

Gwynedd Council and Ynys Môn County Council Affordable Housing Viability Study (AHVS)

Final Report to the Joint Planning Policy Unit

**FULL REPORT
(English only)**

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Executive Summary

- S1 The Joint Planning Policy Unit (JPPU) required an assessment of the impact of its affordable housing policies on the viability and deliverability of affordable housing and other Section 106 requirements. The study relates to the Ynys Môn Local Authority and Gwynedd Council planning area.
- S2 The aims of the study are several but the main objectives cover policy recommendations on affordable housing targets, thresholds, and guidance in setting commuted sums in lieu of on site affordable housing provision.
- S3 The approach to viability assessment follows best practice in Wales and England. The overall approach considers the financial relationship between residual value (RV) and existing use value (EUV). However in setting policy, a number of other factors are significant; these are set out in the report.
- S4 The methodology is two stage: 'High Level Testing' (HLT) and 'Generic Site' testing. The HLT looks at residual values across a range of sub markets and densities. All tests consider further, a set of affordable housing targets (from 0% to 50%). The impact of other Section 106 contributions are considered in addition. The viability assumptions made were supported by consultation via a workshop for developers, housing associations and land owners.
- S5 There is a broad, three way split in residual values, and hence viability. This split is between a) Gwynedd High Value Coastal (GHVC), Rhosneigr and Beaumaris; b) Rural North West, Bridgehead (Ynys Môn), Trearddur and Rhoscolyn, South West (Ynys Môn), North East Rural (Ynys Môn), Larger Coastal settlements (Gwynedd), Rural Centres (Gwynedd), Mid Rural (Ynys Môn), Northern Coast and South Arfon (Gwynedd) and Rural West (Ynys Môn), and c) Llangefni, Llŷn Peninsula, Western Coastal and Rural Arfon (Gwynedd), Holyhead, Amlwch & Hinterland, The Mountains (Gwynedd), Eastern Gwynedd and National Park and Blaenau Ffestiniog.
- S6 The split suggests that a varied target may be appropriate across the area covered by the two Councils.
- S7 The analysis of sites with a low number of dwellings (smaller sites) are no less viable than larger ones when considering the pro rata returns to land owners. This is important when thinking about how 'low' the JPPU may wish to go on affordable housing thresholds.
- S8 With respect to small sites, dwellings feature as an important source of supply for housing. Also, dwelling curtilages are significant, as are agricultural plots and garages. In the Gwynedd area, 90% of the permissions were on sites of less than 5 units. This generates a strong case for a low threshold.

S9 The findings of the analysis suggest three options for policy setting:

- First, a single target of 20% across the JLDP area.
- A two way split target. This would involve a 25% affordable housing target for:

GHVC, Rhosneigr and Beaumaris; Rural North West (Ynys Môn), Bridgehead, Trearddur and Rhoscolyn, South West (Ynys Môn), North East Rural (Ynys Môn), Larger Coastal settlements (Gwynedd), Rural Centres (Gwynedd), Mid Rural (Ynys Môn), Northern Coast and South Arfon (Gwynedd) and Rural West (Ynys Môn),

And a 15% affordable housing target for:

Llangefni, Llŷn Peninsula, Western Coastal and Rural Arfon (Gwynedd), Holyhead, Amlwch & Hinterland, The Mountains (Gwynedd), Eastern Gwynedd and National Park and Blaenau Ffestiniog.

- A third option is a three way target along the lines set out in the table below:

Housing Price Area	3 Bed Terrace	Suggested Target
Gwynedd High Value Coastal	£230,000	30%
Rhosneigr	£230,000	30%
Beaumaris	£220,000	30%
Rural North West	£180,000	30%
Bridgehead	£175,000	30%
Trearddur & Rhoscolyn	£175,000	30%
South West	£165,000	20%
North East Rural	£165,000	20%
Larger Coastal Settlements	£160,000	20%
Rural Centres	£155,000	20%
Mid Rural	£155,000	20%
Northern Coast and South Arfon	£150,000	20%
Rural West	£150,000	20%
Llangefni	£145,000	20%
Llŷn Peninsula	£140,000	20%
Western Coastal & Rural Arfon	£135,000	10%
Holyhead	£135,000	10%
Amlwch & Hinterland	£135,000	10%
The Mountains	£130,000	10%
Eastern Gwynedd & National Park	£125,000	10%
Blaenau Ffestiniog	£85,000	10%
Gwynedd		
Ynys Môn		

S10 There is no reason, from a viability viewpoint, why thresholds should not be streamlined across the whole JLDP area. This would make sense in terms of consistency when dealing with developers across the area.

- S11 The evidence suggests that when small sites are appraised, they can generate equally good, if not better, residual values as large sites. The conclusion is more that it is not the size of the site that matters, but the location of the site. Development density and mix has a role to play, but location is the key driver of viability.
- S12 The viability evidence suggests that the Council may reduce the threshold down to say one dwelling. The recommendation however is that the Council set the threshold/s at a level which maximises the supply of affordable housing in the most resource effective way. This is not an easy balance to strike. In the context of the JLDP area, it would seem to be sensible to set a threshold below five units, even in the larger settlements, since the vast number of sites are small. However a very low threshold (e.g., one gross unit) may generate significant additional work in dealing with small land owners (often owner occupiers) who arguably are less well equipped to face the rigours of the Section 106.
- S13 Where the threshold is set therefore needs to take account of these policy considerations.

1 INTRODUCTION

Review of project aims

- 1.1 The Joint Planning Policy Unit (JPPU), on behalf of the Councils, requires an assessment of the impact of its affordable housing policies on the viability and deliverability of affordable housing and other Section 106 requirements. The study is to relate to the Ynys Môn Local Authority and Gwynedd Council planning areas.
- 1.2 The study is to provide a sound evidence base to support future policy development through the Plan. The study outputs will be used to support and strengthen the policy position in delivering affordable housing within the emerging Joint Local Development Plan (JLDP). The JLDP will supersede the Ynys Mon Local Plan (1996), the Gwynedd Structure Plan (1993), the Anglesey stopped Unitary Development Plan (2005) (as a material planning consideration), and the Gwynedd Unitary Development Plan (2009). The JLDP period will run from 2011 to 2026. It is intended that the JLDP is placed on pre deposit early in 2013. Preparing the Preferred Strategy document involved engaging with stakeholders about four housing growth options based on a range of household projections. The Councils in partnership with other North West Wales local planning authorities and Bangor University undertook work on a Local Housing Market Assessment in 2008.

Policy context – national

- 1.3 The question of the viability of land for housing is central to planning policy. This states that Local Planning Authorities (LPAs) should, when preparing development plans, set targets for Affordable Housing (AH) which reflect the likely economic viability of land for housing. In line with Technical Advice Note 2 (Planning and Affordable Housing) this involves making informed assumptions about the levels of finance available for AH and the type of AH to be provided.
- 1.4 The Courts have further emphasised the importance of robust viability evidence to underpin AH policies in development plans. The Court of Appeal in 2008 decided in a case brought against Blyth Valley Council that:
- “... an informed assessment of the viability of any such percentage figure is a central feature of the Planning Policy Statement (PPS3) on affordable housing. It is not peripheral, optional or cosmetic. It is patently a crucial requirement of the policy”.*
- 1.5 This study focuses on the percentage of affordable housing sought on mixed tenure sites and the size of site from above which affordable housing is sought (the site size threshold). LPAs require AHVSSs as part of their evidence base for use in preparing LDPs. The importance of gathering evidence about development economics was identified in TAN 2 which states that, in relation to setting the affordable housing target:
- “The target should take account of the anticipated level of finance available for affordable housing, including public subsidy, and the level of developer contribution that can realistically be sought”.* (TAN 2, Para 9.1)

- 1.6 Guidance from the Welsh Assembly Government on the preparation of Affordable Housing Delivery Statements (2007 – 2011)¹ by local authorities re-iterates the importance of viability evidence in identifying targets for affordable housing delivery.
- “Targets for the amount of affordable housing to be provided should reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and on the likely levels of finance available for affordable housing, including both public subsidy such as Social Housing Grant and the level of developer contribution that could reasonably be secured. A viability calculation is equally relevant in a buoyant or a depressed market. The needs of both current and future occupiers should be provided for, building on evidence in the Local Housing Market Assessment.”* (Para 1.24)
- 1.7 Evidence on viability is also required to demonstrate the robustness of the site size threshold to be set out in the LDP. The threshold identifies the size of site above which the LPA can seek affordable housing. TAN 2 does not provide any national guidance on appropriate thresholds and leaves this to LPAs to identify. However, TAN 2 does comment that,
- “When setting site-capacity thresholds and site specific targets local planning authorities should balance the need for affordable housing against site viability”.* (TAN 2 para 10.4)
- 1.8 Although the necessity of providing evidence about viability in preparing LDPs is widely recognised, there is no guidance from the Welsh Government (WG) on how this work should be done. Consequently in 2009 LPAs in SE Wales working with the WG, the Home Builders Federation (HBF) and housing association representatives commissioned Three Dragons (for whom Dr Golland used to lead on viability work) to produce guidance for LPAs on how to prepare AHVSs. The guidance subsequently prepared by Three Dragons is now endorsed by the WG as Good Practice Guidance and is accepted by the Planning Inspectorate and the HBF at LDP examinations.
- 1.9 The guidance and development viability software has now been adopted by most LPAs in Wales. The software is used by LPAs to calculate what would be a ‘reasonable’ selling price for specific parcels of land given the location, size and type of development that is proposed by the developer. It also assists LPAs in negotiations, as it can estimate the profit margins that the developer will achieve and can recommend what would be ‘reasonable’ for the developer to put back into the community via Section 106 agreements. For example, it will recommend the type and number of AH units it is ‘reasonable’ for the developer to provide and identify what affect this will have on profit margins.

Local Plan policy

Ynys Môn

- 1.10 The affordable housing policy in Ynys Môn is a 30% island wide target as included in the stopped UDP (2005). This is in line with the Affordable Housing Delivery Statement of 2009. The threshold is 10 or more dwellings in the larger settlements and 5 or more dwellings in the villages.

¹ Published by the Welsh Assembly Government in February 2009

1.11 To ensure that a 5 year housing land supply was maintained on the Island the Council has adopted two additional Interim Planning Policies in relation to housing. The interim planning policy Large Sites is a 50% target in the three main centres with a Rural Clusters policy of 100% affordable housing in the 22 rural settlements.

1.12 Traditional farm building conversions are exempted from affordable housing contributions.

Gwynedd

1.13 The 2009 adopted UDP sets out indicative targets for affordable housing, according to individual housing allocation sites throughout the Plan area.

1.14 In the five larger settlements (Bangor, Caernarfon, Pwllheli, Porthmadog and Blaenau Ffestiniog), affordable housing is to be negotiated on schemes of five or more dwellings. In the smaller settlements, apart from those categorised as rural villages, a contribution to affordable housing will be sought on all schemes. Only local community need affordable housing will be supported in the rural villages

1.15 In Gwynedd, proposals involving the conversion of non-domestic buildings in rural villages and the countryside will attract an affordable housing contribution, subject to a sequential test regarding alternative uses.

1.16 A summary table of affordable housing related policies is set out in the table below:

Table 1.1 Summary of policies across the JLDP area

Issue	Gwynedd UDP	Ynys Môn UDP
Settlement Hierarchy	<ul style="list-style-type: none"> • 1 Sub-Regional Centre • 4 Urban Centres • 8 Local Centres • 57 Villages • 41 Rural Villages <p>Also a policy that supports conversion of suitable rural buildings to dwellings provided an economic use is unviable</p>	<ul style="list-style-type: none"> • 3 Main Centres • 11 Secondary Centres • 35 Villages • 47 Hamlets & 22 Additional settlements • Also policy that supports Conversion of suitable rural buildings to dwellings.
Affordable Housing Policy	<ul style="list-style-type: none"> • Percentage of affordable housing sought on all allocated sites in the Plan area and on windfall sites of 5 or more in Sub-Regional Centre & Urban Centres. • Percentage of local need affordable housing sought on windfall sites in Local Centres and Villages. • In Rural Villages and for 	<ul style="list-style-type: none"> • Policy HP7. <ul style="list-style-type: none"> ○ 30% affordable provision on sites of 10 or more in Main & Secondary Centres ○ 30% provision on sites of 5 or more in Villages. ○ Exception sites adjacent to development boundaries. • Interim Policy Large Sites <ul style="list-style-type: none"> ○ 50% affordable provision on sites of 50

Issue	Gwynedd UDP	Ynys Môn UDP
	<p>conversion of rural buildings only proposals for proven local community need for affordable housing will be permitted.</p> <ul style="list-style-type: none"> • Rural Exception Sites for affordable housing sites adjacent to boundaries of Villages & Local Centres. 	<p>or more units.</p> <ul style="list-style-type: none"> • Interim Policy Rural Clusters <ul style="list-style-type: none"> ○ Additional 22 settlements identified where only proposals for proven local community need for affordable housing will be permitted.

Research undertaken for this study

1.17 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 Development Appraisal 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 JLDP area.

This approach is consistent with several other studies carried out by AGA in Wales and England and follows the South Wales Viability Guide promoted by Caerphilly CBC.

Structure of the report

1.18 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.
- 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 provides sensitivity analysis in relation to the housing market, a higher Section 106 contribution and for a higher Code (Sustainable Homes) as well as a range of other tests.
- Chapter 5 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);

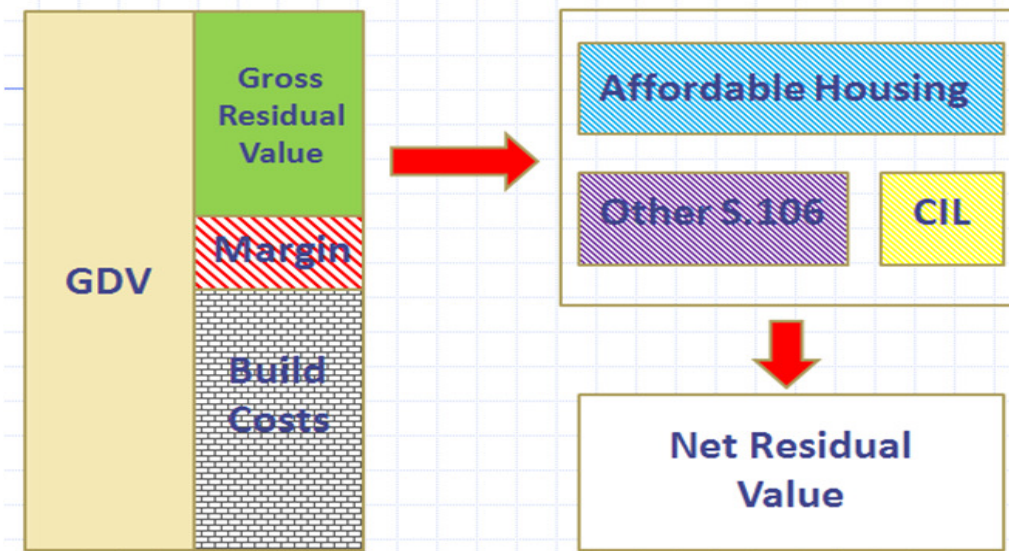
- Chapter 6 identifies a number of case study sites (generally small sites which are currently being developed, that represent examples of site types found in both counties). For each site type, there is an analysis of the residual value of the sites and compares this with their existing use value;
- Chapter 7 summarises the evidence collected through the research and provides a set of policy options.

2 APPROACH TO VIABILITY and METHODOLOGY

Overview

- 2.1 The appraisal model adopted is the Wales Development Appraisal Toolkit. This generic model operates in the majority of local authorities in Wales. It is regarded as the industry standard in Wales and is endorsed by the development industry.
- 2.2 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.
- 2.3 It is important to understand how viability is assessed in the planning and development process. The assessment of viability is usually referred to a residual development appraisal approach. Our understanding is illustrated in the diagram below. This shows that the starting point for negotiations is the gross residual site value which is the difference between the scheme revenue (gross development value – GDV) and scheme costs, including a reasonable allowance for developer return.
- 2.4 Once CIL (Community Infrastructure Levy) or Section 106 contributions have been deducted from the gross residual value, a 'net' residual value results. The question is then whether this net residual value is sufficient in terms of development value relative to the site in its current use.

Figure 2.1 Assessing residual value

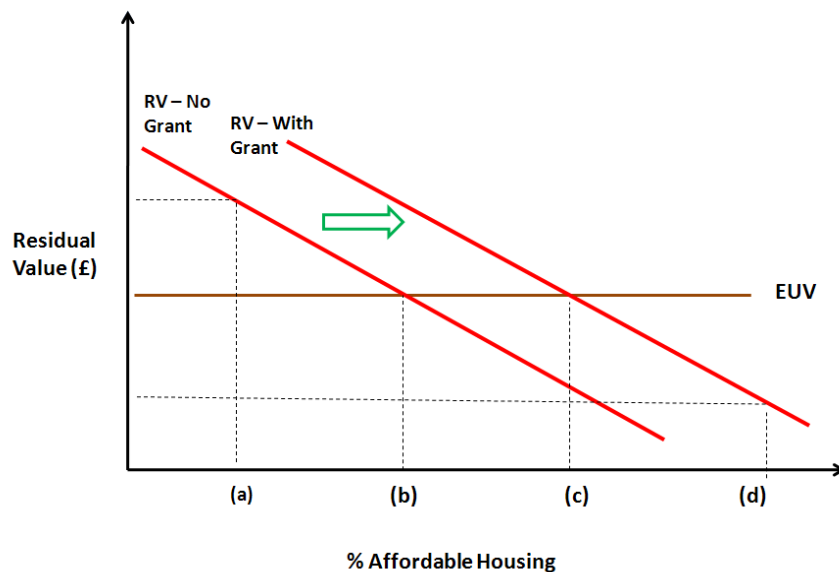


2.5 Calculating what is likely to be the value of a site given a specific planning permission, is only one factor in deciding what is viable.

Assessing viability

2.6 A site is extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee that development happens. The existing use value of the site (EUV), 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 bringing the site forward and thus is a factor in deciding whether a site is likely to be brought forward for housing.

Figure 2.2 Assessing viability



2.7 The diagram shows how this operates in theory. Residual value (RV) falls as the proportion of affordable housing increases. At point (a), RV is greater than EUV and provided that this margin is sufficient for the land owner to bring the site forward, then it will be viable.

- 2.8 At point (b) the RV is equal to the EUV and there is relatively little incentive in theory to bring the site forward.
- 2.9 Beyond points (a) and (b), the scheme will not come forward as the developer will not be able to pay the land owner enough relative to the land owner's EUV.
- 2.10 Where grant is available (points (c) and (d)), viability for affordable housing is enhanced. Up to point (c) RV is greater than EUV and there is a land owner incentive. At point (c) RV is equal to EUV and so, whilst a higher affordable housing contribution is likely than say at point (b), in principle the land owner is in exactly the same position as at (b).
- 2.11 At point (d), the scheme will not be viable even with grant.
- 2.12 Under all circumstances, the Council will need to consider whether a realistic and justifiable AUV (Alternative Use Value) applies. Where the AUV is higher than the EUV, and can be justified, then the AUV becomes the appropriate threshold value against which RV is judged.

Cases and precedent supporting the approach outlined above:

- 2.13 In 2009, the Homes and Communities Agency published a good practice guidance manual 'Investment and Planning Obligations: Responding to the Downturn'. This defines viability as follows: "a viable development will support a residual land value at level sufficiently above the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner".
- 2.14 A number of planning appeal decisions provide guidance on the extent to which the residual land value should exceed existing use value to be considered viable:

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

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

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

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

Beckenham: APP/G5180/A/08/2084559

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

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

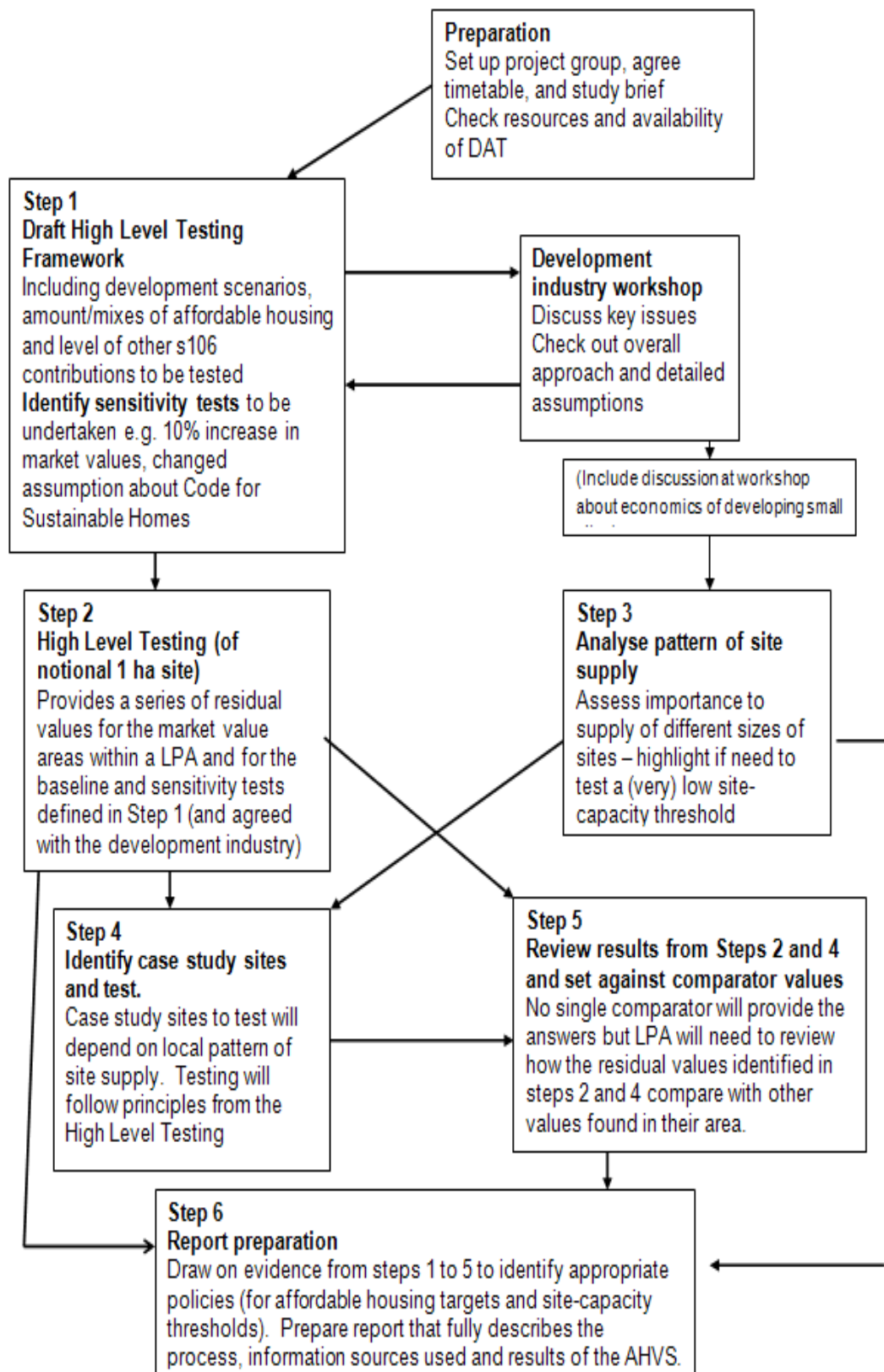
- 2.18 This case, consistent with the previous one outlined here, focuses on the margin required for a land owner to achieve over and above the Existing Use Value in order to achieve to a change of use of the land:

- 2.19 'The main parties' valuations of the current existing value of the land are not dissimilar but the Appellant has sought to add a 10% premium. Though the site is owned by the Appellants it must be assumed, for valuation purposes, that the land is being acquired now. It is unreasonable to assume that an existing owner and user of the land would not require a premium over the actual value of the land to offset inconvenience and assist with relocation. The Appellants addition of the 10% premium is not unreasonable in these circumstances.'
- 2.20 The approach has been very much bolstered in the report by Mr Keith Holland, the Examiner appointed by the Mayor of London to evaluate the London Community Infrastructure Levy. The planning Inspector stated in response to an alternative (and 'market value') approach being promoted by the Royal Institution of Chartered Surveyors
- 2.21 'The market value approach is not formalised as RICS policy and I understand that there is considerable debate within the RICS about this matter. The EUV plus a margin approach was used not only by the GLA team but also by several chartered surveyors in viability evidence presented to the examination. Furthermore the guidance at paragraph 22 refers to a number of valuation models and methodologies and states that there is no requirement for a charging authority to use one of these models. Accordingly I don't believe that the EUV approach can be accurately described as fundamentally flawed or that this examination should be adjourned to allow work based on the market approach to be done'.

Good practice approach

- 2.22 We have adopted the approach promoted in SEWSPG's (South East Wales Strategic Planning Group Good Practice Guide to carrying out affordable housing studies. The general approach has been endorsed by the development industry in Wales.
- 2.23 A summary of the approach is shown in Figure 2.3 below.

Figure 2.3 Good practice approach to carrying out affordable housing viability studies (SEWSPG Guide)



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.
- 3.2 The analysis is based on a notional one hectare site and has been undertaken for a series of house price sub markets that have been identified. The notional one hectare site is used as a comparable and practical measure for benchmarking results.
- 3.3 The chapter explores viability of development and looks at the residual value for a range of scenarios tested.

Sub Market areas

- 3.4 It is important to understand variation in house prices as this will have a significant impact on development economics and the impact of affordable housing on scheme viability.
- 3.5 An analysis of house prices in the JLDP area was undertaken using the latest three years worth of HM Land Registry data, to identify the sub markets. These sub markets are based on post code sectors and have been informed by discussions with the JPPU and a Workshop held with the industry and other stakeholders.
- 3.6 The house prices which relate to the sub markets provide the basis for a set of indicative new build values as at August 2012. Tables 3.1 and 3.2 below set out the sub markets adopted in the study.
- 3.7 Tables 3.3 and 3.4 set out the indicative new build house prices adopted

Table 3.1 Viability sub markets in Gwynedd

Gwynedd and Eryri National Park		
Sub-Markets	Postcode Sectors	Settlements / Areas
High value coastal	LL53 7	Abersoch; Llanbedrog; Mynythro; Llanengan; Rhydyclafdy
	LL35 0	Aberdyfi
Large coastal settlements	LL53 5	Pwllheli; Efailnewydd
	LL52 0	Criccieth; Llanystumdwy; Pentrefelin
	LL49 9	Porthmadog; Morfa Bychan; Borth y Gest; Tremadog
	LL55 2	Caernarfon; Cathathro; Bontnewydd
	LL55 1	Caernarfon; Bethel
Rural centres	LL24 0	Betws y Coed; Capel Curig; Pentrefoelas
	LL40 2	Dolgellau East
	LL40 1	Dolgellau South
Northern Coast and South Arfon	LL54 6	Pen y Groes; Talysarn; Nantlle; Llanllyfni
	LL56 4	Y Felinheli
	LL57 4	A55 Corridor (west); Tregarth; Llandegai; Rhiwlas; Tregarth
	LL57 1	Bangor
	LL57 2	Bangor
Llŷn Peninsula	LL54 5	Llanfaglan; Llandwrog; Dinas Dinlle; Pontllyfni; Trefor; Llanaelhaearn
	LL53 8	Sarn; Rhiw; Aberdaron; Tudweiliog; Botwnnog
	LL53 6	Abererch; Llithfaen; Nefyn; Morfa Nefyn; Y Ffor; Chwilog
	LL51 9	Gorlan; Dolbenmaen; Garndolbenmaen
Western Coastal & Rural Arfon	LL48 6	Penrhyndeadraeth; Llanfrothen
	LL47 6	Ynys; Cilfor
	LL39 1	Arthog (Barmouth Hinterland)
	LL36 9	Tywyn & Bryncrig; Llanfendigald
	LL36 0	Tywyn
	LL46 2	Harlech
	LL45 2	Llanbedr
	LL42 1	Barmouth hinterland; Llanaber; Caerdeon
	LL37 2	Llanwyngwrlil
	LL38 2	Fairbourne
	LL54 7	Carmel; Grosslan; Rhosgadfan; Rhostryfan; Llanwnda
	LL55 3	Deiniolen; Clwt-y-Bont; Penisarwaun
	LL43 2	Tal-y-Bont
	LL44 2	Llanendwyn

Gwynedd and Eryri National Park		
Sub-Markets	Postcode Sectors	Settlements / Areas
The Mountains	LL55 4	Llanberis Pass; Snowdon & Glyder ranges; Llanberis; Waunfawr; Llanrug; Cwm y Glo
	LL57 3	Bethesda & Carneddau range
Eastern Gwynedd and National Park	LL23 7	Y Bala & hinterland; Llandderfel
	LL33 0	Llanfairfechan
	LL25 0	Dolwydelau
	LL21 0	Edge of Gwynedd
	LL41 4	Trawsfynydd; Llan Ffestiniog
Blaenau Ffestiniog	LL41 3	Blaenau Ffestiniog

Source: Market value areas as agreed between AGA and the JPPU and tested at the Viability Workshop

Table 3.2 Viability sub markets in Ynys Môn

Ynys Môn		
Sub Market	Post Code Sectors	Settlements/ Areas
Rhosneigr	LL64 5	Rhosneigr
Beaumaris	LL58 8	Beaumaris; Llanddona; Penmon; Llanfaes
Rural North West	LL66 0	Rhosgoch
	LL67 0	Cemaes; Llanbadrig; Tregele
	LL68 0	Mynydd Mechell; Carreglefn; Llanfechell
Bridgehead	LL59 5	Menai Bridge; Llandegfan; Llansadwrn
	LL61 6	
	LL61 5	Llanfairpwllgwyngyll
Trearddur & Rhoscolyn	LL65 2	Trearddur & Rhoscolyn
South West	LL61 6	Dwyran; Brynsiencyn; Newborough
North East Rural	LL70 9	Brynrefail; Dulas
	LL73 8	Marianglas
	LL72 8	Moelfre; Llanallgo
	LL74 8	Benllech; Tynyngogl
	LL78 8	
	LL75 7	

Ynys Môn		
Sub Market	Post Code Sectors	Settlements/ Areas
	LL75 8	Red Wharf Bay; Pentraeth
	LL76 8	Llanbedrgoch
	LL78 7	Brynteg
Mid Rural	LL60 6	Gaerwen; Llangaffo; Llanddaniel
	LL71 7	Carmel
	LL71 8	Llannerchymedd; Capel Parc; Llandyfrydog; Maenaddwyn
Rural West	LL62 5	Bodorgan; Hermon; Malltraeth; Llangadwaladr; Bethel; Capel Mawr
	LL63 5	Aberffraw; Llanfaelog; Pencarnisiog; Bryn Du
	LL65 3	Valley; Caergeiliog; Bryngwran; Llanfihangel yn Nhywyn; Llanfair yn Neubwll; Bodedern
	LL65 4	Llanddeusant; Llanfaethlu; Rhydwyn; Llanfairynghornwy; Llanfwrog; Gwalchmai
Llangefni	LL77 7	Llangefni; Bodffordd; Rhosmerich; Rhostrehwfa; Talwrn; Ceint
	LL77 8	
Holyhead	LL65 1	Holyhead
	LL65 2	Holyhead
Amlwch & Hinterland	LL68 9	Amwlch; Rhosybol; Pengorffwysfa; Llaneilian; Porth Llechog
	LL69 9	Penysarn

Source: Market value areas as agreed between AGA and the JPPU and tested at the Viability Workshop

Map 3.1 Viability sub markets in Gwynedd and Ynys Môn

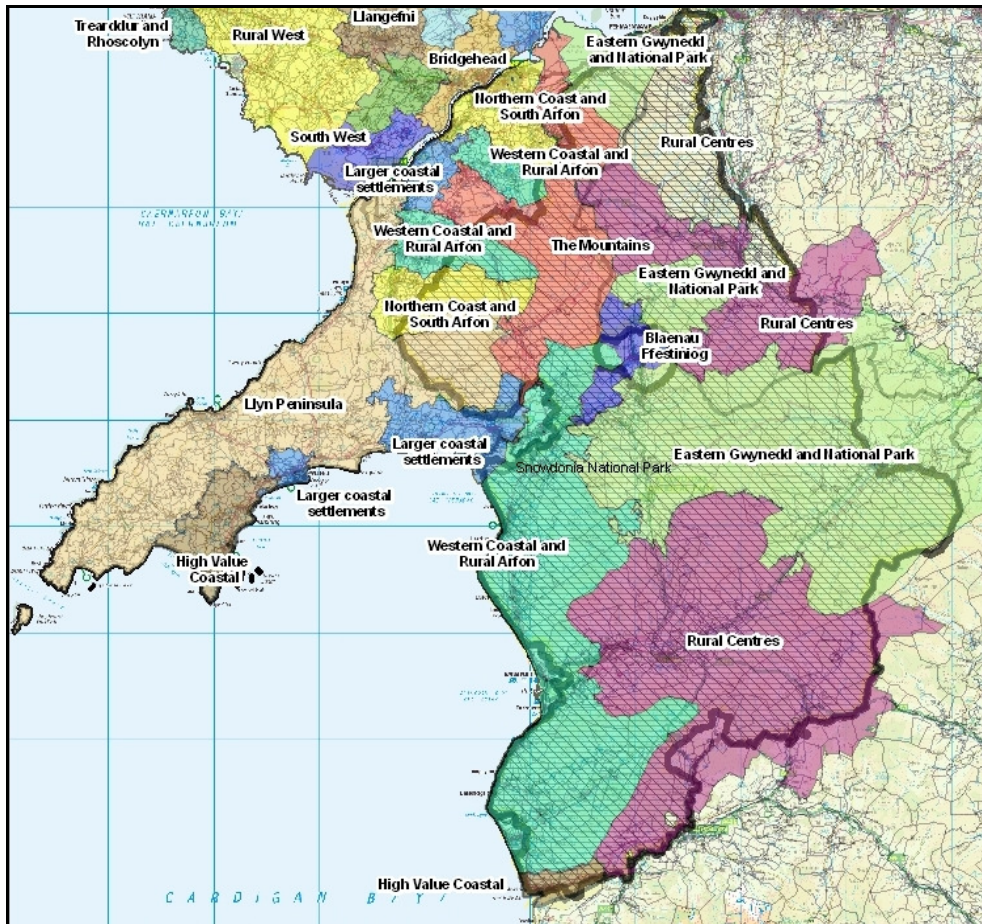


Table 3.3 Indicative new build house prices in Gwynedd

Gwynedd and Eryri National Park															
Sub Markets	Detached			Semis			Terraces				Flats			Bungalows	
	No. Beds			No. Beds			No. Beds				No. Beds			No. Beds	
	(£000)			(£000)			(£000)				(£000)			(£000)	
	5	4	3	4	3	2	4	3	2	1	2	1	Studio	3	2
High Value Coastal	430	395	350	260	235	215	255	230	210	155	200	150	95	280	255
Larger Coastal Settlements	295	275	245	180	165	150	175	160	145	110	140	105	65	190	175
Rural Centres	285	265	235	175	160	145	165	155	140	105	135	100	60	190	170
North Coast and South Arfon	280	260	230	170	155	140	160	150	135	100	130	95	55	185	165
Llŷn Peninsula	265	240	215	160	145	130	155	140	125	95	120	90	55	170	155
Western Coastal & Rural Arfon	255	230	205	150	140	125	145	135	120	90	120	90	50	165	150
The Mountains	250	225	200	145	135	120	140	130	120	90	120	90	50	160	145
Eastern Gwynedd and National Park	240	215	200	140	130	120	135	125	115	85	115	85	50	155	140
Blaenau Ffestiniog	160	145	130	100	90	80	95	85	75	60	75	55	30	105	95

Source: Prices as agreed between AGA and the JPPU and tested at the Viability Workshop

Table 3.4 Indicative new build house prices in Ynys Môn

Sub Market	Detached			Semis			Terraces			Flats		Bungalows		
	No. Beds			No. Beds			No. Beds			No. Beds		No. Beds		
	(£000)			(£000)			(£000)			(£000)		(£000)		
	5	4	3	4	3	2	4	3	2	3	2	1	3	2
Rhosneigr	400	345	295	260	235	210	265	230	200	225	190	130	285	255
Beaumaris	385	335	285	250	230	205	255	220	195	220	185	125	275	245
Rural North West	315	275	235	205	185	170	210	180	158	180	150	105	225	200
Bridgend	310	270	230	200	180	165	205	175	155	175	145	100	220	195
Trearddur & Rhoscolyn	305	265	225	195	180	160	205	175	155	175	145	100	220	195
South West	290	255	215	190	175	150	190	165	150	165	140	100	205	185
North East Rural	285	250	215	185	170	150	190	165	145	165	135	95	205	180
Mid Rural	270	240	200	180	160	145	180	155	135	155	130	90	195	175
Rural West	265	230	195	175	155	140	175	150	135	150	125	85	190	170
Llangefni	250	220	185	165	150	135	170	145	130	145	120	80	180	160
Holyhead	235	205	175	155	140	125	160	135	120	135	100	75	165	150
Amlwch & Hinterland	230	200	170	150	140	125	155	135	115	135	110	75	165	150

Source: Prices as agreed between AGA and the JPPU and tested at the Viability Workshop

3.5 Groupings of sub markets for the purposes of policy testing

	3 Bed Terr	Groupings	
Gwynedd High Value Coastal	£230,000		
Rhosneigr	£230,000		
Beaumaris	£220,000		
North West Rural	£180,000		
Bridgehead	£175,000		
Trearddur & Rhoscolyn	£175,000		
South West	£165,000		
North East Rural	£165,000		
Larger Coastal Settlements	£160,000		
Rural Centres	£155,000		
Mid Rural	£155,000		
Northern Coast and South Arfon	£150,000		
Rural West	£150,000		
Llangefni	£145,000		
Llyn Peninsular	£140,000		
Western Coastal & Rural Arfon	£135,000		
Holyhead	£135,000		
Amlwch & Hinterland	£135,000		
The Mountains	£130,000		
Eastern Gwynedd & National Park	£125,000		
Blaenau Ffestiniog	£85,000		

The table above shows in green, areas of Gwynedd, and in yellow, areas of Ynys Môn. The columns with blue blocks show groupings of areas with similar selling prices.

Assumptions (notional one hectare site)

- 3.8 For the viability testing, we defined a number of development mix scenarios, using a range of assumptions agreed with the Council (see Table 3.6 below). The scenarios were based on an analysis of typical development mixes and were discussed at the stakeholder workshop.
- 3.9 The development mixes discussed were as shown in Table 3.6 below. The density is expressed in dwellings per hectare.

Table 3.6 Development densities and base mix scenarios tested in the study

	Density (DpH)			
	20	30	40	50
1 Bed Flat				10
2 Bed Flat			5	15
2 Bed Terrace		5	15	20
3 Bed Terrace	5	10	25	20
3 Bed Semi	25	30	25	20
3 Bed Detached	25	25	20	10
4 Bed Detached	20	15	10	5
5 Bed Detached	15	5		
3 Bed Bungalow	10	10		
	100	100	100	100

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

3.11 The Study reviewed the viability of existing and emerging potential policy targets. In order to consider a full range of possible targets, testing takes place assuming delivery of 10%; 20%; 30%; 40% and 50%; based on 75% Social Rent and 25% HomeBuy split.

Section 106 (or similar) contributions

3.12 The testing assumptions on other Section 106 contributions were discussed with the authority in the light of monitoring information available and as a result of having discussed appropriate levels at the Workshop. We have run the baseline testing at £5,000 per unit. This is assumed to cover on average, all contributions other than affordable housing.

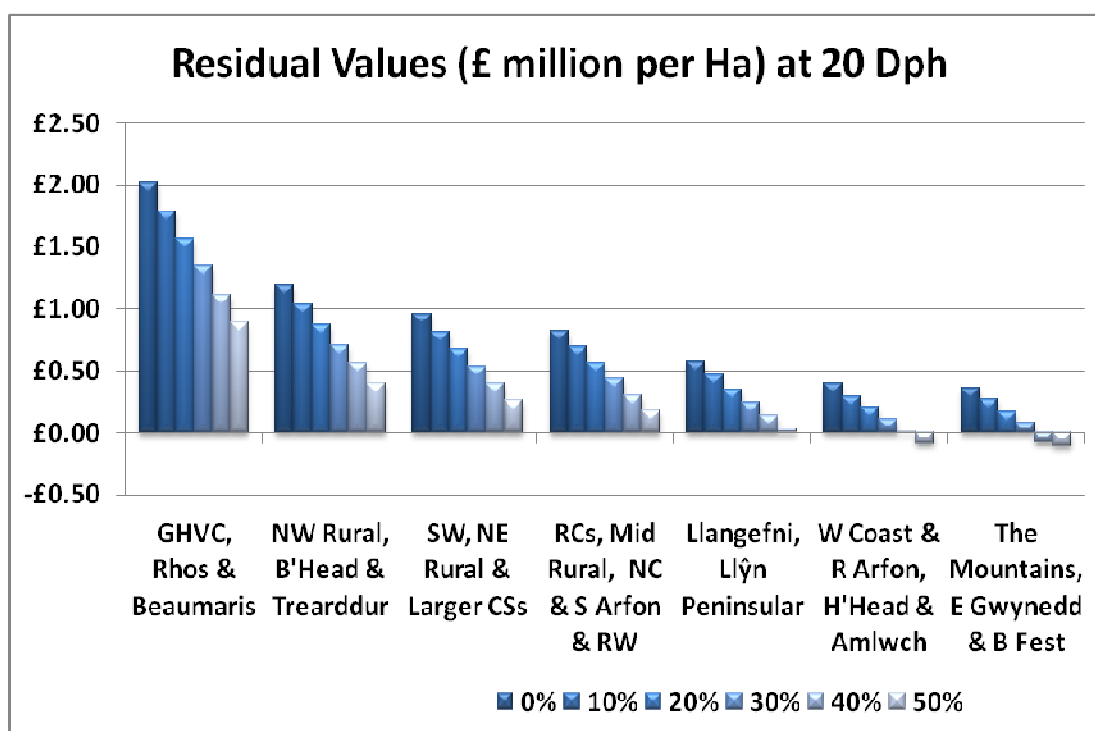
Results: residual values for a notional one hectare site

3.13 This section looks at a range of development mixes and densities. It shows the impacts of increasing the percentage of affordable housing on residual site values. **The full set of results is shown in Appendix 2.** They reflect a £5,000 per unit planning gain package in each case and a 17% profit margin on gross development value to the developer on the market element of the scheme, along with a 5% overhead on build costs.

Residual values at 20 dph

3.14 Figure 3.1 shows the residual values for a 20 dph (dwellings per hectare) scheme for each of the sub markets.

Figure 3.1 Housing (at a density of 20 dph) – Residual value in £s million

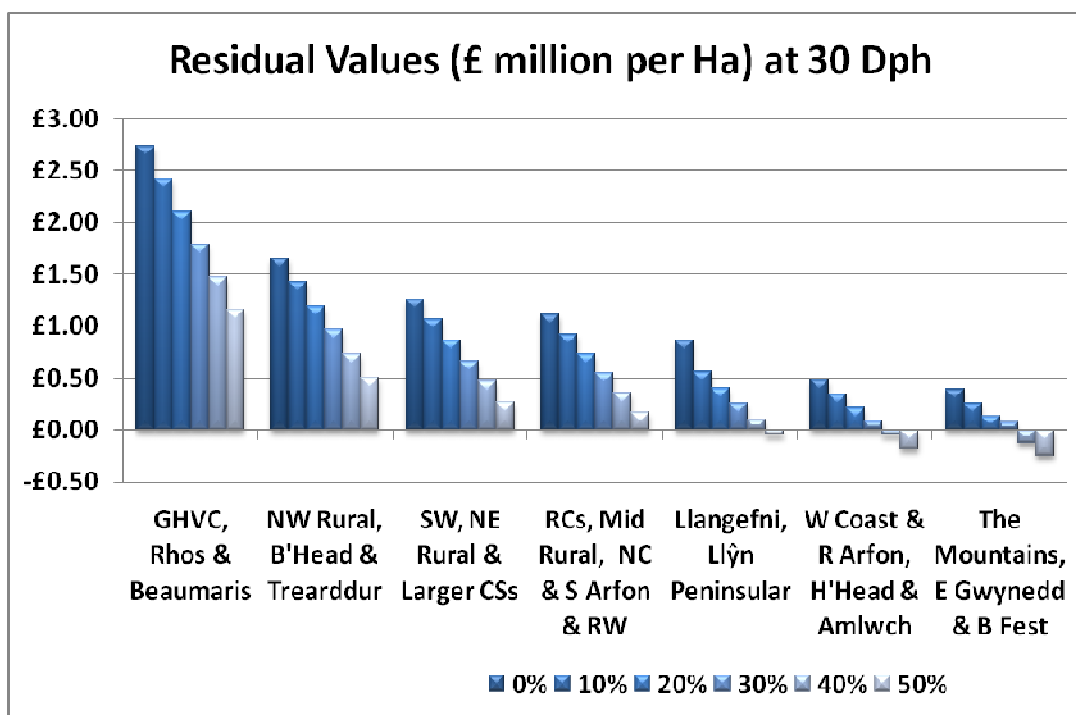


- Figure 3.1 shows residual values in £ million per hectare across the urban and rural areas of the JLDP area. Residual values vary highly between the higher value sub markets and the lower ones. The differences reflect, at a most fundamental level, differences in house prices.
- The variation in residual values is marked across the whole area. Residual values in GHVC (Gwynedd Higher Value Coastal), Rhosneigr and Beaumaris are strong. At 50% affordable housing residual value approaches £1 million per hectare. This is almost 2.5 as high as residual value in The Mountains, East Gwynedd and Blaenau Ffestiniog.
- There is a broad, three way split in residual values, and hence viability. This split is between a) GHVC, Rhosneigr and Beaumaris, North West Rural, Bridgehead, Trearddur; b) South West (Ynys Môn), North East Rural (Ynys Môn), Larger Coastal settlements (Gwynedd), Rural Centres (Gwynedd), Mid Rural (Ynys Môn), Northern Coast and South Arfon (Gwynedd) and Rural West Ynys Môn), and Llangefni, Llŷn Peninsula; c) West Coast and Rural Arfon (Gwynedd), Holyhead, Amlwch, The Mountains, Eastern Gwynedd and National Park and Blaenau Ffestiniog.

Residual values at 30 dph

3.15 Figure 3.2 shows the residual values for a 30 dph scheme for each of the market value areas.

Figure 3.2 Housing development (at a density of 30 dph) – Residual value in £s million

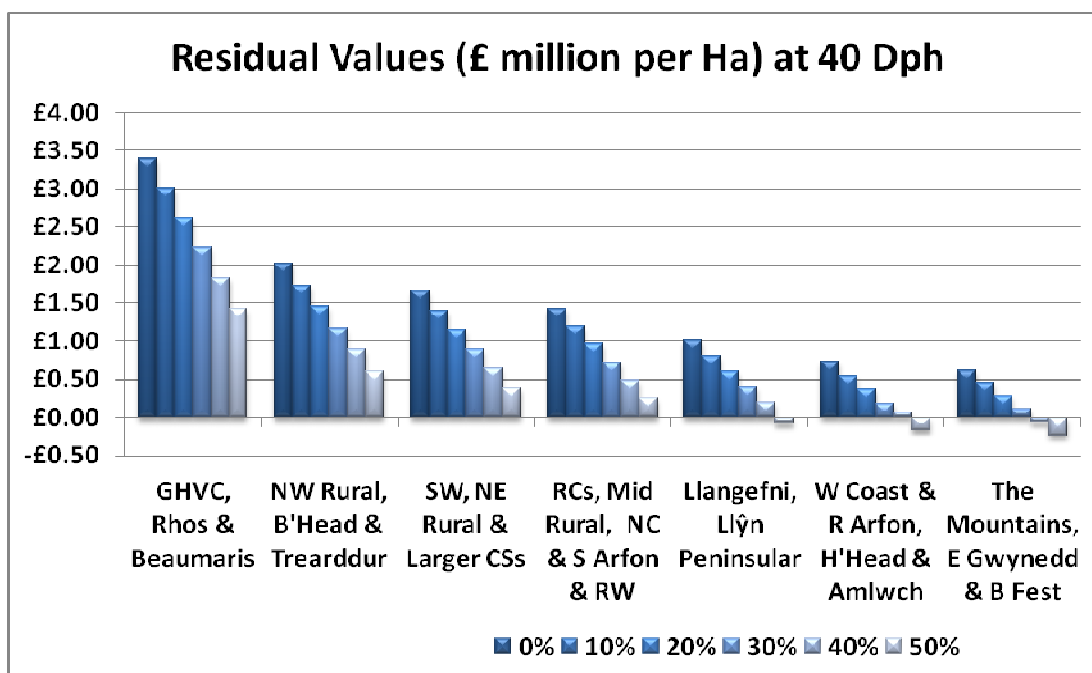


- Figure 3.2 shows a similar pattern of residual values (Figure 3.1) with the broad three way split being maintained at higher density. These differences indicate the importance for the JPPU in considering a differential approach to policies on affordable housing, particularly targets in the different sub markets.
- Residual values in a mid market location (example RCs, Mid Rural, Northern Coast and South Arfon and RW) range from £1.1 million per hectare at nil affordable housing to £170,000 per hectare at 50% affordable housing. At 30% affordable housing, residual value is around £500,000 per hectare.
- At the lower end of the market, viability is more marginal. Negative residual values result. This is where the cost of development exceed the revenue generated. Generally this happens at affordable housing targets which are greater than 30%.
- A negative residual for a sub market does not mean necessarily that housing will not be developed in these (lower value) areas. There will be hot spots within these locations where development will be viable, even though the general tone of residual values is either marginal or negative.
- Generally, a higher density produces a higher residual value. If a mid market location (example RCs, Mid Rural, Northern Coast and South Arfon and RW) it can be seen that at 20 dph (at say 30% affordable housing), a residual value of £0.44 million per hectare is generated; as against £0.55 million per hectare at 30 dph.

Residual values at 40 dph

3.16 Figure 3.3 shows residual values for a 40 dph scheme for each of the market value areas.

Figure 3.3 Housing development (at a density of 40 dph)

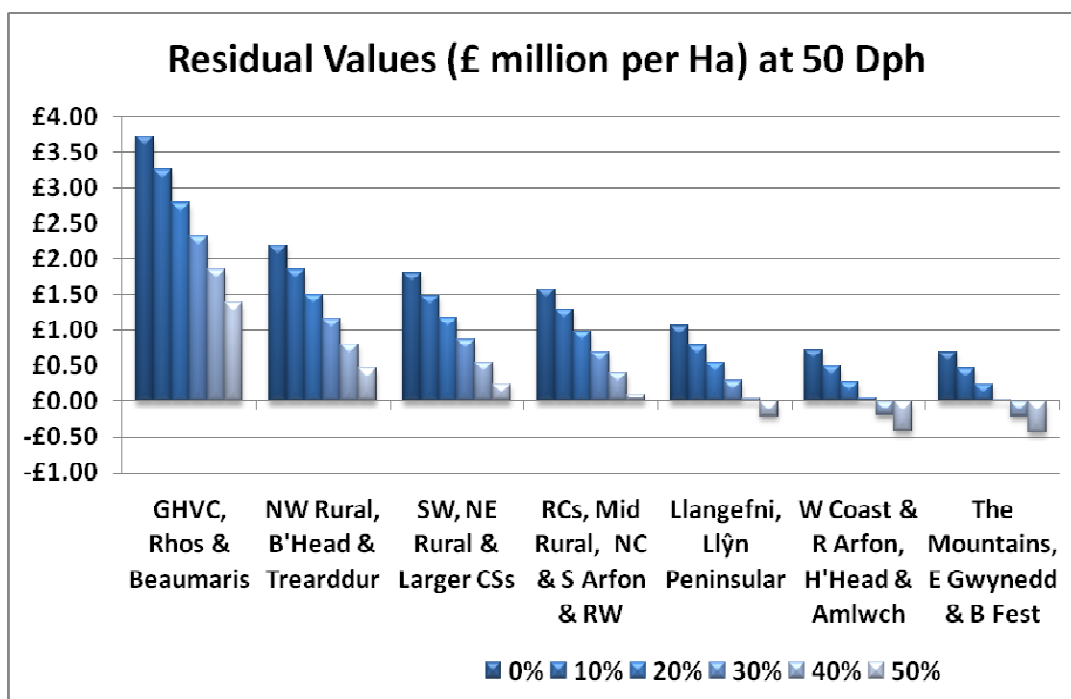


- Figure 3.3 shows a very similar pattern of residual values across the housing sub markets. As previously, there is a significant difference between the different sub markets in terms of residual value.
- The 40 dph scenario is interesting in that it seems to indicate an optimum density in terms of residual value. Taking again the example of RCs, Mid Rural, South Arfon and RW we can compare: at 20 dph RV (residual value) is £440,000 per hectare; at 30 dph, it is £550,000 per hectare; at 40 dph, it is £720,000 per hectare, yet at 50 dph (see also Appendix 2), it begins to drop off again (£690,000 per hectare).
- Some care is needed here, since these conclusions do depend on the development mix selected (and individual scheme will of course vary), but as a general conclusion this density looks best to maximise viability.
- The significant differences between sub markets are maintained. Residual value at 50% affordable housing in GHVC, Rhosneigr and Beaumaris is over twice as high as residual value at nil affordable housing at the bottom end of the market.

Residual values at 50 dph

3.17 Figure 3.4 shows residual values for a 50 dph scheme for each of the sub market areas.

Figure 3.4 Housing development (at a density of 50 dph) – Residual value in £s million



- The chart shows that as with all previous graphs, the broad split in residual values exists. The impact at higher density is, to a large extent, to 'stretch' the range of residual values. For example, at 20 dph the full range of residual values (nil affordable housing at the top of the market to 50% affordable housing at the bottom) is £2.02 million per hectare to (negative) £100,000 per hectare. The corresponding range at 50 dph is £3.72 million per hectare to (negative) £440,000 per hectare.
- As previously, it is important to emphasize that negative residual values at this broad brush level do not necessarily mean that sites will not come forward. Some schemes in the lower sub market areas will generate residual values more akin to those in the middle market areas; some schemes, in select locations, may generate residual values even higher than this.
- This means that policy setting should not 'shut out' the lower market areas in terms of an affordable housing target. Indeed, it will be advisable to have a target of some measure in order to, wherever possible, meet housing needs.

Commentary on results

- 3.18 This study has assessed the residual value for a notional one hectare site for a series of scenarios across the sub market areas of the JLDP area.
- 3.19 The sub markets generate a set of varied residual values and, for the same set of assumptions about density/development mix and proportion of affordable housing, different residual values have been found.

- 3.20 There is a broad, three way split in residual values, and hence viability. This split is between a) GHVC, Rhosneigr and Beaumaris; b) Rural North West, Bridgehead, Trearddur, South West (Ynys Môn), North East Rural (Ynys Môn), Larger Coastal settlements (Gwynedd), Rural Centres (Gwynedd), Mid Rural (Ynys Môn), Northern Coast and South Arfon (Gwynedd) and Rural West Ynys Môn), and c) Llangefni, Llŷn Peninsula, West Coast and Rural Arfon (Gwynedd), Holyhead, Amlwch, The Mountains, Eastern Gwynedd and National Park and Blaenau Ffestiniog.
- 3.21 Residual values in a mid market location (example RCs, Mid Rural, Northern Coast and South Arfon and RW) range from £1.1 million per hectare at nil affordable housing to £170,000 per hectare at 50% affordable housing. At 30% affordable housing, residual value is around £500,000 per hectare.
- 3.22 The 40 dph scenario seems to indicate an optimum density in terms of residual value.

4 FURTHER VIABILITY TESTS

Impact of the Code for Sustainable Homes

- 4.1 The Code for Sustainable Homes (CFSH) may or may not 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 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.
- 4.2 This Viability Study uses current Building Cost Information Service (BCIS) build cost data. The average build costs are assumed to include Code Level 3 as a baseline position. The cost impact of moving from Level 3 to Level 4 of the CFSH is estimated, according to DCLG research (Cost Analysis of The Code for Sustainable Homes: Final Report July 2008), at around £5,000 per unit, moving to Code Level 4 could therefore generate additional costs of around £200,000 per hectare (based on a 40 dph scheme) for example.
- 4.3 The impact in a mid market location (example RCs, Mid Rural, Northern Coast and South Arfon and RW) will be to reduce residual value by around 20% at 20% affordable housing. At the top of the market, the impact will be less – around 10% at 30% affordable housing.
- 4.4 At the lower end of the market, the impacts will be more dramatic, as may be expected. In the lowest value sub market, residual value will halve at 10% affordable housing. Clearly this is a significant impact.
- 4.5 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 introduction to higher levels of code will be more staggered, and it will be currently difficult to test reasonable assumptions given the unknown performance of house prices over time. Discussion of higher level impacts should also be seen in the light of the updated Part L Building Regulations.
- 4.6 In all events, schemes can be negotiated individually taking into account the marketability of the location, the design and build quality and the development mix. Ultimately, the relationship between RV and EUV will determine viability.

Impact of a different level of Section 106 contribution

- 4.7 We have tested our baseline analysis for Section 106 contributions (in addition to affordable housing) at £5,000 per unit. This we believe is a very robust benchmark for testing, which is based on the experience within the study area and generally across Wales and England.
- 4.8 Section 106 costs (alongside affordable housing) however could be higher in some instances. At £10,000 per unit (a figure we have tested elsewhere for similar local authorities) there would be a residual value reduction of £200,000 on a scheme of one hectare at 40 dph.
- 4.9 This will have a similar effect on residual value to that seen where a scheme moves from Code 3 to Code 4; i.e. reductions in value of up to 10% at the top end of the market and of around 20% in the mid market locations; in a range of 20% to 30% affordable housing.

- 4.10 As previously, the contributions will vary from site to site and can be negotiated according to site specific conditions.

Lifetime Homes

- 4.11 Lifetime Homes may be included within new developments. The estimated additional costs will be around £500 per unit and will not prove a constraint to viability.
- 4.12 Thus residual values could be expected to hold up reasonably well under these circumstances.

Fire sprinklers

- 4.13 As the situation is currently understood, these come into force in September 2013. We are thus almost a year away. Most importantly we do not know where house prices will be when the policy kicks in. Given the significance of affordable housing in Wales, it's very important that policy is set on the basis of fair assumptions, not on the basis of the downsides only. As with the code for Sustainable Homes, development could be significantly more viable notwithstanding the introduction of sprinklers.

- 4.14 In terms of the numbers, the costs of an average dwelling has been estimated at around £5,000 per unit:

<http://www.fgould.com/uk/articles/fire-sprinklers-compulsory-all-new-homes-wales/>

With time it can be expected that, contract tenders and competition for schemes, some lowering of this figure can be anticipated - say to £3,500 per unit. On a 40 dph scheme this would mean additional costs of around £140,000.

- 4.15 To contextualise this figure, residual values will fall by around 8% at the top of the market (30% affordable housing) and by around 20% in the middle of the market on the basis of a 20% affordable housing contribution. These reductions are certainly not significant at the top of the market and should not significantly affect viability in middle market locations.
- 4.16 The true impact of the (sprinkler) policy will not be seen until we get the BCIS Tender prices through in say 2014, which will demonstrate whether the policy is actually increasing overall build costs. It would not take much of a fall in general construction costs to offset the impact of the new policy, and commensurately less of a rise in house prices to bring the overall viability position back to baseline.

Part L of the Building Regulations

- 4.17 Additional costs are foreseen in the updated Part L of the Building Regulations within Wales.
- 4.18 As previously, it is important to state that at the current time, these costs are not in place and that consultation on the changes have only just been recently completed (October 2012). It is uncertain whether development will be more or less viable at the incidence of any new potential policy. Viability depends on both revenue as well as cost.

- 4.19 Part L (Conservation of fuel and power) was issued in July 2012. Costs have been estimated (Davis Langdon and WAG) at around a baseline of £25,000 per dwelling (terraced house/semi detached house). The Home Builders Federation (response to Bridgend Draft Deposit LDP) have estimated costs at around £20,000 per dwelling. They state (response to Bridgend LDP):

'We have discussed this [Part L] with the Welsh Government and they have agreed that a suitable ballpark cost to assume in order to achieve this requirement would be approximately £20,000 extra per plot, or £800,000 over a 40 unit development.'

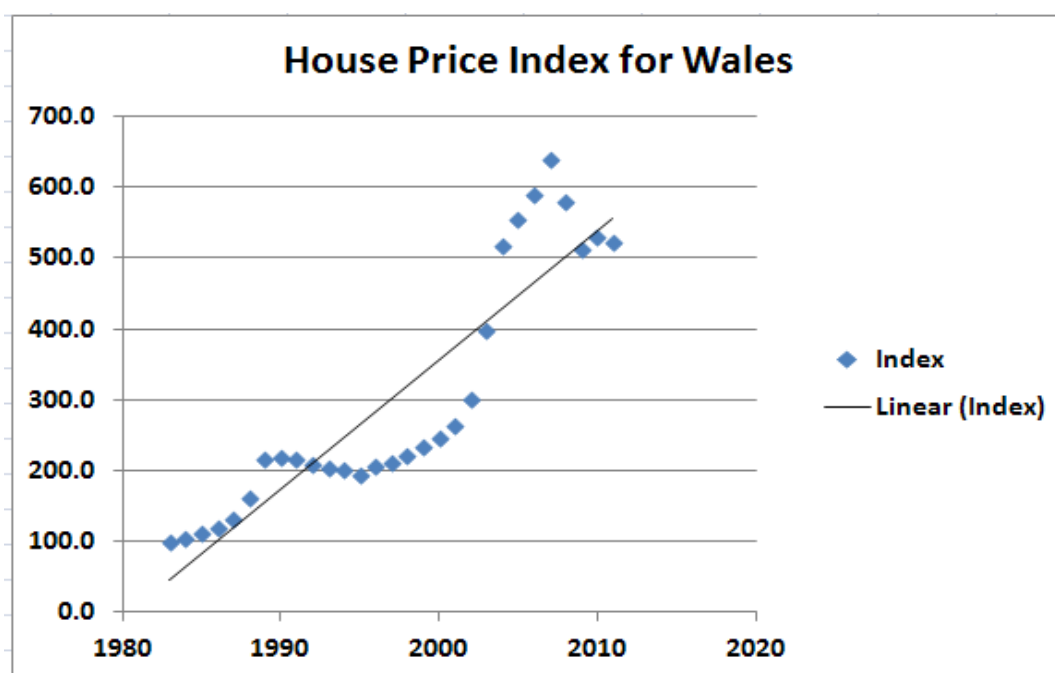
Cumulative impacts – sprinklers and Part L

- 4.20 Further discussion with Welsh Government Assembly (January 2013) suggest however that the costs of implementing both policies will be significantly lower. A figure of around £8,000 per unit to cover both sprinklers and Part L is seen to be appropriate. This will of course have significant effects at the lower end of the market, but middle and higher value markets should remain relatively unaffected.

Short and long term housing market trends

- 4.21 It is helpful, in contextualising the findings of Chapter 3 in particular, to look at long term trends in the housing market. Figure 4.1 shows the relationship between the short and longer term housing market trends.
- 4.22 The figure shows trends for Wales as a whole. It demonstrates the short term volatility in house prices against the long term straight line trend. The chart shows that current prices (indicated by the dotted line) are marginally below the long term (straight line) trend.

Figure 4.1 Long term house price trend



Source: Halifax House Price Index August 2012

- 4.23 Figure 4.1 suggests that the analysis set out above has not, in the light of longer term trends, been overly optimistic in the assessment of viability. Current prices are below the long term trend, even if only marginally. This means that our assessment of viability for policy making purposes, will be 'conservative' in nature and able to withstand an assertion that policy has not been realistically set.

Concluding comments – further viability tests

- 4.24 Scenario and policy testing here looks largely at additional costs on a ceteris paribus or 'all other things equal' approach. This may easily lead to a pessimistic view which in turn leads to an overly cautious approach on Section 106 requirements.
- 4.25 The past shows that the housing market has been relatively buoyant over the long run, and the current housing shortage may well have some, if limited, impacts in bolstering house prices.
- 4.26 The medium to higher value sub markets of the JLDP area look reasonably immune to many of the policy impacts, although it should be stated that additional costs of around £20,000 per unit would not be easily assimilated and in the weaker sub markets will make a significant 'dent' in residual values.
- 4.27 It is highly important in setting out a policy position, that future uncertainties on costs do not drive strategy. It is always made very clear to house builders in Wales that schemes are negotiable, although a reasonable starting point in terms of targets and thresholds is the basis of a satisfactory planning process.

- 4.28 It will be important that the public sector is not seen as the source of the viability challenge in this debate. It is simply unrealistic for land owners and developers to object to forms of regulation (e.g. affordable housing and sustainability requirements) when the sites they are promoting depend entirely on the process of regulation in the first instance. Once a land owner decides that a site might be worth a change of use, s/he enters into a process which reflect the fact that should his/her site not obtain permission then it likely than another owner's will. On this basis, regulation should in large measure be taken 'on the chin'. This is the nature of investment markets that wider political impacts do affect outcomes and values.

5 LAND SUPPLY, SMALL SITE ANALYSIS AND USE OF COMMUTED SUMS

Introduction

- 5.1 This chapter reviews the policy context and options for identifying the size of sites above which affordable housing contributions would be sought, in the policy context.
- 5.2 The ability of a local authority to deliver affordable housing depends on the trigger point at which policy allows affordable housing to be sought. Clearly a low threshold will provide the Councils with a greater potential contribution to affordable housing than a high one.
- 5.3 In policy terms, Technical Advice Note 2 (TAN 2) from the Welsh Assembly Government, Paragraph 10.3 states:
- Local planning authorities should include in their development plan either site thresholds or a combination of thresholds and site specific targets:
- **Thresholds** - a site-capacity threshold for residential developments on allocated and unallocated sites. Thresholds may either be set for the plan area or different thresholds (for example different site-capacity thresholds for different parts of the plan area or a range of site capacity thresholds in conjunction with differential affordable housing contributions) above which an element of affordable housing will be sought.
- 5.4 Therefore local authorities can set thresholds either on a local authority wide basis, or differentiated according to local market or land supply situations.
- 5.5 Where local authorities set thresholds depends to some extent on the types of site in their area. A proliferation of certain types of site may generate particular viability challenges. For example, significant demolition or conversion schemes. Even large green field sites have their own particular viability challenges.
- 5.6 In looking at the question of where the threshold should be set, the nature of small sites is particularly important.
- 5.7 The JPPU has prepared detailed analysis on site supply.

Planning permissions for residential use

- 5.8 Looking at the nature of sites by reference to the incidence of planning permissions is helpful in terms of understanding where policy on affordable housing might be directed.
- 5.9 In the Gwynedd area, there were in total 198 permissions given for residential development for the period April 2009 to March 2012. 90% of the permissions (incidence, not percentage of total units) were on sites of less than 5 units. It follows that the other 10% were on sites of 5 units and more. 90% of permissions on small sites is a very significant figure, and one which may suggest that the threshold should be set lower than 5 units for the Gwynedd area.
- 5.10 The equivalent data for the Ynys Môn area is not available, although data for sites with a capacity of more than five dwellings is available. This analysis shows that there were 34 sites over the same relevant period (April 2009 to Oct 2012).

5.11 52% of permissions in Gwynedd are conversions, with 48% being new build. The figures for Ynys Môn are 32% conversions and 68% new build.

Land sources for permissions

5.12 Table 5.1 sets out the sources of land and property in Gwynedd which supply residential development; expressed in terms of permissions.

Table 5.1 Residential permissions: land and property supply: Gwynedd

Dwelling	30	15.2%	Shop	11	5.6%	Extensive garden	1	0.5%
Chapel / Church	12	6.1%	Vacant land	13	6.6%	Allotment	1	0.5%
Outbuilding / agricultural building	21	10.6%	Vacant building	1	0.5%	Factory	1	0.5%
Curtilage of a dwelling	18	9.1%	Workshop	3	1.5%	Industrial site	2	1.0%
Office	9	4.5%	Car park	5	2.5%	Hotel	1	0.5%
Garage	9	4.5%	Agricultural land	19	9.6%	Other	29	14.6%
Commercial	7	3.5%	Building plot	4	2.0%			

5.13 Table 5.1 shows that housing in Gwynedd is supplied from a range of land and property sources. Of these, the most significant (permissions not units) are dwellings (15% of instances of permissions). Also important are agricultural outbuildings (11%) and the curtilage of a dwelling, agricultural land is also significant. The amount of permissions coming forward from industrial land and property is relatively small.

5.14 Table 5.2 shows equivalent analysis (sites of more than 5 dwellings only) for Ynys Môn. This shows, as for Gwynedd, that dwellings provide a significant source of housing supply (conversions and demolitions are likely to feature strongly here). Also important is agricultural land (15% of permissions), vacant land (15% of permissions) and outbuildings (also 15% of permissions).

Table 5.2 Residential permissions: land and property supply: Ynys Môn

Dwelling	3	8.9%	Commercial	2	5.9%	Outbuilding	5	14.7%
Dwellings and retail	2	5.9%	Extensive garden (beyond curtilage)	1	2.9%	Retail	1	2.9%
Agriculture	5	14.7%	Hotel	2	5.9%	School	1	2.9%
Vacant land	5	14.7%	Garage	2	5.9%	Other	5	14.7%

Brown and green field land

- 5.15 In Gwynedd, the percentage of permissions on brown field land were 83% for the period; the percentage of permissions on green field land were 17%.
- 5.16 In Ynys Môn the percentage of permissions on brown field land were 71% for the period; the percentage of permissions on green field land were 29%.

Residential development: permissions by units

- 5.17 An alternative analysis of the nature of land supply for housing can be made by referring to units, rather than permissions.
- 5.18 Looking at the same issue in a different way provides a different overview. In Gwynedd, there were 578 units that received permission for housing between April 2009 and March 2012. Of these, 43% (250 units) were developed on sites of less than five units. That meant that 57% (328 units) were developed on sites with five units or more.
- 5.19 The number of dwellings developed in Ynys Môn on large sites (greater than five units) was 391.
- 5.20 Table 5.3 shows the breakdown of sources for housing development by units for Gwynedd.

Table 5.3 Sources of supply for housing development by units: Gwynedd

Dwelling	41	7.1%	Shop	16	2.8%	Extensive garden	3	0.5%
Chapel / Church	31	5.4%	Vacant land	16	2.8%	Allotment	1	0.2%
Outbuilding / agricultural building	21	3.6%	Vacant building	8	1.4%	Factory	15	2.6%
Curtilage of a dwelling	60	10.4%	Workshop	3	0.5%	Industrial site	2	0.3%
Office	60	10.4%	Car park	20	3.5%	Hotel	1	0.2%
Garage	35	6.1%	Agricultural land	36	6.2%	Other	186	32.2%
Commercial	19	3.3%	Building plot	4	0.7%			

5.21 Table 5.3 shows that, as with the previous analysis (by permissions), dwellings feature as an important source of supply for housing. Also (as previously), dwelling curtilages (10% of all units) are significant, as are agricultural plots (6% of all units) and Garages (6% of all units).

5.22 Offices (at 10% of all units) make up a significant contribution to housing supply in Gwynedd.

5.23 Table 5.4 shows broadly equivalent data (sites of five dwellings or more) for Ynys Môn.

Table 5.4 Sources of supply for housing development by units: Ynys Môn

Dwelling	19	4.9%	Commercial	26	6.6%	Outbuilding	31	7.9%
Dwellings and retail	10	2.6%	Extensive garden (beyond curtilage)	9	2.3%	Retail	6	1.5%
Agriculture	105	26.9%	Hotel	17	4.3%	School	6	1.5%
Vacant land	82	21.0%	Garage	11	2.8%	Other	69	17.6%

5.24 The table shows that on the Island, a very significant proportion of units come from agricultural land (27%) with another significant contribution coming from Vacant land (21%). Other sources make up 18% of all units.

General commentary on the data and analysis

5.25 The foregoing tables and commentary provide a good opportunity to understand better the viability challenges that are likely to apply across JLDP area.

5.26 The data gives a good indication of some of the issues that are likely to arise in relation to viability; in particular, the broad land use benchmarks that may apply. That stated, care is needed in interpreting the data. For both Gwynedd and Ynys Môn, brownfield land predominates. However, when this data is unpacked, it is also clear that a high proportion of units have been developed from sites where existing use values are likely to be low; for example, agricultural land, garden land and vacant land.

5.27 The data also shows that a significant proportion of supply across the JLDP area comes from dwellings, many of which will be conversions, and in some instances, demolitions. These schemes present their own special challenges, particularly where houses are knocked down, since existing use value is likely to be high in most cases.

5.28 The JPPU have carried out further analysis showing typical locations for development. This is helpful in understanding more about the nature of viability issues arising across different sites. This analysis shows that edge of town commercial (medium density housing small scale) is significant; also important are edge of town sites, and in the case of the Island, village development.

Use of commuted sums

5.29 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.

- 5.30 Where commuted sums are sought as an alternative to direct on or off-site provision, an appropriate principle for assessing financial contributions – is that they should be of broadly equivalent value. Our approach is that the commuted sum should be equivalent to the ‘developer/landowner contribution’ if the affordable housing was provided on site. One way of calculating this is to take the difference between the residual value of 100% market housing and the residual value of the scheme with the relevant percentage and mix of affordable housing. For example:

RV at 100% market housing	£800,000
RV at say 30% affordable housing	£350,000
Committed sum therefore:	£450,000

- 5.31 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 off-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.
- 5.32 Any 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.
- 5.33 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).

6 CASE STUDY VIABILITY ANALYSIS – SMALLER SITES

Introduction

- 6.1 The analysis in Chapters 3 and 4 provides a good indication of the likely viability of sites in both authorities. The analysis in those chapters will apply for large as well as small sites (on a pro rata hectare basis). We do not have any systematic evidence to suggest that the economics change significantly between large and small sites.
- 6.2 Data produced by the Valuation Office has consistently shown 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.
- 6.3 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 is felt helpful to review the development economics of some illustrative case studies of smaller sites.

Case study sites

- 6.4 In this section we review a number of case study developments which are examples of small sites for residential development.
- 6.5 An analysis of the data for sites (please see Tables 5.3 and 5.4) shows that housing schemes come from a range of existing use values. Although some are commercial, very many sources may be categorised as clear sites. These include dwelling curtilages, gardens, vacant land, agricultural land, allotments or car parks. This is the case for around 60% of the supply in Ynys Môn, and around 30% of the supply in Gwynedd.
- 6.6 Many of these schemes will be small scale involving the construction of one, two or more dwellings (say less than five for the purposes of analysis).
- 6.7 We test here three case studies. These cover the very small single dwelling sites as well as those sites of less than five dwellings. Table 6.1 tests these schemes in a sample of sub market circumstances.

Table 6.1 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. Covers 'one for one' schemes.
B	2	1 x 3 bed detached house; 1 x 4 bed detached house	0.05	40	Covers small new build schemes on residential amenity land
C	4	2 x 3 bed semis; 2 x 3 bed detached	0.1	40	Covers new build and schemes where 4 new build replace one existing dwelling.

For each case study we have undertaken an analysis of residual values for a selection of sub markets. We test at 0%, 10%, 20%, 30% and 40% 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

- 6.8 The first scenario assumes the development of one four bed detached house. The results, with the affordable housing impacts are shown in Table 6.2:

Table 6.2 Develop one detached house

	0%	10%	20%	30%
GHVC, Rhos & Beaumaris				
(RV for scheme)	£123,000	£110,000	£94,000	£82,000
(RV per ha - £m)	£4.10	£3.67	£3.13	£2.73
SW, Rural NE & Larger CSs				
(RV for scheme)	£57,000	£50,000	£40,000	£31,000
(RV per ha - £m)	£1.90	£1.67	£1.33	£1.03
Llangefni, Llŷn Peninsula				
(RV for scheme)	£32,000	£35,000	£18,000	£11,000
(RV per ha - £m)	£1.07	£0.83	£0.60	£0.37
The Mountains, E Gwynedd & B. Ffest				
(RV for scheme)	£17,000	£12,000	£6,000	£0
(RV per ha - £m)	£0.57	£0.40	£0.20	£0.00

Table 6.2 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).

- 6.9 Table 6.2 shows that the development of one new detached house generates robust residual values in the higher to middle value sub markets. As an example, at 30% affordable housing in the highest value sub market (GHVC, Rhos and Beaumaris) plot value will be around £80,000.
- 6.10 In a middle to lower value sub market such as Llangefni and the Llŷn Peninsula, residual values are still robust.
- 6.11 At the lower end of the market, plot values reflect the High Level Testing analysis. That is to say in many instances, they are marginal. Also, where a low or marginal residual results for a single plot, there may be in some instances a case where (although the per hectare value looks reasonable) a land owner may not find it not worthwhile bringing the site forward.
- 6.12 Where a single new house replaces an existing dwelling we would normally expect the economics to prevent an affordable housing contribution on the basis that EUV will be too high. Even at the top of the market such a scheme will only generate around £100,000 for a building plot at a 10% affordable housing contribution – 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 market dwelling, unless these are exceptionally favourable.
- 6.13 This type of scheme (demolition and replacement) may work best for self-build projects where a profit margin may be lower, thereby raising the residual value.

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

- 6.14 The viability of developing two detached houses rather than one will depend on a number of factors including location, development mix and the intensity to which the site is developed. Table 6.3 shows residual values for the development of two detached houses.

Table 6.3 Develop two detached houses

	0%	10%	20%	30%
GHVC, Rhos & Beaumaris				
(RV for scheme)	£238,000	£213,000	£187,000	£164,000
(RV per ha - £m)	£4.77	£4.26	£3.74	£3.24
SW, Rural NE & Larger CSs				
(RV for scheme)	£114,000	£99,000	£83,000	£67,000
(RV per ha - £m)	£2.28	£1.98	£1.66	£1.34
Llangefni, Llŷn Peninsula				
(RV for scheme)	£68,000	£56,000	£45,000	£32,000
(RV per ha - £m)	£1.36	£1.12	£0.90	£0.64
The Mountains, E Gwynedd & B. Ffest				
(RV for scheme)	£41,000	£32,000	£22,000	£12,000
(RV per ha - £m)	£0.82	£0.64	£0.44	£0.24

Table 6.3 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).

- 6.15 With schemes of two dwellings, as with schemes of a single dwelling, a significant uplift in residual value will occur in the middle to higher value sub markets and here a contribution to affordable housing would not make development unviable.
- 6.16 As previously, the lower value sub markets present significant viability problems and absolute as well as relative returns will be low even where prices are above the average for the wider area.
- 6.17 In all cases, whether land comes forward for housing will depend on existing use considerations. With replacement dwelling schemes (i.e. one demolished and two new build) we think it unlikely that an affordable housing contribution will normally be viable unless the gross development value is abnormally high, or the existing use value unusually low. It will probably require a combination of both factors for a scheme of 'knock one down, build two' to happen.

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

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

Table 6.4 Develop two semis and two detached houses

	0%	10%	20%	30%
GHVC, Rhos & Beaumaris				
(RV for scheme)	£419,000	£369,000	£320,000	£270,000
(RV per ha - £m)	£4.19	£3.69	£3.20	£2.70
SW, Rural NE & Larger CSs				
(RV for scheme)	£200,000	£167,000	£136,000	£104,000
(RV per ha - £m)	£2.00	£1.67	£1.36	£1.04
Llangefni, Llŷn Peninsula				
(RV for scheme)	£112,000	£87,000	£62,000	£36,000
(RV per ha - £m)	£1.12	£0.36	£0.62	£0.36
The Mountains, E Gwynedd & B. Ffest				
(RV for scheme)	£61,000	£40,000	£19,000	-£3,000
(RV per ha - £m)	£0.61	£0.40	£0.19	-£0.00

Table 6.4 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).

- 6.19 This case study generates robust residual values, which are seen in most scenarios for the higher and middle value areas. In Llangefni and Llŷn Peninsula, residual value is around an equivalent of £600,000 per hectare. This will 'clear' in most cases, existing use value.
- 6.20 At the lower value end of the market, residual values are low and marginal, as with the High Level Testing analysis.
- 6.21 If a scheme for four new build units replaces a demolished dwelling, we still believe that in most cases the local authorities will only exceptionally be able to take an affordable housing contribution and these instances are likely to be confined to developments in the higher value areas.

Rural Exception Schemes

- 6.22 From time to time the JPPU may 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 a Registered Social Landlord (RSL). Where this is Social Rent, there will in all cases be a shortfall to build costs. all instances where a fair proportion of the scheme is Social Rent, then some significant subsidy is likely to be needed.
- 6.23 With grant becoming less certain, these schemes will meet, we believe, with very particular viability difficulties.

Housing schemes on commercial sites

- 6.24 Some schemes, according to the supply data, will be brought forward on sites which are from commercial sources; for example, land which is currently in industrial or office use. Some of these schemes will involve the conversion of commercial buildings to residential and will thus, subject to planning policy, qualify for an affordable housing contribution.
- 6.25 From past experience, it is expected that these schemes will generally be more difficult to deliver than sites which are in essence of a residential amenity nature, or have an agricultural existing use value. Commercial existing use value will be generally higher, and costs may also be commensurately higher.
- 6.26 That having been said, not all such schemes may prove less viable. Conversion schemes may look complex, but where the building works are in essence 'light touch' or cosmetic, and there are few changes to the structure of the building, then this type of scheme may well prove more viable in terms of the residual value it generates, than a new build development.
- 6.27 Ultimately, the local authorities will need to test these sites on an individual basis, taking location, development costs and existing use value into account. Schemes do vary from one to the next and the systematic testing of these schemes to generate a specific policy stance is inadvisable.
- 6.28 These schemes should be negotiated from a high level policy position, which is satisfactory so long as the target is set realistically in the first instance.

Commentary on the results

- 6.29 This section on case studies is mainly illustrative, and looks at the economics with particular reference to smaller sites including consideration of achieved residual values for different sites and how they compare with existing use values.
- 6.30 Sites with a low number of dwellings (smaller sites) are no less viable than larger ones when considering the pro rata returns to land owners.
- 6.31 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. Probably in excess of four new dwellings will be needed where one is demolished and this applies only to the highest value locations. Elsewhere, well in excess of four new dwellings will be needed to be developed where one existing dwelling is demolished if affordable housing contributions are not to hold sites back.

7 MAIN FINDINGS AND CONCLUSIONS

Sub market areas

- 7.1 The analysis of the housing market in the Gwynedd and Ynys Môn local authority areas indicates that there are 21 sub markets: nine in Gwynedd and 12 in Ynys Môn. These are listed in Tables 3.1 and 3.2 in Chapter 3.
- 7.2 The analysis shows that house prices vary significantly across the sub market areas. The result is reflected in the residual values for the different scenarios tested. Relatively insignificant apparent differences in house prices can lead to significant differences in residual values. The range of residuals shown suggests a varying or split affordable housing target to be a reasonable stance to take for the JPPU.
- 7.3 Residual value is dependent not only on location but also on the density and development mix adopted.

Residual values and scenario testing

- 7.4 There is a broad, three way split in residual values, and hence viability. This split is between: a) GHVC, Rhosneigr and Beaumaris, Rural North West, Bridgehead, Trearddur; b) South West (Ynys Môn), North East Rural (Ynys Môn), Larger Coastal settlements (Gwynedd), Rural Centres (Gwynedd), Mid Rural (Ynys Môn), Northern Coast and South Arfon (Gwynedd) and Rural West Ynys Môn), and Llangefni, Llŷn Peninsula; c) West Coast and Rural Arfon (Gwynedd), Holyhead, Amlwch, The Mountains, Eastern Gwynedd and National Park and Blaenau Ffestiniog.
- 7.5 It is probably correct for the JPPU to set targets which 'straddle' both local authority areas. In other words, to set targets which are not focused uniformly on one or the other administrative area. Site specific negotiation can take place on the basis of postcode. These are identified in the analysis in Chapter 3 (please see the key tables)
- 7.6 Residual values are reasonably robust across the JLDP area. At 30 dph for example, residual value is in excess of £1 million per hectare at 50% affordable housing in GHVC, Rhosneigr and Beaumaris. Residual value is around £750,000 per hectare at 20% affordable housing in Rural Centres (Gwynedd), Mid Rural (Ynys Môn), Northern Coast and South Arfon (Gwynedd) and Rural West Ynys Môn (mid market locations). These are sizeable residual values.
- 7.7 It will need to be accepted however that at the lower end of the market, residual values are more marginal; in some situations, they will be negative. This does not mean that schemes will not come forward, or that an affordable housing target should not be set. What it does mean is that if the JPPU decides to set a single target, based on mid market locations, then it will need to be flexible in its approach to negotiations on sites in the lower value areas.
- 7.8 These differences make it easier to support a policy position where the affordable housing target varies by location or sub market.

- 7.9 Residual value generally increases with density. However care is needed since the level of residual is also affected by the percentage of affordable housing. The conclusions depend further on the relationship between density and development mix. Higher density tends to increase residual value, but only up to a point. Higher density, combined with negative residual simply makes the residual more negative, all other things equal. 40 dph looks around the optimal point for affordable housing delivery.
- 7.10 The analysis reflects a 17% net profit margin to the developer which is based on gross development value and a £5,000 per unit Section 106 contribution (over and above the affordable housing). The impact of planning contributions on viability has been tested at a baseline position of £5,000 per dwelling. The impact of this will vary by sub market, but will most affect viability at the lower end of the market.
- 7.11 Further that all the results described above are based on nil grant (as this is very much the status quo in the current policy environment) and assume that the intermediate affordable element of the affordable housing is 75% Social Rent and 25% Intermediate Affordable (Rent) Housing.
- 7.12 The JPPU will need to monitor the local requirements for Social Rented and Intermediate affordable housing and balance these requirements with the viability findings of this report.

Site supply and smaller sites

- 7.13 In Gwynedd, there were 578 units that received permission for housing between April 2009 and March 2012. Of these, 43% (250 units) were developed on sites of less than five units. That meant that 57% (328 units) were developed on sites with five units or more.
- 7.14 The number of dwellings developed in Ynys Môn on large sites (greater than five units) was 391.
- 7.15 Across the JLDP area therefore a substantial number of dwellings are likely to be developed on smaller sites and this supports the case for a low threshold in policy.

Smaller sites and viability

- 7.16 If the JPPU wished to consider a threshold below the current policy levels (where this is applicable) the information provided in this report about the viability of small sites would become important as part of the evidence for a reduced threshold.
- 7.17 Viability is sensitive to the relationship between existing (or, where justified, 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 in the middle and higher value areas, and therefore the Council could, if it chooses, take affordable housing contributions from these types of site.
- 7.18 Overall, 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. Moreover location, density and development mix are better indicators of viability generally.

Use of payments in lieu

- 7.19 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” to on-site provision. This means it should put the land owner in the same financial position whether an on or off site contribution is taken. This approach is, on the evidence we have considered, a reasonable one to take in policy terms.
- 7.20 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

- 7.21 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 Local Plan process, the land supply equation and its relationship to the 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.
- 7.22 The analysis 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 high level of need for affordable housing in the two counties.

- First, a single target of 20% across the JLDP area recognising that this will miss some potential contributions at the top end of the market, whilst being too challenging in lower value locations.

- A two way split target. This would involve a 25% affordable housing target for:

GHVC, Rhosneigr and Beaumaris; East Coast, Bridgehead, Treardur, South West (Ynys Môn), North East Rural (Ynys Môn), Larger Coastal settlements (Gwynedd), Rural Centres (Gwynedd), Mid Rural (Ynys Môn), South Arfon (Gwynedd) and Rural West Ynys Môn),

And a 15% affordable housing target for:

Llangefni, Lley Peninsula, West Coast and Rural Arfon (Gwynedd), Holyhead, Amlwch, The Mountains, Eastern Gwynedd and National Park and Blaenau Ffestiniog.

- A third option is a three way target along the lines set out in the table below:

Housing Price Area	3 Bed Terrace	Suggested Target
Gwynedd High Value Coastal	£230,000	30%
Rhosneigr	£230,000	30%
Beaumaris	£220,000	30%
East Coast	£180,000	30%
Bridgehead	£175,000	30%
Trearddur & Rhoscolyn	£175,000	30%
South West	£165,000	20%
North East Rural	£165,000	20%
Larger Coastal Settlements	£160,000	20%
Rural Centres	£155,000	20%
Mid Rural	£155,000	20%
South Arfon	£150,000	20%
Rural West	£150,000	20%
Llangefni	£145,000	20%
Llyn Peninsular	£140,000	20%
Western Coastal & Rural Arfon	£135,000	10%
Holyhead	£135,000	10%
Amlwch & Hinterland	£135,000	10%
The Mountains	£130,000	10%
Eastern Gwynedd & National Park	£125,000	10%
Blaenau Ffestiniog	£85,000	10%
Gwynedd		
Ynys Môn		

- 7.23 The split target approach reflects more specifically local market circumstances. However, the JPPU will need to take into account the pattern of potential land supply for housing. Setting a lower (than overall) target may not optimise delivery of affordable housing in higher value areas ('hot spots'). In general, a split target approach is seen to be a sounder one, since it is evident within the Plan process, that local housing markets are being specifically allowed for in terms of their propensity to deliver Section 106 contributions.

Viability on individual sites

- 7.24 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.

7.25 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 JPPU's affordable housing requirement for their scheme makes the scheme not viable. Where the relevant Council is satisfied this is the case, it 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 Welsh Government 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.

Dealing with viability changes over time

7.26 The housing market will undoubtedly vary over time and over the Plan period. There would seem to be two main options to deal with this. First, to have an approach where policy is set, and then individual sites are negotiated against the policy position. This is the approach advocated here and so long as local market circumstances are dealt with sensitively, and at the time of policy setting, we are reasonably close to the long term trend in house prices (which is currently the case), then the approach is seen to be robust.

7.27 An alternative approach is one which is set out for Shropshire: the 'Shropshire Viability Index'. This varies the affordable housing target around market conditions. A 'trade-off' index has been produced showing what target should be set when market conditions change. The two variables are house prices and build costs. Policy is changed by reference to the HL Land Registry House Price Index and the BCIS build cost indices. This approach has the attraction that policy is flexible to market conditions over the Plan period.

7.28 I have however several concerns with this approach:

- It appears to set policy by reference to (imputed) residual value only; existing use value is really key;
- The index would appear to work on single target, which in the case of a large geographical area such as Shropshire (and indeed most other locations) will not be sensitive enough to local market conditions;
- Linkages to other policy areas (e.g CIL) may become more difficult; e.g. if the affordable housing policy changes, does this necessitate a change in CIL or other Section contributions?
- It is overly complex. Trends in house prices and build costs shows that viability is largely a function of changes in house prices. Build costs tend to follow the general rate of inflation;
- The approach as a whole seems to rely on developer inputs. Whilst this is desirable, correct monitoring surely depends on continual inputs which are time consuming;

- 7.29 It is in my view impractical for the Council to have to review the policy too frequently. Our findings should be robust over the medium to longer term. There will however be instances where sites are to be developed over a long time frame or where changing local market conditions are envisaged.
- 7.30 Under these circumstances, the Council will need to have in place a protocol for dealing with deferred contributions. There are a number of options here. One, most commonly used is to compute contributions by reference to the GDV (Gross Development Value) of a scheme; in other words, as price levels increase, sums become payable to the Council; the precise mode of calculation can be bespoke to the scheme, with, in some instances, the developer taking a greater share of the downside risk.
- 7.31 There are other arrangements for calculating deferred contributions. One approach is to agree for a re-run of the appraisal models using updated figures at an agreed point in time in the whole scheme. Typically, this will relate to a given phase. This approach will normally be based on any increases in residual value attributable to the updated scheme position.

Thresholds

- 7.32 The current policy position on thresholds with regards to affordable housing delivery across the JLDP area is complex. In Gwynedd, affordable housing contributions are sought on sites of five or more dwellings in the Sub Regional and Urban Centres, with affordable homes being sought according to Local Needs in smaller settlements and rural areas. In Ynys Môn, affordable housing is sought in the Main and Secondary Centres on sites of 10 or more dwellings and on sites of five or more dwellings in the Villages.
- 7.33 There is no reason, from a viability viewpoint, why thresholds should not be streamlined across the whole JLDP area. This would make sense in terms of consistency when dealing with developers across the area.
- 7.34 The evidence suggests that when small sites are appraised, they can generate equally good, if not better, residual values as large sites. The conclusion is more that it is not the size of the site that matters, but the location of the site. Development density and mix has a role to play, but location is the key driver of viability.
- 7.35 The evidence suggests that the JPPU may reduce the threshold down to say one dwelling (probably net rather than gross to take account of difficulties with viability on demolitions) if it wishes to capture additional affordable housing supply on small sites.
- 7.36 However, in doing so, the lessons of the High Level Testing and the small sites analysis suggest that this policy will be unlikely to deliver much affordable housing in the weaker market areas.
- 7.37 A policy might thus be devised that aims to capture affordable housing in high value areas only, leaving lower value areas exempt from the low threshold. This may however be overly complex.

- 7.38 In practice, a sounder approach is probably to set the threshold at a practical level based largely on considerations relating to the profile of housing supply. This does suggest that the JLDP area contains a high number of small sites, although nevertheless, some larger sites in the pipeline.
- 7.39 Ultimately, there is no obvious viability ‘tipping point’ in terms of site size at which schemes become viable or non viable. The JPPU should, it is felt, set a threshold with which it is comfortable in terms of resourcing negotiations on Section 106.
- 7.40 The recommendation is that the Council set the threshold/s at a level which maximises the supply of affordable housing in the most resource effective way. This is not an easy balance to strike. In the context of the JLDP area, it would seem to be sensible to set a threshold below five units, even in the larger settlements, since the vast number of sites are small. However a very low threshold (e.g., one gross unit) may generate significant additional work in dealing with small land owners (often owner occupiers) who arguably are less well equipped to face the rigours of the Section 106.
- 7.41 Where the threshold is set therefore needs to take account of these policy considerations.

Delivering smaller sites and commuted sums

- 7.41 The JPPU will need to decide where it wishes to set thresholds. This is important in determining the scope for on site provision and commuted sums. Clearly, there will be instances where the only practical solution to an affordable housing contribution will be a payment-in-lieu because it will be mathematically impossible to deliver an on site solution.
- 7.42 Otherwise, it is strongly recommended that good planning reasons determine whether an on site contribution is taken or a payment-in-lieu. These ‘reasons’ can include the lack of a sustainable location for affordable housing, a very challenging site from a physical perspective or reasonable objections from housing associations that a scheme should not, from a management viewpoint, include affordable housing on site.
- 7.43 Where commuted sums are collected, an optimal 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. This is expressed as follows:

RV 100% M = Residual value with 100% market housing
 RV AH = Residual value with X% affordable housing (say 30%)
 Equivalent commuted sum = RV 100% MV minus RV AH

As an example:

A scheme for say 5 units:

Residual value at 25% Affordable Housing	£300,000
Residual value at 0% Affordable Housing	£450,000

The commuted sum is then the difference between the two figures, i.e. £150,000.

- 7.44 If this approach is found acceptable to the councils, then there are two main ways of implementing a commuted sum policy. First, to have a tabular or matrix type approach. This can be developed using the DAT, and which results in indicative commuted sums for each of the sub market areas. This provides a starting point for negotiation on the quantum of the sum. It has the advantage that there is a headline figure, but the disadvantage that ultimately all schemes subject to a viability assessment, where existing use determines the quantum of the sum itself.
- 7.45 The second approach is to run a DAT appraisal on all schemes in order to calculate a commuted sum. This has the disadvantage of starting at the 'end' of the 'line' (i.e. the default position), but avoids the problem of expectations (via a formula) that cannot always be met.

Appendix 1 Workshop Notes

A workshop was held on the morning of 31st July 2012 at the Bangor City Football Club, Nantporth. Representatives of the development industry, landowners and RSLs were in attendance. A full attendance list is given below.

In Attendance: Mike Pender (Anwyl Construction), Eiliw Llyr (Housing Service Gwynedd Council), Cllr R LI Hughes & Cllr O Glyn Jones (both Anglesey county council), Mary Sillitoe (Rural Housing Enabler Anglesey), Neil Hayward (Housing Service, Anglesey), Rhys Davies (Cadnant Planning), Dafydd Hardy (Dafydd Hardy Estate Agents), Jan Tyrer (Jan Tyrer Planning), Lowri Donnelly (Owen Devenport), Phil Danson (North Wales Housing Association), Rhys Dafis (Tai Clwyd), Walis George (Tai Eryri), Goronwy Owen (Watkin Jones), Melfyn Williams (Williams & Goodwin Estate Agents), David Holmes (Jones & Peckover), Nia Davies, Eirian Harris & Bob Thomas (all JPPU), Dr Andrew Golland (Andrew Golland Associates).

Apologies: Evan Owen, Cllr John Wyn Williams, Commissioners Alex Aldridge & Margaret Foster, Arfon Hughes (Gwynedd Rural Housing Enabler Gwynedd), Owain Wyn (Borum), Deiniol Evans (Pennaf) Rhys Jones (Cartrefi Cymunedol Gwynedd), Charlene Sussums (Carter Jonas), Julie Woolfenden (National Landlords Association), Elfed Williams (ERW Consulting), Richard Price (Home Builders Federation), Rhodri Owen (JPPU).

Andrew Golland and the Joint Planning Unit would like to thank all those in attendance for their inputs to the study.

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

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

1 Introduction

The Planning Policy Manager of the Joint Planning Policy Unit (JPPU) gave an introduction to the Joint Local Development Plan. The importance of robust evidence to satisfy the tests of soundness was explained. TAN 2 and court cases have highlighted the need for Viability work and for this technical assessment. Dr Andrew Golland been commissioned by the JPPU to undertake this work.

The aim of the study from the brief prepared by the Local planning Authority was read out which stated:

‘The aim of the study is to provide a key piece of evidence that will support a viable level of affordable housing provision in the JLDP. It will set deliverable affordable housing targets and assess an appropriate site threshold figures which should trigger affordable housing contributions. The study should be flexible for the period of the JLDP (2011 to 2026) to deal with market changes’.

2 Basis for interpreting viability

Andrew outlined the methodology of the viability model which is based upon scheme revenue versus development costs (including developer margin and S106 agreements). The model works on assumptions of what a reasonable return to the land owner.

Generally the approach being adopted in the study was accepted. Some points arising were:

A changing market - if sites are worth less than the existing use then they will not come forward to the market; there is some evidence locally of developers who have acquired land sitting on the land bank until market circumstances improve;

There is a need perhaps to link together policy spheres – viability, needs, housing and land supply. It was stated that the viability report can only take the evidence base so far;

Difficult to come up with a notional value for a 1ha site in the area due to the number of specific site abnormalities that can impact on their development costs; delegates were generally reluctant to come up with a benchmark land value figure. One delegate suggested that land values range from £100,000 to £1 million per acre;

One delegate felt the size and dispersed nature of the area limited the opportunities for large developments and generally small clusters of development occur; and hence questioned the application of the Section 106 model.

Consideration needs to be given towards modern / new construction methods for affordable housing to reduce their build costs and make them more energy efficient for future occupiers.

Due to short timescale for acquiring sites no on site evaluation is usually undertaken by developers; this should not mean the Councils are placed in a situation where they have to accept the developer's figures without question;

It was suggested that developers consider including an option when purchasing sites to allow for re-negotiating if abnormal issues are identified. It was highlighted that this is something Conwy Council are promoting.

3 Overall methodology

Andrew explained that the approach to the study will be two stage with the first stage focusing on testing a notional one hectare site, assuming different development mixes and different percentages of affordable housing, with the second stage looking at a range of generic site types, ranging from large green field through to small and large brown field sites. Andrew stressed that this was an approach which has been accepted elsewhere at Core Strategy Exam and is also adopted in the SEWSPEG Good Practice Guide.

There were no particularly strong views expressed either in favour, or against the proposed methodology. Some additional comments were:

There was concern amongst delegates to ensure the development mix tested was correct. Consideration needs to be given to the nature of housing in different sub-areas. If there is a high level of terraced properties then a varied mix could release the existing stock as affordable housing. Different settlements have gaps within different parts of the market;

Further points on development mix: certain settlements have a high proportion of 'affordable by design dwellings' 35/40% but does not provide a sufficient number of larger open market units; if people cannot cross over from starter affordable dwellings then there will be a need to provide larger affordable units;

Affordable Social Rented is needed especially due to welfare reform, there are already 1,400 names on Anglesey's register;

The grant available is reducing, therefore assumptions should be made on a non-grant basis;

Gifted land can be of help for social rented schemes but even this does not always ensure that a scheme is viable;

Regard needs to be given over the impact of higher specifications required with new dwellings i.e. code for sustainable homes and its impact on viability.

4 Sub markets and market values

A key part of the study will involve the analysis of viability at a sub market level. Sub markets will be defined primarily by house prices. The Powerpoint presentation shows a table of areas. Participants were invited to submit comments on submarkets by email to the JPPU.

The main comments were as follows:

It was felt the figure of 155k for a 3 bed semi in Bangor was too low and should rather be 165k;

The figure for a 3 bed semi in Brynsiencyn and Newborough should be lower, their inclusion with Menai Bridge was also questioned. The Holyhead figures were felt to be a bit too high;

The average price on Ynys Môn for one estate agent was 161k;

Anglesey has a consistent target (30%) whilst Gwynedd has a variable rate;

In a discussion over the experience of variable rates in Gwynedd it was explained that the figures are a starting point for discussions. There have been no examples of the indicative figures being increased;

It was explained by Andrew that prices were derived from three years worth of HM Land Registry data and then adjusted to today's values. AG clarified that the prices are indicative new build for July 2012.

It was stated by one delegate that the split target approach adopted by Gwynedd works well. Another delegate also supported a split target approach.

There was a discussion about the timing (in relation to the long term house price trend). Andrew suggested that the key issue is to benchmark the study to a time period which reflects the longer term performance of the housing market. This does not mean that policy is always 'right'. Where it is too ambitious, for example, then site specific negotiation may be necessary.

All – please note – prices and market areas are included in the Powerpoint Presentation.

5 Density and development mix

AG set out the suggested range of schemes which the DAT will test. These are included within the Powerpoint presentation.

Density level of 30 dwellings per hectare (dph) can be challenging due to open space requirements. Should rather be 25dph and only 30 to 35dph for smaller units;

The 5 bed properties were questioned since in some cases they are not provided on new estates.

Currently there are problems in obtaining a mortgage for apartments.

6 Thresholds and the viability of smaller sites

AG set out the policy position within TAN 2 (citing Para 10.4). AG noted that the evidence produced could indicate there is a need for a zero threshold across the JLDP area.

The following feedback was given:

There are different threshold figures which trigger the requirement for affordable housing throughout the region;

One developer agreed with the current threshold on Anglesey (5 in Villages, 10 in larger settlements);

Discussed that a lower threshold could be applicable in certain areas or for certain types of schemes.

Viability of small sites was discussed. Issues particularly cited were developments in gardens and redevelopment of sites involving demolition. AG suggested that it is the existing use type which is the issue, not site size.

7 Development costs

Andrew presented the proposed page that will be used for the testing framework. This is included in the Powerpoint presentation. It was explained that the base build costs per square metre will be calculated from the BCIS data source. AG clarified costs based on 2nd Quarter 2012 BCIS England and Wales figures adjusted for Gwynedd. The other development costs (professional fees, internal overheads, profit margins, etc) are those which the consultants intend to use for base viability testing.

The following feedback related to this area of discussion:

Whilst the figures have been agreed with the Home Builders Federation it was questioned how many members they have operating in the area;

It was questioned whether the figures would disadvantage the Local Authority if they are incorrectly set and information was sought how Yorkshire had a lower profit level (10%);

Local Authorities should ask for more appraisal information to monitor the profit levels that developers seek.

The build costs are based upon BCIS and a question was raised whether these include transportation of material costs; Andrew answered that he thought they did.

There was considerable discussion about the level of margin. Delegates are invited to provide evidence of margins in the Gwynedd and Ynys Môn areas. If systematic evidenced can be adduced it was agreed that a departure from the Wales model (17% on market housing) may be made.

8 Section 106 costs (in addition to affordable housing)

AG explained that a reasonable starting point for Section 106 contributions (other than affordable housing) is £5,000 per unit.

There was some consensus that this figure was too high. If there is no need for open space or extra educational space then no payment is usually made.

9 Affordable housing tests and issues

AG suggested a range of policy scenarios which should be tested and questioned whether they were reasonable for the LDP plan period and the various areas of the two authorities.

These were: 10%, 20%, 30%, 40% and 50% affordable housing. There was significant discussion on what the appropriate split within the affordable tenure should be. The Councils are to look further at housing needs to help establish a baseline position(s).

There has been a significant reduction in grant funding – around 30% is projected for the coming years.

The policy by both LPA is to seek on-site provision;

Commuted sums are worked out on the WG SHG rate of 58%.

10 Any Other Business

Felt the code for sustainable homes will have a significant implication over costs;

Consideration should be given towards the Shropshire model in order to future proof the figures;

There should be flexibility from all sides and a need to ensure that the policy should not be a block to development.

11 Next Steps

Note of the meeting and presentation information to be circulated by the 7th August with comments and feedback sought by the 20th August.

A draft paper will be consulted upon during late summer / autumn 2012.

Appendix 2 High Level Testing Results

69

20 Dph						
	0%	10%	20%	30%	40%	50%
GHVC, Rhos & Beaumaris	£2.02	£1.79	£1.57	£1.34	£1.12	£0.89
NW Rural, B'Head & Trearddur	£1.19	£1.04	£0.87	£0.71	£0.56	£0.40
SW, NE Rural & Larger CSs	£0.95	£0.81	£0.68	£0.53	£0.40	£0.26
RCs, Mid Rural, NC & S Arfon & RW	£0.82	£0.69	£0.57	£0.44	£0.31	£0.18
Llangefni, Llŷn Peninsula	£0.58	£0.47	£0.35	£0.24	£0.14	£0.03
W Coast & R Arfon, H'Head & Amlwch	£0.40	£0.30	£0.21	£0.11	£0.01	-£0.08
The Mountains, E Gwynedd & B Fest	£0.36	£0.27	£0.17	£0.08	-£0.07	-£0.10
30 Dph						
	0%	10%	20%	30%	40%	50%
GHVC, Rhos & Beaumaris	£2.73	£2.41	£2.10	£1.78	£1.47	£1.15
NW Rural, B'Head & Trearddur	£1.66	£1.42	£1.19	£0.96	£0.73	£0.50
SW, NE Rural & Larger CSs	£1.26	£1.06	£0.86	£0.67	£0.47	£0.27
RCs, Mid Rural, NC & S Arfon & RW	£1.11	£0.92	£0.73	£0.55	£0.36	£0.17
Llangefni, Llŷn Peninsula	£0.86	£0.56	£0.41	£0.25	£0.10	-£0.05
W Coast & R Arfon, H'Head & Amlwch	£0.49	£0.35	£0.22	£0.08	-£0.05	-£0.19
The Mountains, E Gwynedd & B Fest	£0.40	£0.26	£0.14	£0.07	-£0.13	-£0.25
40 Dph						
	0%	10%	20%	30%	40%	50%
GHVC, Rhos & Beaumaris	£3.39	£3.01	£2.61	£2.22	£1.83	£1.43
NW Rural, B'Head & Trearddur	£2.03	£1.74	£1.46	£1.17	£0.89	£0.60
SW, NE Rural & Larger CSs	£1.66	£1.40	£1.15	£0.89	£0.64	£0.39
RCs, Mid Rural, NC & S Arfon & RW	£1.43	£1.20	£0.96	£0.72	£0.49	£0.25
Llangefni, Llŷn Peninsula	£1.01	£0.80	£0.60	£0.40	£0.20	-£0.07
W Coast & R Arfon, H'Head & Amlwch	£0.73	£0.55	£0.37	£0.19	£0.07	-£0.17
The Mountains, E Gwynedd & B Fest	£0.62	£0.45	£0.28	£0.11	-£0.06	-£0.23
50 Dph						
	0%	10%	20%	30%	40%	50%
GHVC, Rhos & Beaumaris	£3.72	£3.25	£2.78	£2.32	£1.85	£1.39
NW Rural, B'Head & Trearddur	£2.19	£1.85	£1.49	£1.15	£0.81	£0.47
SW, NE Rural & Larger CSs	£1.80	£1.49	£1.17	£0.86	£0.55	£0.23
RCs, Mid Rural, NC & S Arfon & RW	£1.58	£1.28	£0.98	£0.69	£0.40	£0.10
Llangefni, Llŷn Peninsula	£1.05	£0.79	£0.54	£0.29	£0.04	-£0.22
W Coast & R Arfon, H'Head & Amlwch	£0.73	£0.50	£0.27	£0.05	-£0.19	-£0.41
The Mountains, E Gwynedd & B Fest	£0.68	£0.46	£0.23	£0.01	-£0.22	-£0.44

GLOSSARY OF TERMS

A

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

Affordable Housing: As defined in PPS3 as housing that includes Social Rented and Intermediate Affordable housing.

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

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

B

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

C

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

D

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

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

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

E

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

F

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

G

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

I

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

L

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

Local Development Framework (LDF): a folder of planning documents encompassing DPDs (Development Plan Documents) and SPDs (Supplementary Planning Documents)

M

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

P

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

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

R

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

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

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

S

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

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

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

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

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

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

T

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

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

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

V

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