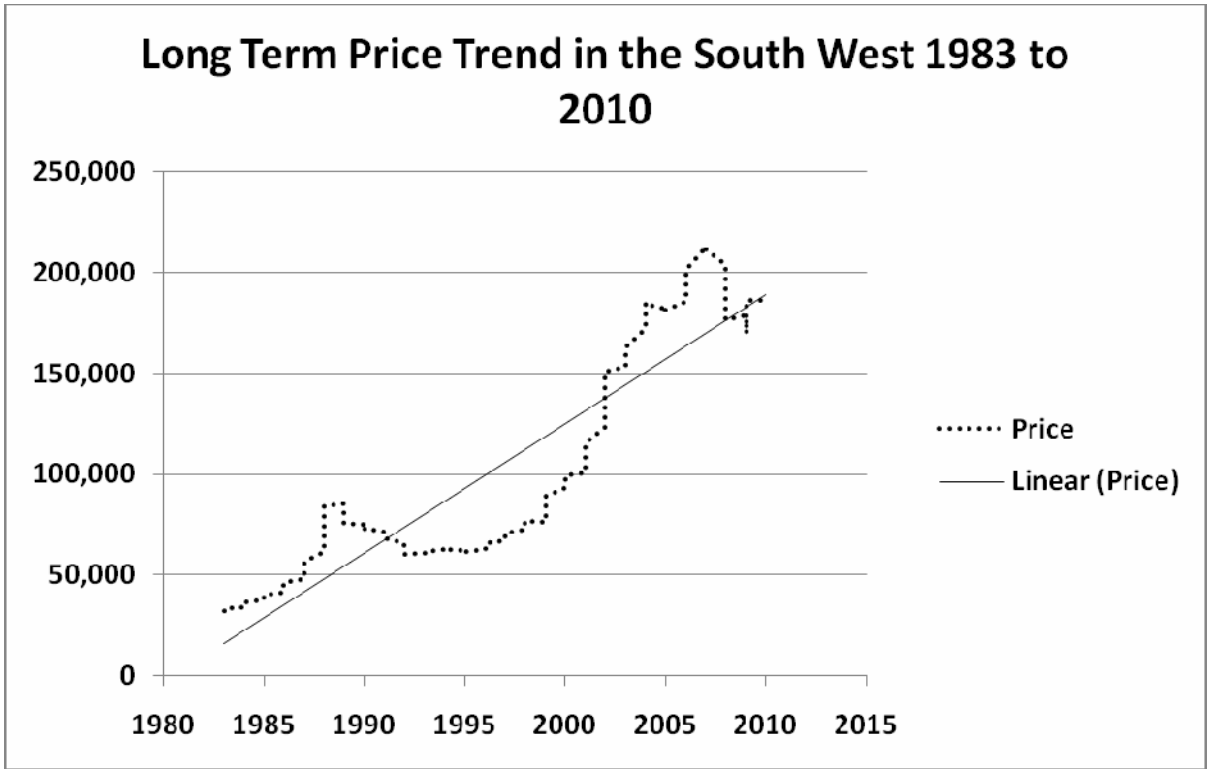
3.31 For example, with 30% affordable housing, a 10% increase in house prices will bring about a 43% increase in residual values in the Norton Radstock (Paulton and Peasedown) sub market, compared to a 20% increase in Bath Rural Hinterland for the equivalent scenario.

3.32 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 Norton Radstock could have significant implications for housing supply at the higher affordable housing target levels.

3.33 An alternative measure of viability is to look at the relationship between short and long term trends. Figure 3.7 shows trends for the South West region. It demonstrates the short term volatility in house prices against the long term straight line trend.

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

Figure 3.7 Long term house price trend



Source: Halifax House Price Index November 2009

3.35 Figure 3.8 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.

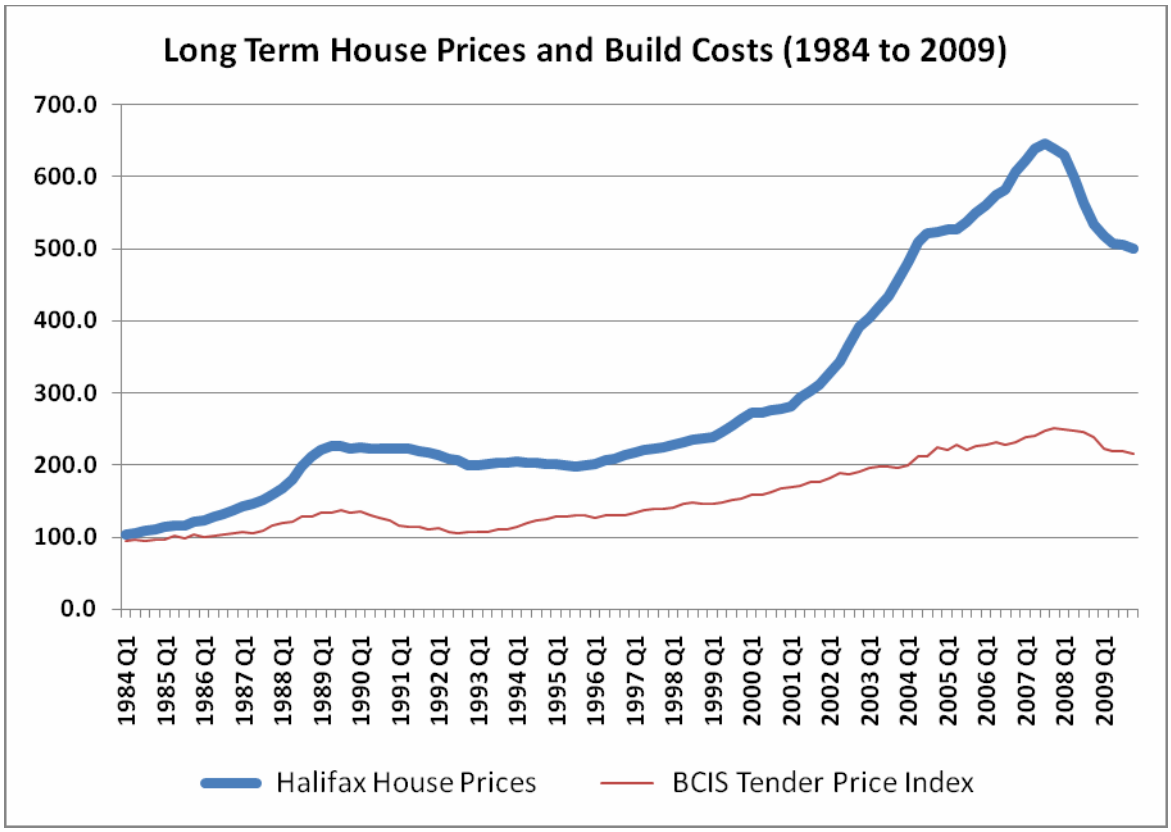
3.36 The trends in Figures 3.7 and 3.8 need careful interpretation. Whilst we appear to be in a market which is not far away from long term trend, it is clear that over time the gap between prices and costs has widened significantly in

recent years leading to one conclusion that affordable housing has become increasingly viable to deliver as time has gone by.

3.37 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.

3.38 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 3.8 Long term house prices and build costs



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

3.39 Figure 3.8 sets out 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

3.40 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.

3.41 As discussed at the workshop, 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 £5000 per unit Moving to Code Level 4 could therefore generate additional costs of around £200,000 per hectare (based on a 40 dph scehme) for example.

3.42 These costs are broadly consistent with the CAMCO report for the Council (June 2009) which estimates an additional cost of between £4,000 and £7,000 per unit to achieve Level 4 depending on the extent to which wind power is used.

3.43 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 5% at the top of the market (Peripheral villages) but will reduce residuals by 32% at the bottom of the market. This figures relate to a 40 dph scheme at 35% affordable housing. At the top of the market this is unlikely we feel to prevent land being brought forward, although at the bottom the impacts are more significant and will be likely to make other forms of land use much more competitive to housing.

3.44 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.

3.45 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 achieiving 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 lower Section 106 package

3.46 We tested for residual value assuming a lower (than £15,000 per unit) planning gain package; at £7,500 per unit.

3.47 This will increase residual value by £225,000 at 30 dph; and by £375,000 at 50 dph.

3.48 We estimate residual value will increase by around 5% at the top of the market at 35% affordable housing, and by around 20% at a location such as Keynsham and Saltford.

3.49 The quantum of these changes will not we feel, be significant in higher value areas; that is to say they are unlikely to make the difference between sites coming forward, or not. However in the lower value locations, a reduced contribution of £7,500 might well be significant to viability.

Lifetime Homes

3.50 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.

3.51 Thus residual values could be expected to hold up well under these circumstances.

Benchmarking results

3.52 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.

3.53 One approach is to take "current" land values for different development uses as a kind of 'going rate' and consider residual values achieved for the various scenarios tested against these. Table 3.7 shows residential land values for selected locations within the East of England.

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

3.54 The table indicates a range of land values for Bath (best comparable for B&NES). Site values range from £2.5 million per hectare for small sites to £1.8 million per hectare for bulk land.

3.55 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

3.56 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

3.57 This Study has assessed the residual value for a notional 1 hectare site for a series of scenarios across seven market value areas identified in the District.

3.58 The market value areas perform very differently and, for the same set of assumptions about density/development mix and proportion of affordable housing, different residual values have been found.

3.59 The B&NES area produces buoyant residual values in the main, particularly up to 50 dph. Higher density does not necessarily increase residual value; in lower value areas higher density actually impacts negatively on scheme viability.

3.60 The baseline testing was on the assumption of nil grant with an affordable housing tenure split of 75% social rent and 25% intermediate affordable housing. The introduction of grant enhances residual values, having a greater proportionate impact in the lower value market value areas.

4 LAND SUPPLY, SMALL SITES AND USE OF COMMUTED SUMS

Introduction

4.1 This chapter reviews the policy context and options for identifying the size of sites above which affordable housing contributions would be sought, in the national policy context. The current threshold operating in the B&NES area is 15 dwellings (0.5 Ha) in Bath, Keynsham, Norton Radstock, Saltford, Peasedown and Paulton and 10 dwellings (0.5 Ha) in settlements of 3,000 or less.

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 B&NES Council currently has thresholds of 15 and 10 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 future site supply profile.

Site size analysis

We have analysed data on recent permissions (2007-8; 2008-9; 2009-10) 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

ALL		
Site Size	No of Dwellings	% of Total
1 to 4	563	26.58
5 to 9	263	12.42
10 to 14	179	8.45
15 to 24	95	4.49
25 to 49	78	3.68
50 to 100	135	6.37
> 100	805	38.01
	2118	100.00

Source: B&NES Planning Permissions data for 2007/08, 2008/09 and 2009/10.

4.6 Table 4.1 shows that overall across the District, small sites make a very important contribution to supply. The table suggests that 47% of all new dwellings granted permission during the period analysed will be developed on sites of less than 15 dwellings. Further, that 39% of all dwellings granted permission over the period will be developed on sites of less than 10 dwellings and that 27% 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 City of Bath, then the larger settlements (Bathavon, Keynsham, Norton Radstock and Midsomer Norton) and then the smaller settlements.

4.8 Table 4.2 shows that Bath relies to a very significant extent on small sites. 57% 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 to capture an increased volume of affordable housing in a location where values are high.

4.9 With respect to the larger settlements, there is, as with Bath, a high reliance on small sites; 45% of all recent permissions will be delivered on sites of less than 15 dwellings. 34% of all dwellings will be delivered on sites of less than 10 dwellings. We believe that this gives a good indication of the likely proportion of all supply that will avoid an affordable housing contribution under the current threshold framework.

Table 4.2 Site supply by scheme by settlements

	Bath		Bathavon; Keynsham; M. Norton & Radstock		Smaller settlements	
Site Size	No of Dwellings	% of Total	No of Dwellings	% of Total	No of Dwellings	% of Total
1 to 4	241	31.50	143	22.03	179	25.43
5 to 9	112	14.64	80	12.33	71	10.09
10 to 14	85	11.11	70	10.79	24	3.41
15 to 24	0	0.00	23	3.54	72	10.23
25 to 49	0	0.00	40	6.16	38	5.40
50 to 100	0	0.00	83	12.79	52	7.39
> 100	327	42.75	210	32.36	268	38.07
	765	100.00	649	100.00	704	100.00

Source: B&NES DC (planning permissions data for 2007/08, 2008/09 and 2009/10).

4.10 In the smaller settlements, 39% of all dwellings will be developed on sites of less than 15 dwellings. This is significant, but (Para 4.8 above) suggests less reliance on small sites than in Bath itself.

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. The workshop considered the situation where there could be as few as one or two units on each site.

4.14 The housing associations present at the workshop did not object in principle to taking on small numbers of affordable homes and numbers of affordable homes as low as one or two can be acceptable. The key issue for RSLs is always location. However, 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 accepted at the development industry workshop as has been the case elsewhere where we have run similar workshops. It will be noted (Table 3.7) that small sites can achieve higher land values than larger ones, suggesting that the economics of developing smaller sites could actually be more favourable than developing larger ones.

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 B&NES area. The chart shows incidences of planning permission for different types of scheme.

Figure 5.1 Incidences of planning permission 2007 to 2009

5.5 The data on recent planning permissions suggests that a significant number (34% of all incidences of planning permission) of the small sites involve the development of land which might be termed residential ancillary or infill. Garden land is the most significant source here. Of these sites, 21% of all incidences of planning consent are developments of one dwelling on garden sites.

5.6 5% of all incidences of planning permission involve the demolition of existing housing. The majority of these are 'one for one' schemes, where one dwelling is demolished to make way for another dwelling.

5.7 A significant category of supply is employment land. This comprises industrial land, sites for storage use and other ancillary industrial uses. These sites make up 11% of all incidences of planning consent. 4% of all incidences of planning consent are made up from shop and office conversions. These are mainly small scale.

5.8 Developments on agricultural land and barn conversions make up 5% of all incidences.

5.9 There are then a range of schemes which are not easily categorised. We have termed these 'Miscellaneous'. They make up around 17% of all incidences of planning permission.

5.10 On the basis of the data, we have selected four case studies for further investigation. These are shown in Table 5.1and test a sample of sub market circumstances.

Table 5.1 Case study sites

Case Study	No of dwellings	Type of new development	Site Size (Ha)	Dph	Comment
A	**1**	1 x 4 bed detached house	0.03	32	Significant source of supply. Garden land a key source
B	**2**	1 x 3 bed detached house; 1 x 4 bed detached house	0.05	40	Covers new build and schemes and where 2 new homes replace an existing dwelling.
C	**4**	2 x 3 bed semis; 3 x 4 bed detached	0.1	50	Covers new build and schemes where 4 new build replace one existing dwelling.
D	**8**	2 x 2 bed flats 4 x 3 bed terraces 2 x 4 bed detached	0.125	64	Higher density scheme. Covers more typically industrial and commercial sites.

For each case study we have undertaken an analysis of residual values for a selection of sub markets. We test at 20%, 30%, 40% and 50% 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

5.11 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				
	0%	**20%**	**30%**	**40%**	**50%**
Bath Rural Hinterland					
(RV for scheme)	**£303,000**	**£222,000**	**£181,000**	**£140,000**	**£100,000**
(RV per ha)	**£10.1**	**£7.39**	**£6.05**	**£4.68**	**£3.34**
Bath North and East					
(RV for scheme)	**£243,000**	**£174,000**	**£138,000**	**£104,000**	**£69,000**
(RV per ha)	**£8.10**	**£5.79**	**£4.62**	**£3.48**	**£2.31**
Bath South					
(RV for scheme)	**£132,000**	**£95,000**	**£76,000**	**£58,000**	**£40,000**
(RV per ha)	**£4.40**	**£3.16**	**£2.55**	**£1.95**	**£1.34**

Keynsham and Saltford					
(RV for scheme)	**£92,000**	**£63,000**	**£49,000**	**£34,000**	**£20,000**
(RV per ha)	**£3.07**	**£2.09**	**£1.62**	**£1.15**	**£0.67**

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).

5.12 Table 5.2 shows that the development of one new detached house will generate a substantial residual value even with 40% affordable housing equivalent contribution and across all market value areas. For example, a building plot for this type of dwelling in Bath Rural Hinterland would be expected to generate around £140,000. In Bath South the plot value (40% affordable) will be around £60,000. 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 very substantial. For sites taken from garden land, this will also be the case although a devaluation to the existing dwelling may also occur. We would expect the economics of development on small sites on agricultural land to be similar here.

5.13 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 £300,000 for a building plot – on the basis of a market unit. 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.

5.14 This type of scheme (demolition and replacement) may work best for self build projects where a profit margin is keener.

5.15 Where a dwelling is built on employment land, typically industrial the data shows (Table 3.8 above) that the site would be likely to have to achieve around £750,000 per hectare plus a reasonable margin; in practice we would say around £900,000. Schemes of one dwelling (Table 5.2) will achieve this benchmark in all instances with the exception of Keynsham and Saltford at 50% affordable housing.

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

5.16 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				
	0%	20%	30%	40%	50%
Bath Rural Hinterland					
(RV for scheme)	**£541,000**	**£393,000**	**£319,000**	**£245,000**	**£171,000**
(RV per ha)	**£10.82**	**£7.87**	**£6.38**	**£4.89**	**£3.41**
Bath North and East					
(RV for scheme)	**£429,000**	**£303,000**	**£241,000**	**£179,000**	**£114,000**
(RV per ha)	**£8.58**	**£6.07**	**£4.82**	**£3.56**	**£2.29**
Bath South					
(RV for scheme)	**£231,000**	**£164,000**	**£132,000**	**£99,000**	**£65,000**
(RV per ha)	**£4.62**	**£3.29**	**£2.64**	**£1.97**	**£1.31**
Keynsham and Saltford					
(RV for scheme)	**£155,000**	**£104,000**	**£78,000**	**£53,000**	**£27,000**
(RV per ha)	**£3.10**	**£2.09**	**£1.56**	**£1.06**	**£0.55**

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).

5.17 Similar arguments apply to Case Study 1 and 2. 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.

5.18 At the top end of the market – Bath Rural Hinterland - schemes are achieving close to £5 million per hectare at 40% affordable housing equivalent contribution and at the bottom end (Keynsham), around £1 million per hectare. In mid to lower market B&NES, residual values are close to £2 million per hectare at 40% affordable housing.

5.19 We believe that small sites in employment use which are developed for residential will yield affordable housing contributions up to 40% affordable housing in most locations.

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

5.20 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

5.21 **Table 5.4 Develop two semis and two detached houses**

	% Affordable Housing				
	0%	20%	30%	40%	50%
Bath Rural Hinterland					
(RV for scheme)	**£1,034,000**	**£758,000**	**£620,000**	**£482,000**	**£344,000**
(RV per ha)	**£10.03**	**£7.58**	**£6.20**	**£4.82**	**£3.44**
Bath North and East					
(RV for scheme)	**£826,000**	**£591,000**	**£474,000**	**£357,000**	**£240,000**
(RV per ha)	**£8.26**	**£5.91**	**£4.74**	**£3.57**	**£2.40**
Bath South					
(RV for scheme)	**£446,000**	**£323,000**	**£263,000**	**£201,000**	**£140,000**
(RV per ha)	**£4.46**	**£3.23**	**£2.63**	**£2.01**	**£1.40**
Keynsham and Saltford					
(RV for scheme)	**£310,000**	**£215,000**	**£167,000**	**£119,000**	**£72,000**
(RV per ha)	**£3.10**	**£2.15**	**£1.67**	**£1.19**	**£0.72**

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 generates strong residual values, reflected in most scenarios tested. In Bath Rural Hinterland, residual value at 30% affordable housing is £6.20 million per hectare and in Keynsham it is £1.7 million per hectare at the same level of contribution.

5.22 We would expect these residuals to encourage sites to come forward from the majority of existing uses. At the lower end of the market, residuals are clearly lower, but nevertheless generating £36,000 per plot in Keynsham at 50% affordable housing.

5.23 Where a scheme for four new build units replaces a demolished dwelling, we believe the Council would be justified in requiring an affordable housing contribution. Taking into account likely existing use values we suggest targets for these types of schemes should be 30% affordable housing in higher values locations; 20% in mid market locations and 10% in the lower value sub markets.

Case study D – Develop 8 units on a 0.125 Ha site

5.24 There will be a number of smaller schemes coming forward, particularly on employment land. We model here 8 dwellings: 2, two bed flats, 4, three bed terraces and 2, 4 bed detached houses.

Table 5.5 Develop 8 units

	% Affordable Housing				
	0%	20%	30%	40%	50%
Bath Rural Hinterland					
(RV for scheme)	**£1,713,000**	**£1,242,000**	**£1,008,000**	**£772,000**	**£538,000**
(RV per ha)	**£13.70**	**£9.94**	**£8.06**	**£6.18**	**£4.30**
Bath North and East					
(RV for scheme)	**£1,369,000**	**£967,000**	**£767,000**	**£566,000**	**£366,000**
(RV per ha)	**£10.95**	**£7.74**	**£6.13**	**£4.53**	**£2.93**
Bath South					
(RV for scheme)	**£728,000**	**£520,000**	**£415,000**	**£311,000**	**£208,000**
(RV per ha)	**£5.82**	**£4.16**	**£3.32**	**£2.49**	**£1.66**
Keynsham and Saltford					
(RV for scheme)	**£328,000**	**£200,000**	**£136,000**	**£71,000**	**£8,000**
(RV per ha)	**£2.62**	**£1.60**	**£1.09**	**£0.57**	**£0.06**

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 (64 dph) increases residual value (Over Case Study C) in the higher value areas but decreases residual in the lower value areas.

5.27 Where the scheme is developed on industrial or similar land, we think that these types of schemes will be viable in all instances with the exception of sites in Keynsham and Saltford where over 30% affordable housing is sought.

Other types of small schemes

5.28 Figure 5.1 identified a number of small schemes where viability is very difficult to assess for the purposes of policy making. Conversion schemes are typically very difficult since conversion costs vary hugely. Normally we would expect conversion costs to be lower than new build but this is not always the case. With conversions existing use value will frequently be higher than

where a new build scheme takes place. We recommend that the Council assess these schemes as they are brought forward by the use of the B&NES Viability Toolkit.

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 of planning permissions suggests that a high proportion of sites in the District will be likely to come from residential land e.g. gardens or back land.

5.33 Nevertheless, a significant number of schemes involve the demolition of a single dwelling, or more dwellings. Where a dwelling is to be replaced by one or two new dwellings, we believe the economics are not favourable to the provision of affordable housing. At four new dwellings and above however, we believe that affordable housing contributions are normally viable.

5.34 There are a significant number of sites in employment use. We think these sites are generally not a challenge to viability and that in most instances (the exceptions are lower value areas with higher proportions of affordable housing) these sites will deliver affordable housing at the current policy target.

6 MAIN FINDINGS AND CONCLUSIONS

Sub market areas

6.1 Our analysis of the housing market in the District indicated that there are nine sub markets: Prime Bath, Bath Rural Hinterland (including Bathavon), Bath North and East, Chew Valley – Higher Value, Bath North and West, Bath South, Chew Valley – Lower Value, Keynsham and Saltford and Norton Radstock, Paulton and Peasedown.

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. We found that residual value is dependent not only on location but also on the density adopted.

Residual values and scenario testing

6.3 Residual values were generally highest in the 40 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 schemes in the District, residual values at 35% affordable housing vary from £4.40 million per hectare in Bath Rural Hinterland, to £0.61 million per hectare in Norton Radstock. In a mid market locations such as Chew Valley Higher, residual value is £2 million per hectare, double the next likely existing use value in industrial land. These are substantial and robust residual values at this level of affordable housing and taking into account a relatively high planning obligation package of £15,000 per unit.

6.5 There are broadly four groups of sub markets. First, Bath Rural Hinterland, which has significantly higher residual values than the other sub markets. Then (second), Prime Bath and Bath North and East; third, Chew Valley Higher Value and Bath South (implicitly including Chew Valley Lower Value and Bath North and East) and fourth, Keynsham and Saltford, Norton Radstock, Paulton and Peasedown. This could suggest a policy response reflecting a higher affordable housing target in some areas than others. There is no broad 'urban-rural' split as there are high and low value urban areas and high and low value rural areas.

6.6 The residual values for Prime Bath are lower than those for Bath Rural Hinterland as although selling prices are likely to be higher in Prime Bath, build costs in Prime Bath are commensurately higher.

6.7 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 very much a 'safety net' assumption in cases where grant is not available. Schemes in B&NES have received grant to a significant extent in the past.

6.8 The introduction of grant significantly improves residual values across the District. It matters more proportionately in lower value areas. However, we would question the requirement for grant in many instances, particularly in the higher value sub markets.

6.9 The analysis shows that increasing the proportion of intermediate affordable housing from 25% to 50% (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. For example at 40% affordable housing in Norton Radstock residual value increases from £490,000 per hectare to £760,000 per hectare. At 20% affordable housing in Prime Bath, at the other end of the price scale, residual value increases only from £4.67 million per hectare to £5.01 million. The proportionate increase in the former is 55%, whilst in the latter it is only 7%.

6.10 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.

6.11 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.

6.12 The impact of planning contributions on viability has been tested at a baseline position of £15,000 per dwelling. This level of contribution will not, we feel, significantly impact on viability in the higher and middle range sub markets, although it could be significant at the lower end in some instances. The Council may have to take a flexible approach to achieving the £15,000 per unit (if this is needed) if the affordable housing delivery is to be maintained. A contribution more in line with other local authorities, between £5,000 and £10,000 per unit would significant assist viability in the lower value areas.

Site supply and smaller sites

6.13 The analysis of the planning permissions in the B&NES area over the last three years indicates that smaller sites can make an important contribution to the District's land supply - 47% of all new dwellings granted permission during the period analysed will be developed on sites of less than 15 dwellings.

6.14 A significant number of dwellings will nevertheless be developed on larger sites. Table 4.1 shows that marginally over 48% of dwellings will be built within schemes that are developed including 25 or more homes. Further, that 39% of all dwellings granted permission over the period will be developed on sites of less than 10 dwellings and that 27% of dwellings will be developed on sites of less than five dwellings.

6.15 In Bath, 57% of all new dwellings will be built on sites of less than 15 dwellings. In the other larger settlements, 45% of all dwellings will be developed on sites with a capacity for less than 15 dwellings. In the smaller settlements, 39% of all dwellings will be developed on sites of less than 15 dwellings.

Smaller sites and viability

6.16 If the planning authority 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.

6.17 Viability is sensitive to the relationship between existing (or, where relevant, alternative) use value. Many smaller schemes involve the development of residential ancillary land – gardens, back land or infill. We do not believe, based on the likely very significant uplift in value, there is a viability problem here and therefore the Council could, if it chooses, take affordable housing contributions from these types of site.

6.18 A less significant number of sites being brought forward, involve however the redevelopment of existing residential properties – either as a one for one replacement or at a higher density of development. Whilst such schemes can deliver affordable housing in some circumstances it must be acknowledged that residual values, with even relatively low levels of affordable housing, will not be sufficiently above current use values to encourage land owners to bring the land forward. The use of grant, if available, could help in achieving higher levels of affordable housing on such sites.

6.19 Again, it is important to highlight that it is not the size of the site per se that causes difficulties with viability, but the nature of the existing or alternative use.

Small sites and management issues

6.20 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

6.21 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.

6.22 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

6.23 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.

6.24 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.

6.25 We consider that the three options are:

a. Maintain the current policy target of 35% set out in Policy HG.8 of the B&NES Local Plan. 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 40% target for Prime Bath, Bath Rural Hinterland, Bath North and East and Chew Valley Higher; and a 30% target for Bath North and West, Bath South, Chew Valley Lower, Keynsham and Saltford and Norton Radstock, Paulton and Peasedown.

c. Introduce a five way target reflecting much more the specifics of local sub markets. If this approach were adopted in principle we would suggest: a 50% target for Bath Rural Hinterland (including Bathavon); a 40% target for Prime Bath and Bath North and East; a 35% target for Chew Valley Higher, Bath North and West, Bath South and Chew Valley lower; a 30% target in Keynsham and Saltford and a 25% affordable housing target for Norton Radstock, Paulton and Peasedown.

6.26 We have based these targets here on a no grant assumption. If grant is targeted to the lower value areas of Keynsham, Saltford, Norton Radstock, Paulton and Peasedown, we believe that a higher proportion of affordable housing will be achievable. Given that a high proportion of sites are brown field, with a current industrial use value, we believe that a deliverable target with grant up to 35% affordable housing is not unrealistic.

6.27 It will also be possible for the Council to uphold its affordable housing targets by increasing the proportion of Intermediate housing within the affordable element. We understand that a 60%:40% split may be realistic in some of the lower value sub markets areas reflecting local housing needs. This approach will not be as effective as grant (assuming levels tested), but should still deliver 30% affordable housing in the lower value areas.

6.28 With respect to the lower value areas it is important to state that the results do not support any significant affordable housing contributions at higher densities (> 120 dph). Above 50 dph viability begins to weaken significantly in Keynsham and Saltford, Norton Radstock, Paulton and Peasedown. Thus affordable housing targets in these locations relate to developments of 50 dph and lower. We believe however that this is what will be built mainly in these locations and hence the policy position is robust.

6.29 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 very challenging in the weaker sub markets and arguably stifle land supply for

housing; second, it will fail to capture the value in land that is undoubtedly present in the higher value locations of the District.

6.30 For these reasons, we would encourage the District to adopt a split policy target, reflecting more specifically local market circumstances. The four 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

6.31 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. We would expect affordable housing to be routinely deliverable however according to the targets set out above.

6.32 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

6.33 The current policy position is that development schemes in Bath, Keynsham, Norton-Radstock, Saltford, Peasedown St John and Paulton require an affordable housing contribution of 35% on sites of 15 or more dwellings (0.5 Ha site). In settlements where the population is 3000 or below, an affordable housing contribution is required on sites for 10 dwellings or more or where the site has an area of 0.5ha or more'.

6.34 Given the level of need for affordable housing in the District and the lack of any systematic evidence to indicate that viability of smaller sites is a particular problem, we believe there is a strong argument for seeking affordable housing contributions from sites of less than the existing policy threshold of 15 and (in smaller settlements) 10 dwellings.

6.35 The analysis of recent planning permission data suggests that for the District as a whole, 47% of all dwellings will be developed on sites of less than 15 dwellings. In the larger settlements, currently covered by a 15 dwelling threshold, 45% of all dwellings will be developed on sites of less than 15 dwellings; in Bath this figure is 57%. In the smaller settlements, 39% of all dwellings will be developed on sites of less than 15 dwellings and 35% on sites of less than 10 dwellings.

6.36 At face value, the case for a split threshold is not strong. It is however our experience generally that smaller settlements and rural areas usually rely more on smaller sites; moreover the balanced picture of site supply can be affected significantly by a small number of larger sites.

6.37 All considered we believe the Council should take a more ambitious approach to thresholds with a view to significant reduction. On the basis of viability, we believe the Council could require affordable housing contributions on the very smallest of sites. If the Council chose to adopt a threshold of one dwelling for example, we would support this position from a viability aspect.

6.38 A threshold of 5 is not untypical for some local authorities. This recognises the demand on resources to some extent and leads a council not to become engaged in negotiations on all sites. However, should the Council decide to pursue a lower (than 5 unit) threshold, we would support that position on the basis of the evidence.

6.39 Indeed, the precise threshold should be considered by the Council taking into account a 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

6.40 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.

6.41 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 B&NES

6.42 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.

6.43 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 (should the Council decide a split target).

6.44 A major development in Bath Western Riverside (BWR). We have not specifically appraised this scheme. We would advise the Council to commission bespoke work which in our experience would be normally funded by the applicants.

The current housing market

6.45 At the time of preparing this report, the housing market has suffered a down-turn as a result of the 'credit crunch'. Our analysis of housing market values is as recent as possible and relates to April 2010.

6.46 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.

6.47 We think it likely however that developers will increasingly run an argument during 2010 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.

6.48 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.

6.49 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

Viability Modelling Stakeholder Workshop

Meeting Notes

13th April 2010 - 9.30am – 1pm

Officer/Consultant Team

Andrew Golland, Three Dragons Consultancy

Cleo Newcombe-Jones, Planning Policy B&NES

Geoff Fox, Housing B&NES

Simon de Beer, Planning Policy B&NES

Stakeholder Attendees

Andy Shepley, GL Hearn (replacing Chris Beaver)

Charles Hignett, Hignett Family Trust

Charles Newall, Property Services B&NES

David Summerhill, Knightstone

David Stubbs, BNP Paribas

David van der Lande, Economic Development & Regeneration B&NES

Gaynor Parkinson, GL Hearn

James Stacey, Tetlow King

James Read, Somer Housing

John Sneddon, Tetlow King (replacing Jamie Sullivan)

Katherine Jenner, Economic Development & Regeneration B&NES

Matthew Macan, Hignett Family Trust

Mel Clinton, Nash Partnership

Nicola Foster, BNP Paribus

Nikki Tillett, Guiness Trust

Rob Duff, Pegasus Planning

Sarah Hamilton-Foyne, Pegasus Planning

Simon Fitton, RPS representing Crest/Key Properties

Stephen Green, Future Heritage

Trevor Osbourne, Trevor Osbourne Property group (replacing Rowan Black)

Tim Gray, Duchy of Cornwall

Ursula Vinten, Savills

Apologies

Alan Soldat, Barton Willmore representing Taylor Wimpey

Ben Simpson, Land Improvement Holdings

Jane Alderman, Somer Housing

Nick Pollock, Duchy of Cornwall

Peter Blake, Savills

Wyn Bevan, Aster

Agenda

1 Overview of the Local Development Framework

Simon de Beer, Planning Policy & Environment Manager at Bath and North East Somerset Council opened the workshop, briefing the stakeholders on the Council's progress on its Local Development Framework. Key points raised:

- This workshop will inform the viability assessment that is undertaken on the Council's emerging affordable housing policy within the Core Strategy
- Planning Policy Statement 3 on Housing requires that local planning authorities set a target for the amount of affordable housing to be provided in their area and that this target should reflect the "likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments on the likely level of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured".
- To this end the Council has appointed Three Dragons to build a viability model to develop affordable housing policies (targets and thresholds) for the LDF and to assist in site specific negotiations as these come forward prior to and during the Plan period.
- In addition to the Core Strategy the Council is also working on (i) Regeneration Delivery Plans for Bath, Keynsham and Midsomer Norton and Radstock (ii) a Site Allocations DPD. Viability and delivery issues will need to be considered in all these areas of policy development.

2 Introduction to workshop

Andrew Golland of Three Dragons explained that the purpose of this stakeholder workshop was to:

- Seek the views of Developers, their agents and RSLs
- To discuss the impacts of affordable housing, planning obligations and other development costs on the viability of sites and the impact on the delivery of development in the district
- Specific questions were to be raised throughout the presentation
-

Andrew's presentation is included with these notes. Further comments on the assumptions within this presentation from attendees of the workshop are welcome until **Friday 30th April 2010**. Please email your comments to Andrew Golland at

drajg@btopenworld.com

3 Summary notes of discussion

Questions	Issues raised
Theory of viability and s106: Outline of study approach Is this a correct interpretation of viability? How else should viability be assessed?	- There was a consensus that the general approach adopted was sound. The balance between developer margin, s106 and the acceptable net residual site value is the key issue. - The assumption of 15% developer margin was seen to be sound for policy and Plan making purposes. - Assumptions about the existing use value (EUV) are likely to be a key issue underpinning any discussions on the issue of viability. The way existing use value is defined is an issue. Different land owners look at EUV differently. This was accepted by Three Dragons although it was explained that key secondary (and where possible) primary data sources will be used to make sense of policy positions. - How will existing use value for greenfield sites be calculated? Three Dragons stated that would normally be based on agricultural values. The issue is the uplift on all types of sites including green field. - It was argued that differential access to finance and capacity to accept risk must be assumed for

	different developers. Three Dragons responded that this is very difficult to do at a policy development level but that the Council may wish to take these differences on board whether appropriate for site specific negotiations. - The impact of the recession on access to finance was also discussed. Banks are often looking for higher margins - Must not take a short-term view as policy is medium term. - Some stakeholders felt that B&NES has a significant issue in terms of delivering housing and that the reasonableness of s106 needs to be considered. - It was asserted by one delegate that As the monetary contribution of providing affordable housing is not taken into account the value of s106 contributions is often underplayed - A couple of delegates suggested that the model for provided affordable housing via s106 was a broken one. Others suggested that the model was not in fact broken but simply that landowners needed to adjust their expectations on the value of the land. - RSLs have seen increased interest from developers as in the current climate it is often affordable housing provision that can make schemes viable. Particularly where grant can be secured. - There was one suggestion that relationship between residual site value and affordable housing percentage is not linear. Three Dragons asked whether there was any particular 'tipping point' where the curve dipped. The delegate suggested that it should be assessed on a scheme by scheme basis. Others suggested that a linear assumption was fine for modelling purposes. - Both existing use value and risk need to be taken

	into account when deciding if a development is worthwhile for the landowner/developer - Risks associated with brownfield sites seen to be higher – the percentage premium above existing use value needs to be considered. Three Dragons suggested in their experience 30% uplift from EUV on brownfield sites is a reasonable figure fro bringing sites forward. One delegate agreed with this figure. Another stated 20% uplift. - Suggestion that there needed to be a reality check – what are the Council's priorities delivering housing, affordable housing and other s106 - RSLs suggested there could be greater flexibility to assume lower equity of shared ownership (i.e. < 40%) and higher rent than 1.5% (e.g. up to 2.5%). Concern expressed at affordability where rent is raised, although still classified as "affordable" would it be truly affordable to local people. - How will the Three Dragons viability model be used for negotiations? Different local authorities have different approaches – internal policy development or developers can buy model and will be used for DC negotiations, Will model be on Council website? It was agreed that these are matters which will be resolved following the completion of the Viability Study. - Difficult to give going rate land values for the district as variation locally is significant - Three Dragons outlined the two stage approach to assessing viability within the study (please see Powerpoint Presentation). - It was explained that this will consist of 'High Level Testing' of a notional one hectare site in the context of a range of sub markets, densities and development mixes and the analysis of Case Studies of a range of typical sites with the B & NES area.

	- There were no objections to this approach
Initial work on sub-markets There is significant house price variation – what is the case for varied affordable housing targets within districts? Are there areas where no affordable housing delivery is possible? If so, why? Is it the sub markets that matter or the types of sites (greenfield, brownfield etc)?	- Three Dragons explained that the study will analyse notional and case study sites in the context of a range of sub markets. The sub markets are based on HM Land Registry data at postcode sector level. It was explained that the Council have not yet agreed these sub markets and it is hoped that delegates will feed back to Three Dragons on sub markets and the indicative new build prices. - It was agreed that there is considerable house price variation across the B& NES area and that split affordable housing targets, reflecting these differences may perhaps be a sensible way of developing policy. - Very limited green field sites within the district - Can assume only limited new build within prime Bath (exception of Bath Western Riverside)
Proposed Development mixes Is the range of densities appropriate? What mix is	- Proposed development mixes were shown to the delegates. This included a range for densities up to 200 dph. - Suggestion that the 1 bed flats and 200 dw/ha density assumptions be taken out of the model as not appropriate to B&NES Delegates please comment on matrix in Powerpoint.

appropriate at each density? Missing dwelling types, etc?	
Other viability issues Thresholds; Development costs & Code for Sustainable Homes; Impacts of other Section 106 obligations – test at nil and £10,000 per unit; Off site contributions; Grant: test at £50,000 (SR) and £15,000 (SO).	- Three Dragons explained that draft build costs are based on the RICS Building Costs Information Service (BCIS). - It was stated that build costs vary significantly across the B&NES area. Build costs will be higher than average in Bath where specialist materials are often used e.g. £200/ft in Bath as opposed to £70/ft in Trowbridge - Professional fees should be at 14% rather than 12% - Finance costs – at 7% might be too high in some instances. - Cash flow issues: can s106 be paid from point of occupancy? - Residual use value might be negative in some instances for brownfield sites - Time spent on negotiations and getting planning consent should be taken into account – often significant in this area - Viability test would be two tier considering with and without grant options - Viability testing is in itself costly - Validation checklist in B&NES is lengthy, this is above average costs due to issues such as archaeology, ecology etc

	- Model should consider RIBA 9-11% - View expressed that planning obligations in B&NES are very high compared to other areas. It was agreed that Three Dragons and the Council would clarify this issue. Our initial findings suggest a contribution of around £15,000 per unit.
Thresholds PPS3 at 15 dwellings and 0.5 Ha; What is the case against lower thresholds? Are smaller sites less viable than larger ones? What are the issues, etc?	- From RSL perspective there is not a problem in managing units in small mixed tenure sites. However RSLs sometimes won't take on units in isolated locations from a practical viewpoint. Much is dependent on location. - Three Dragons asked the question as to whether there is a particular viability challenge on smaller sites. It was suggested that the Council is significantly relying on small sites. - There is no in principle viability issue on small sites (as opposed to larger ones) although sometimes preliminaries can be disproportionately costly. Much depends on location and development mix. - There was no systematic body of evidence highlighted which would show that small sites are more challenging from a viability viewpoint. - Not necessarily the case that small sites are any less viable than larger ones, although it was acknowledged that there are economies of scale when it comes to some areas
Resolving Affordable Housing negotiations	- RSLs suggested that it would be useful if B&NES was less prescriptive re tenure social rented or shared ownership - It was suggested that RSLs could be given an option to buy houses in developments after they have been built. Suggested that this could lead to

	problems as Lifetime Homes standards and Code for Sustainable Homes carbon reduction levels may be different than those set for Market housing. - Commuted sums are often difficult to spend as there is a challenge to find suitable sites - Could Council suggests income bands rather than dictating weekly rent

4 Demonstration of viability model

Andrew Golland demonstrated the viability models that Three Dragons have created for other local authorities.

5 Meeting Close

Notes of the meeting and a copy of the presentation to be circulated to attendees for comments.

Future opportunities for stakeholders to see the outputs of the viability modelling work and comment on the emerging policies will be made as part of the Core Strategy process.

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			Semis			Terraces			Flats	
	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	4 Bed	3 Bed	2 Bed	3 Bed	2 Bed	1 Bed
Prime Bath	£815,000	£740,000	£630,000	£595,000	£515,000	£440,000	£560,000	£490,000	£425,000	£385,000	£335,000	£235,000
Bath Rural Hinterland (Bathavon)	£730,000	£665,000	£565,000	£535,000	£465,000	£395,000	£505,000	£440,000	£380,000	£350,000	£300,000	£210,000
Bath North and East	£650,000	£590,000	£500,000	£475,000	£410,000	£350,000	£445,000	£385,000	£335,000	£305,000	£270,000	£185,000
Chew Valley - Higher Value	£545,000	£495,000	£420,000	£400,000	£345,000	£295,000	£375,000	£325,000	£285,000	£260,000	£225,000	£160,000
Bath North and West	£415,000	£380,000	£320,000	£305,000	£265,000	£225,000	£285,000	£250,000	£215,000	£200,000	£170,000	£120,000
Bath South	£410,000	£375,000	£320,000	£300,000	£260,000	£220,000	£280,000	£245,000	£210,000	£195,000	£165,000	£115,000
Chew Valley - Lower Value	£395,000	£360,000	£305,000	£290,000	£250,000	£210,000	£270,000	£235,000	£205,000	£185,000	£160,000	£110,000
Keynsham & Saltford	£355,000	£325,000	£275,000	£260,000	£225,000	£190,000	£245,000	£215,000	£185,000	£170,000	£145,000	£105,000
Norton Radstock, Paulton & Peasedown	£305,000	£280,000	£235,000	£225,000	£195,000	£165,000	£210,000	£185,000	£160,000	£145,000	£130,000	£90,000

Development mixes and densities:

	Density (Dwellings per Hectare)					
	30	40	50	80	120	200
1 Bed Flat				15	40	50
2 Bed Flat		5	10	30	60	50
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	100

Affordable housing targets:

The following affordable housing targets were tested

15%; 20%; 25%; 30%; 35%; 40%; 45% and 50% based on 75% Social Rent and 25% Intermediate split. The Intermediate Housing was assumed to be New Build HomeBuy.

The following affordable housing transfer payments were assumed.

	30 dph	40 dph	50 dph	80 dph	120 dph	200 dph
SR	£80,000	£80,000	£78,000	£64,000	£58,000	£58,000
SO	£114,000	£114,000	£112,000	£82,000	£67,000	£67,000

These were based on data provided from RSLs operating in the B&NES area. New Build HomeBuy payments were increased by 25% reflecting expectations for the Plan period.

Build Costs:

	BCIS Baseline	Band 1	Band 2	Band 3
Flats (6+ Storeys)	£1,500	£1,500	£2,100	£3,000
Flats (5 and less Storeys)	£1,205	£1,205	£1,687	£2,410
House < 75 sq m	£950	£950	£1,330	£1,900
Houses > 75 Sq m	£900	£900	£1,260	£1,800
Band 1	Keynsham			
	Norton Radstock			
	Bath South			
Band 3	Prime Bath			
Band 2	All other locations			

Unit sizes:

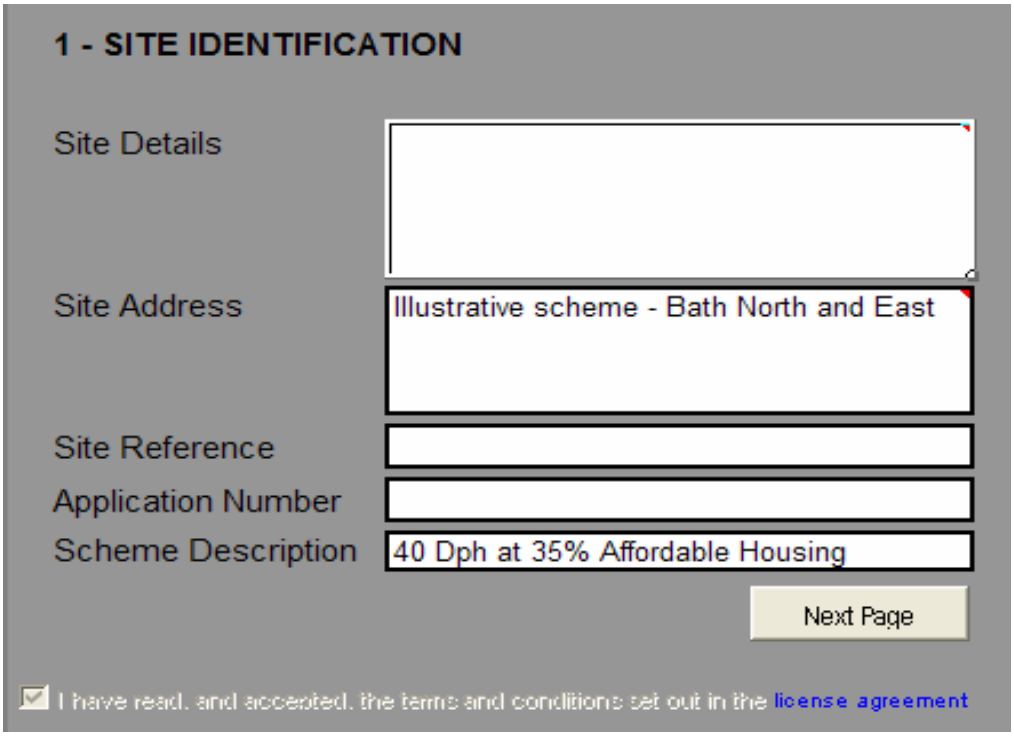
	Affordable	Market
1 Bed Flat	46	45
2 Bed Flat	67	60
2 Bed Terrace	76	65
3 Bed Terrace	84	80
3 Bed Semi	86	90
3 Bed Detached	90	110
4 Bed Detached	110	135
5 Bed Detached	125	150

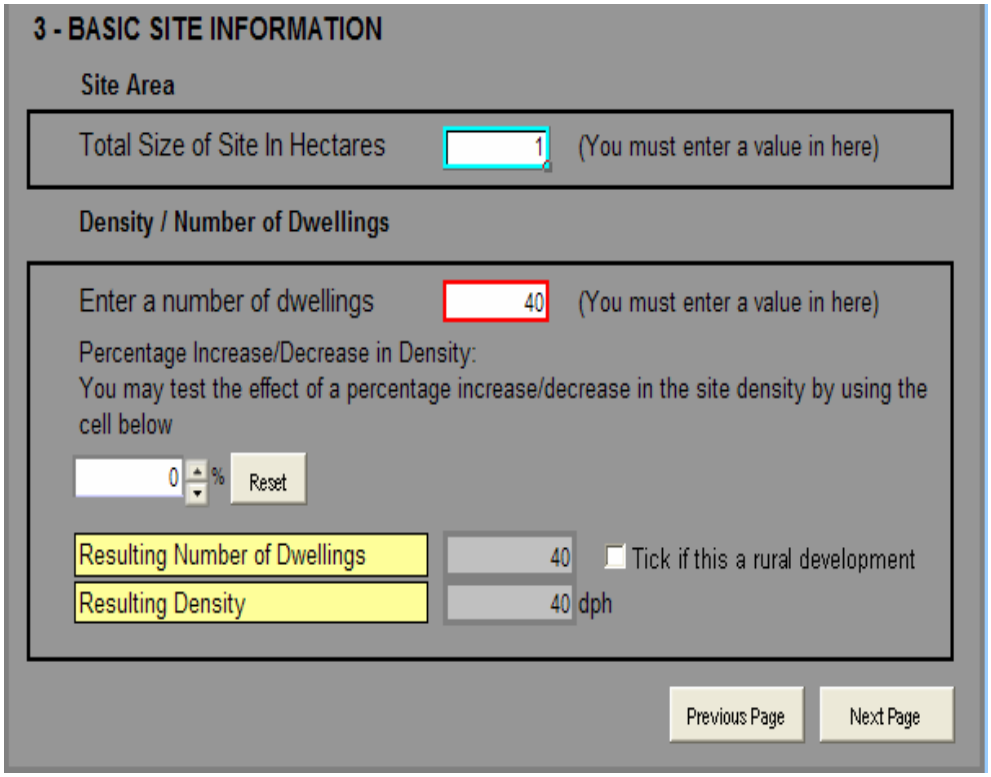
Appendix 3 Results – Residual values – no grant scenarios (£s million per hectare)

30 DPH									
	0%	15%	20%	25%	30%	35%	40%	45%	50%
Prime Bath	£6.07	£4.58	£4.09	£3.59	£3.10	£2.61	£2.12	£1.62	£1.10
Bath Rural Hinterland	£6.67	£5.36	£4.92	£4.49	£4.05	£3.61	£3.18	£2.74	£2.30
Bath North & East	£5.33	£4.22	£3.85	£3.48	£3.11	£2.74	£2.37	£2.00	£1.63
Chew Valley - Higher	£3.71	£2.85	£2.56	£2.27	£1.98	£1.69	£1.40	£1.11	£0.82
Bath South	£2.89	£2.32	£2.12	£1.94	£1.75	£1.56	£1.37	£1.18	£0.99
Keynsham & Saltford	£2.02	£1.58	£1.44	£1.29	£1.14	£1.00	£0.85	£0.70	£0.56
Norton Radstock, P & P	£1.24	£0.92	£0.81	£0.70	£0.59	£0.49	£0.38	£0.27	£0.16
40 DPH									
	0%	15%	20%	25%	30%	35%	40%	45%	50%
Prime Bath	£7.37	£5.56	£4.96	£4.36	£3.75	£3.15	£2.55	£1.94	£1.34
Bath Rural Hinterland	£8.11	£6.52	£5.99	£5.46	£4.93	£4.40	£3.87	£3.34	£2.81
Bath North & East	£6.46	£5.12	£4.67	£4.22	£3.77	£3.33	£2.88	£2.43	£1.98
Chew Valley - Higher	£4.50	£3.45	£3.10	£2.75	£2.40	£2.05	£1.70	£1.35	£1.00
Bath South	£3.47	£2.80	£2.57	£2.35	£2.12	£1.90	£1.67	£1.45	£1.22
Keynsham & Saltford	£2.43	£1.92	£1.75	£1.57	£1.40	£1.22	£1.05	£0.87	£0.07
Norton Radstock, P & P	£1.49	£1.12	£0.99	£0.86	£0.74	£0.61	£0.49	£0.36	£0.23
50 DPH									
	0%	15%	20%	25%	30%	35%	40%	45%	50%
Prime Bath	£8.44	£6.33	£5.63	£4.91	£4.23	£3.51	£2.79	£1.88	£1.40
Bath Rural Hinterland	£9.28	£7.44	£6.83	£6.21	£5.60	£4.99	£4.37	£3.76	£3.14
Bath North & East	£7.37	£5.80	£5.30	£4.78	£4.27	£3.74	£3.23	£2.71	£2.19
Chew Valley - Higher	£5.12	£3.91	£3.50	£3.10	£2.69	£2.29	£1.88	£1.48	£1.06
Bath South	£3.92	£3.14	£2.89	£2.63	£2.38	£2.12	£1.86	£1.60	£1.35
Keynsham & Saltford	£2.75	£2.15	£1.97	£1.76	£1.56	£1.36	£1.16	£0.93	£0.77
Norton Radstock, P & P	£1.67	£1.24	£1.10	£0.95	£0.81	£0.66	£0.51	£0.37	£0.23
80 DPH									
	0%	15%	20%	25%	30%	35%	40%	45%	50%
Prime Bath	£9.00	£6.26	£5.34	£4.42	£3.51	£2.59	£1.67	£0.76	-£0.16
Bath Rural Hinterland	£10.29	£7.94	£7.16	£6.37	£5.59	£4.81	£4.02	£3.24	£2.46
Bath North & East	£8.01	£6.00	£5.34	£4.66	£4.00	£3.33	£2.66	£1.99	£1.32
Chew Valley - Higher	£5.32	£3.72	£3.18	£2.65	£2.12	£1.58	£1.04	£0.50	-£0.03
Bath South	£3.85	£2.86	£2.53	£2.21	£1.87	£1.54	£1.22	£0.88	£0.56
Keynsham & Saltford	£2.57	£1.77	£1.50	£1.24	£0.97	£0.71	£0.44	£0.18	-£0.09
Norton Radstock, P & P	£1.33	£0.72	£0.51	£0.32	£0.11	-£0.10	-£0.30	-£0.50	-£0.70
120 DPH									
	0%	15%	20%	25%	30%	35%	40%	45%	50%
Prime Bath	£6.16	£3.04	£2.01	£0.96	-£0.07	-£1.11	-£2.15	-£3.19	-£4.23
Bath Rural Hinterland	£8.79	£6.16	£5.28	£4.40	£3.53	£2.65	£1.77	£0.89	£0.02
Bath North & East	£6.37	£4.10	£3.35	£2.59	£1.84	£1.08	£0.32	-£0.44	-£1.20
Chew Valley - Higher	£3.18	£1.39	£0.79	£0.19	-£0.41	-£1.00	-£1.59	-£2.20	-£2.79
Bath South	£2.05	£1.02	£0.68	£0.32	-£0.02	-£0.37	-£0.71	-£1.06	-£1.40
Keynsham & Saltford	£0.68	-£0.16	-£0.43	-£0.71	-£0.99	-£1.27	-£1.54	-£1.82	-£2.10
Norton Radstock, P & P	-£0.63	-£1.26	-£1.48	-£1.68	-£1.90	-£2.11	-£2.32	-£2.53	-£2.75
200 DPH									
	0%	15%	20%	25%	30%	35%	40%	45%	50%
Prime Bath	£9.65	£4.72	£3.08	£1.44	-£0.21	-£1.85	-£3.49	-£5.13	-£6.77
Bath Rural Hinterland	£13.93	£9.77	£8.39	£7.00	£5.62	£4.23	£2.84	£1.46	£0.07
Bath North & East	£9.97	£6.41	£5.22	£4.03	£2.84	£1.66	£0.47	-£0.72	-£1.91
Chew Valley - Higher	£4.93	£2.12	£1.19	£0.25	-£0.68	-£1.62	-£2.56	-£3.49	-£4.43
Bath South	£3.11	£1.52	£0.99	£0.45	-£0.08	-£0.61	-£1.14	-£1.67	-£2.21
Keynsham & Saltford	£0.95	-£0.32	-£0.75	-£1.17	-£1.59	-£2.02	-£2.44	-£2.86	-£3.29
Norton Radstock, P & P	-£1.21	-£2.15	-£2.48	-£2.79	-£3.11	-£3.42	-£3.74	-£4.05	-£4.37

Appendix 4

Worked example; one hectare site at 40 dph at 35% affordable housing in Bath North and East





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 — 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	£270,000	£270,000
2	2 bed Terraces	2	£335,000	£335,000
3	3 Bed Terraces	3	£385,000	£385,000
4	3 Bed Semis	3	£410,000	£410,000
5	3 Bed Detached	3	£500,000	£500,000
6	4 Bed Detached	4	£590,000	£590,000
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]

		SALE	AFFORDABLE					
			Social rent	New Build HomeBuy	Intermediate rent	Discount Market	Local Sale	Required No. of Units
Ref.	Description	65%	26%	9%				
1	2 bed Flats	1.3	0.5	0.2				2.0
2	2 bed Terraces	3.9	1.6	0.5				6.0
3	3 Bed Terraces	5.2	2.1	0.7				8.0
4	3 Bed Semis	6.5	2.6	0.9				10.0
5	3 Bed Detached	5.2	2.1	0.7				8.0
6	4 Bed Detached	3.9	1.6	0.5				6.0
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total		26.0	10.5	3.5				40.0

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 storeys)	£1,115	£1,687
Houses <= 75m2	£999	£1,330
Houses > 75m2	£901	£1,260

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%	14.00%	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 [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)
			Sale	Affordable					
	Enter Total?	User Total		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	£15,000
Contribution from Commercial	

Total for Scheme	£600,000
Total for Scheme per hectare	£600,000
Total for Scheme divided by total number of units	£15,000
Total for Scheme divided by number of sale units	£23,077

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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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15 - KNOWN PAYMENT FOR AFFORDABLE HOUSING

ALWAYS DEPRESS THE CLEAR PAGE BUTTON FIRST — Clear Page

Enter a known payment from the affordable housing provider either by unit, as a total sum for each tenure or as a total across the three affordable tenures shown on this page.

	Affordable Housing Tenures			Total
	Social rent	New Build HomeBuy	Intermediate rent	Affordable Units
Number of units	10.5	3.5		14
Payment By Unit	£ 80,000	£ 114,000		
Or Payment By Tenure				
Or Scheme Total	Enter a lump sum payment for Affordable Housing			
Tenure Total	£ 840,000	£ 399,000	£ -	
Method by which Affordable Housing Revenue is calculated	By Unit	By Unit	N/A	
Total Known Payment for Affordable Housing	£ 1,239,000			

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20 - Scheme Results

Site Reference Details	
Site Reference Number	
Application Number	
Site Location	Hertsmere
Scheme Description	40 Dph at 35% Affordable Hou

Site Details	
Site Address	Illustrative scheme - Bath North and East
Site Details	

TOTAL NUMBER OF UNITS	
Dwellings	40
% Wheelchair Units	

DENSITY (per hectare)	
Dwellings	40.0

AFFORDABLE UNITS	Quantity	% of All Units
Total	14.0	35%
Social rent	10.5	26%
Intermediate	3.5	9%

REVENUE AND COSTS	
Total scheme revenue	£ 12,465,000
Total scheme costs	£ 8,769,000

RESIDUAL VALUE	
Whole scheme	£ 3,696,000
Per hectare	£ 3,696,000
Per dwelling	£ 92,000
Per market dwelling	£ 142,000

Contribution to revenue from:	
Market housing	£ 11,226,000
Affordable Housing	£ 1,239,000
- Social rent	£ 840,000
- New Build HomeBuy	£ 399,000
- Intermediate Rent	£ -
- Discount Market	£ -
- Local Sale	£ -
Capital Contribution	£ -
Commercial Elements	£ -

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

Save Results — View Results — Cost Components

Contribution to costs from:	
Market housing	£ 6,169,000
Affordable Housing	£ 2,000,000
- Social rent	£ 1,500,000
- New Build HomeBuy	£ 500,000
- Intermediate Rent	£ -
- Discount Market	£ -
- Local Sale	£ -
Land Finance	£ -
Planning Obligations	£ 600,000
Total Exceptional Costs	£ -
Commercial Elements	£ -

Alternative Site Values		Against residual
Existing Use Value	£ -	£ -
Acquisition Cost	£ -	£ -
Alternative Use Value 1	£ -	£ -
Alternative Use Value 2	£ -	£ -
Alternative Use Value 3	£ -	£ -

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