

# Conwy Deposit Local Development Plan 2007 – 2022 (Revised edition 2011)



# BACKGROUND PAPER 9

# Affordable Housing Viability Study

# March 2011

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# **Conwy Council Borough Viability Study**

## **Draft Report**

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## 1. INTRODUCTION

### Review of project aims

- 1.1 The Conwy CBC appointed Three Dragons to prepare an Affordable Housing Viability Assessment (AHVA) compliant with the requirements of the Welsh Assembly Government's TAN2 which emphasises the importance of viability testing policy targets.
- 1.2 The overall aim and purpose of the study is to:
- Advise on the most ambitious yet achievable and viable target(s) and threshold(s) for affordable housing which fully reflect the availability of a range of finance towards affordable housing and reflects priority infrastructure needs;
  - To assess the impact of the profile of sites within the Conwy area on housing viability;
  - Advise on a robust policy position with respect to the setting of thresholds which do not impact on the delivery of housing in the Borough.
- 1.3 The study will support the Council's Local Development Plan providing a key piece of evidence on the viability of housing development by setting deliverable affordable housing targets and by assessing an appropriate threshold which should trigger affordable housing contributions. The study should be robust to the period of the LDP although recognising that the Council may wish to re-visit the findings should there be significant market change.

### National Policy Context

- 1.4 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 AHVSs as part of their evidence base for use in preparing LDPs. The importance of gathering evidence about development economics was identified in TAN2 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)*

- 1.5 Guidance from the Welsh Assembly Government on the preparation of Affordable Housing Delivery Statements (2007 – 2011)<sup>1</sup> 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)
- 1.6 The courts have further emphasised the importance of robust viability evidence to underpin affordable housing policies in development plans. The Court of Appeal, in July 2008, decided on a case brought against Blyth Valley Council. The court stated that:  
*“.....an informed assessment of the viability of any such percentage figure is a central feature of the PPS 3 policy on affordable housing. It is not peripheral, optional or cosmetic. It is patently a crucial requirement of the policy.”*
- 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. TAN2 does not provide any national guidance on appropriate thresholds and leaves this to LPAs to identify. However, TAN 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”.* (TAN2 para 10.4)

### Local Plan Policy

- 1.8 The planning policy position in Conwy is somewhat complex. There are a number of adopted plans which have been through all the formal stages. They consist of the Clwyd Structure Plan Second Alteration (Conwy Version), the Gwynedd

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<sup>1</sup> Published by the Welsh Assembly Government in February 2009

Structure Plan, the Colwyn Borough Local Plan and the Llandudno/Conwy District Plan.

- 1.10 The Gwynedd Structure Plan was adopted in 1993. It covers the whole of Aberconwy. The Llandudno/Conwy District Plan, which was adopted in 1982, covers Llandudno, Conwy, Deganwy and Llandudno Junction and extends east as far as Penrhyn Bay, west to Conwy and south as far as Glan Conwy. The Clwyd Structure Plan Second Alteration (Conwy Version) covers the area of the former Borough of Colwyn in Conwy. The Plan was adopted in 1999. The Colwyn Borough Local Plan was also adopted in 1999 and covers the area of the former Colwyn Borough in Conwy.
- 1.11 Until 2004, the Council was preparing the Conwy Unitary Development Plan, which would have replaced the four adopted plans. Following advice from the Welsh Assembly Government, work on this plan has now ceased. Whilst it carries less weight than an adopted plan, it is still used in some circumstances in deciding planning applications.
- 1.12 Conwy County Borough Council (CCBC) shares a number of villages with the Snowdonia National Park Authority (SNPA). Villages which extend into each Local Planning Authority's area include: Dolgarrog, Dwygyfylchi/ Capelulo, Tal-y-Bont and Trefriw. These settlements are classed as 'main villages' in Conwy and as 'smaller villages' by the SNPA.
- 1.13 The Council published an Affordable Housing Delivery Statement (2007 – 2011) in 2009. This aims to achieve at least 50% of affordable homes on sites from all development as set out in Policy HOU/2

### Research undertaken

- 1.14 There were four main strands to the research undertaken to complete this study:
- Discussions with a project group of officers from the Council's Planning and Housing sections which informed 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 Welsh Development Appraisal Toolkit (DAT) 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 Conwy CBC. A full note of the workshop is shown in Appendix 1.

## Structure of the report

1.15 The remainder of the report uses the following structure:

- Chapter 2 explains the methodology we have followed in undertaking the analysis of development economics. We explain that this is based on residual value principles.
- Chapter 3 provides analysis of residual values generated across a range of different development scenarios (including alternative percentages and mixes of affordable housing) for a notional 1 hectare site.
- Chapter 4 considers options for site size thresholds. It reviews national policy and the potential future land supply and the relative importance of small sites. The chapter considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed).
- Chapter 5 identifies a number of case study sites (generally small sites which are currently in use), that represent examples of site types found in the authority. For each site type, there is an analysis of the residual value of the sites and compares this with their existing use value.
- Chapter 6 summarises the evidence collected through the research and provides a set of policy options.

## 2 METHODOLOGY

### Introduction

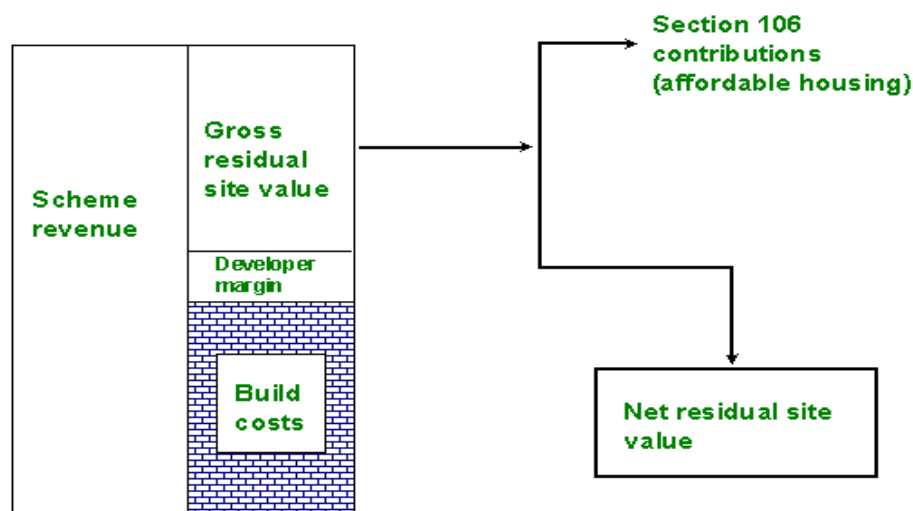
2.1 In this chapter we explain the methodology we have followed in, first, identifying sub markets (which are based on areas with strong similarities in terms of house prices) and, second, undertaking the analysis of development economics. The chapter explains the concept of a residual value approach and the relationship between residual values and existing/alternative use values.



### Viability – starting points

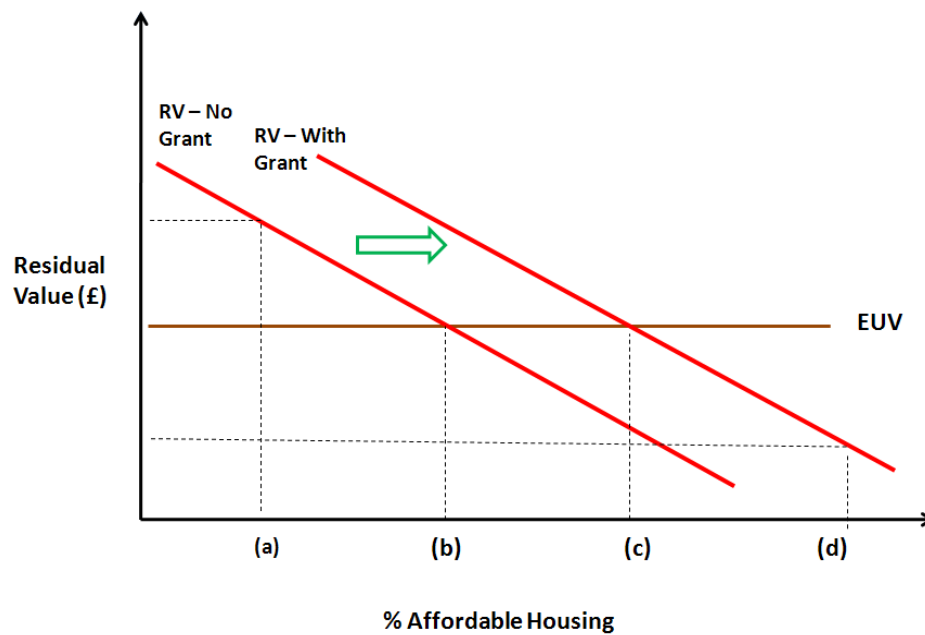
- 2.2 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates and what it costs to develop. The model can take into account the impact on scheme residual value of affordable housing and other section 106 contributions.
- 2.3 Figure 2.1 below shows diagrammatically the underlying principles of the approach. Scheme costs are deducted from scheme revenue to arrive at a gross residual value. Scheme costs assume a profit margin to the developer and the 'build costs' as shown in the diagram include such items as professional fees, finance costs, marketing fees and any overheads borne by the development company.
- 2.4 The gross residual value is the starting point for negotiations about the level and scope of section 106 contribution. The contribution will normally be greatest in the form of affordable housing but other section 106 items will also reduce the gross residual value of the site. Once the Section 106 contributions have been deducted, this leaves a net residual value.

**Figure 2.1 Theory of the Section 106 Process**



- 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.
- 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, 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.
- 2.7 Figure 2.2 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.

**Figure 2.2 Affordable housing and Existing Use Value (EUV)**



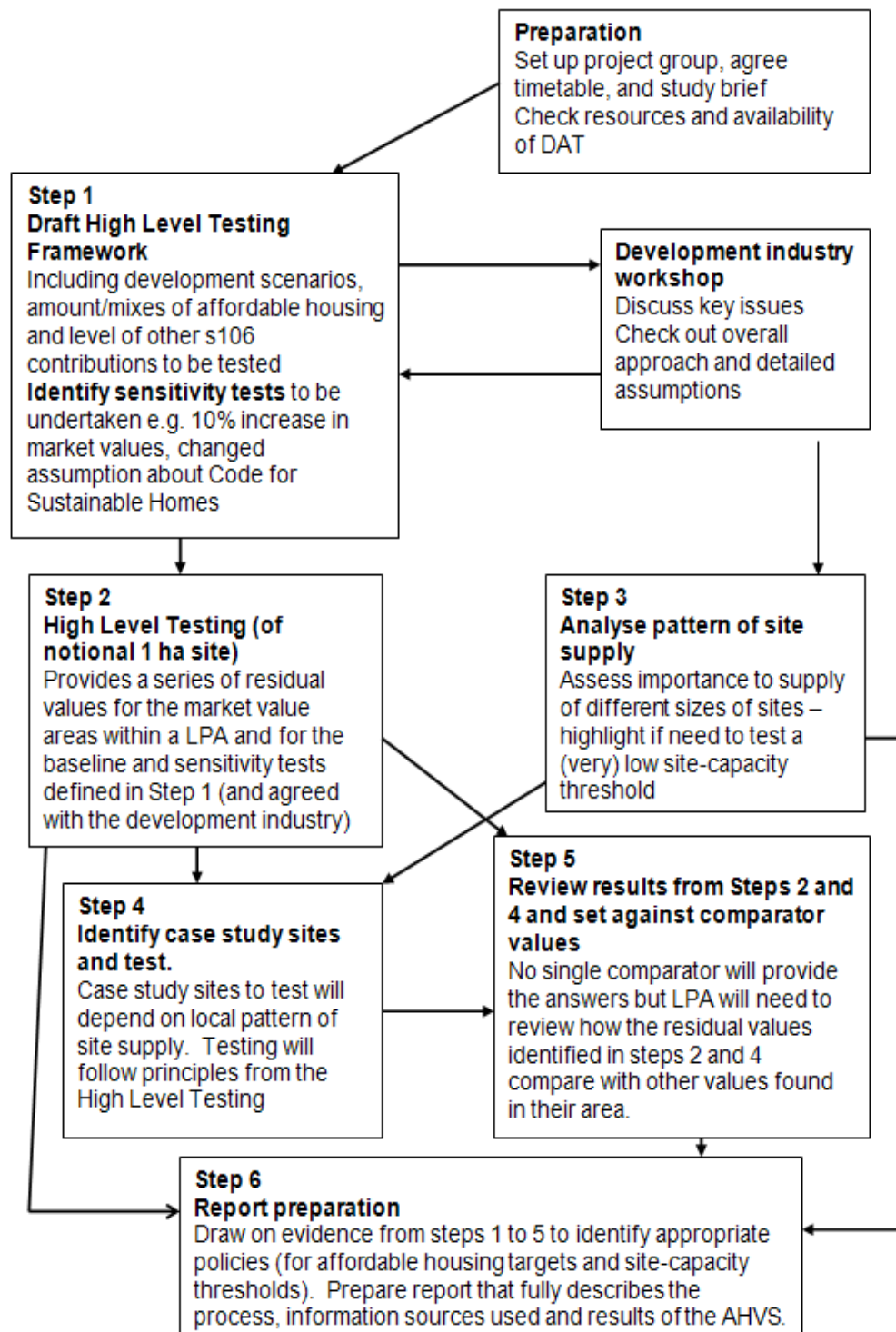
2.13 The analysis we have undertaken uses a Three Dragons Viability model. The model is explained in more detail in Appendix 1, which includes a description of the key assumptions used.

#### **Good practice approach**

2.14 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.

2.15 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. The analysis is based on a notional 1 hectare site and has been undertaken for a series of market value areas that have been established as a result of this study. The chapter explains this and explores the relationship between the residual value for the scenarios tested and existing/alternative use values.
- 3.2 The analysis relates to scheme residuals which we would expect to be achieved across a range of sites including brown and green field situations. Housing development on green field sites for example will not necessarily be less expensive in terms of costs than would be the case for brown field sites. For instance, where there are clearance costs required on brown field sites these are often much better located in terms of local infrastructure provision than is the case with green field sites. The site specific costs, and indeed, values, will therefore need to be assessed through the Development Appraisal Toolkit as and when these become known as sites are brought forward.

#### Market value areas

- 3.3 Variation in house prices will have a significant impact on development economics and scheme viability.
- 3.4 We have undertaken a full analysis of development across the housing market, using HM Land Registry data to identify market value or sub market areas in the County Borough. The analysis applies as at July 2010.
- 3.5 The purpose of this analysis is to help establish a broad starting point for target setting in the light of the general relationships between development revenues and development costs. Table 3.1 sets out the sub markets in the CBC area.

**Table 3.1 Sub markets in the Conwy area**

Source: Conwy CBC and Three Dragons

Sub Market	Postcode	Urban Areas	Main Villages (Tier 1)
Llandudno & Penrhyn Bay	LL30 1	Llandudno South and East Craig y Don	<i>No Tier 1 Settlements</i>
	LL30 2	Llandudno and Great Orme	
	LL28 4	Penrhyn Bay and Rhos on Sea	
	LL30 3	Penrhynside	
Conwy and Hinterland	LL31 9	Conwy North East (Deganwy, Llandudno Junction)	
	LL32 8	Conwy South (Conwy)	
	LL28 5	Mochdre	Glan Conwy
Vale of Conwy	LL27 0		
	LL26 0	Llanrwst	
Colwyn Bay	LL29 8	Colwyn Bay (part)	<i>No Tier 1 Settlements</i>
	LL29 7	Colwyn Bay (part)	
	LL29 9	Old Colwyn	
	LL29 6	Colwyn Heights	
Western Coast	LL34 6	Penmaenmawr	Dwygyfylchi
	LL33 0	Llanfairfechan	
Betws y Coed and Rural South	LL24 0	<i>No Urban Settlements</i>	<i>No Tier 1 Settlements</i>
	LL25 0		
	LL21 9		
	LL21 0		
North East Rural	LL16 5	<i>No Urban Settlements</i>	
	LL22 8		Llanddulas

### Testing assumptions (notional one hectare site)

- 3.6 For the viability testing, we defined a number of development mix scenarios, using a range of assumptions agreed with the council and as applying in the DAT.
- 3.7 The development mixes were as follows:
- 20 dph: including 5% 3 bed terraces; 25% 3 bed semis; 25% 3 bed detached; 20% 4 bed detached; 15% 5 bed detached; 10% 3 Bed Bungalow.
  - 30 dph: including 5% 2 bed terraces; 10% 3 bed terraces; 30% 3 bed semis; 25% 3 bed detached; 15% 4 bed detached; 5% 5 bed detached; 10% 3 Bed Bungalow.
  - 40 dph: including 5% 2 bed flats; 15% 2 bed terraces; 25% 3 bed terraces; 25% 3 bed semis; 20% 3 bed detached; 10% 4 bed detached.
  - 50 dph: including 10% 1 bed flats; 15% 2 bed flats; 20% 2 bed terraces; 20% 3 bed terraces; 20% 3 bed semis; 10% 3 bed detached; 5% 4 bed detached.
- 3.8 We calculate residual site values for each of these (base mix) scenarios in line with a further set of tenure assumptions. These were 10%; 15%; 20%; 25%; 30%, 35%; 40% and 50%. These were tested at 70% Social Rent and 30% HomeBuy in each case. For HomeBuy, the share purchase was assumed to be 60%. For the purposes of the viability calculation, this assumes the payment from an RSL will be 60% of the open market value of the unit. This is believed to be a rate at which units will be affordable to prospective HomeBuy occupiers, although the rate may vary in practice according to local market conditions.
- 3.9 We are aware that the current difficulties in obtaining mortgages for households on lower incomes is affecting the intermediate affordable housing sale market. In the short term, this may mean that the mix of affordable tenures which is provided will be different from that which we have modelled. However, the figures we have used are intended to provide information for the local authority to use in planning for the longer term and hence the balance of tenures we have modelled. This is considered to be a safe assumption based on market and economic trends over the long term, and in view of the fact that the authority will be able to consider the economics of individual schemes with a different affordable housing mix, using the DAT or other development appraisal model, if the trend continues in the short and medium term.

### Other section 106 Infrastructure contributions

- 3.10 For the modelling we have undertaken (and unless shown otherwise) we have assumed that other planning obligations have a total cost of £7,500 per unit. This was a figure agreed at the industry workshop and with the Council as being a reasonable requirement on a per unit basis based on the current level of contributions. We test also at a contribution of £10,000 per unit as a higher potential level.
- 3.11 We also consider separately the impact on viability of the Code for Sustainable Homes at code level 4.

### Results: residual values for a notional one hectare site

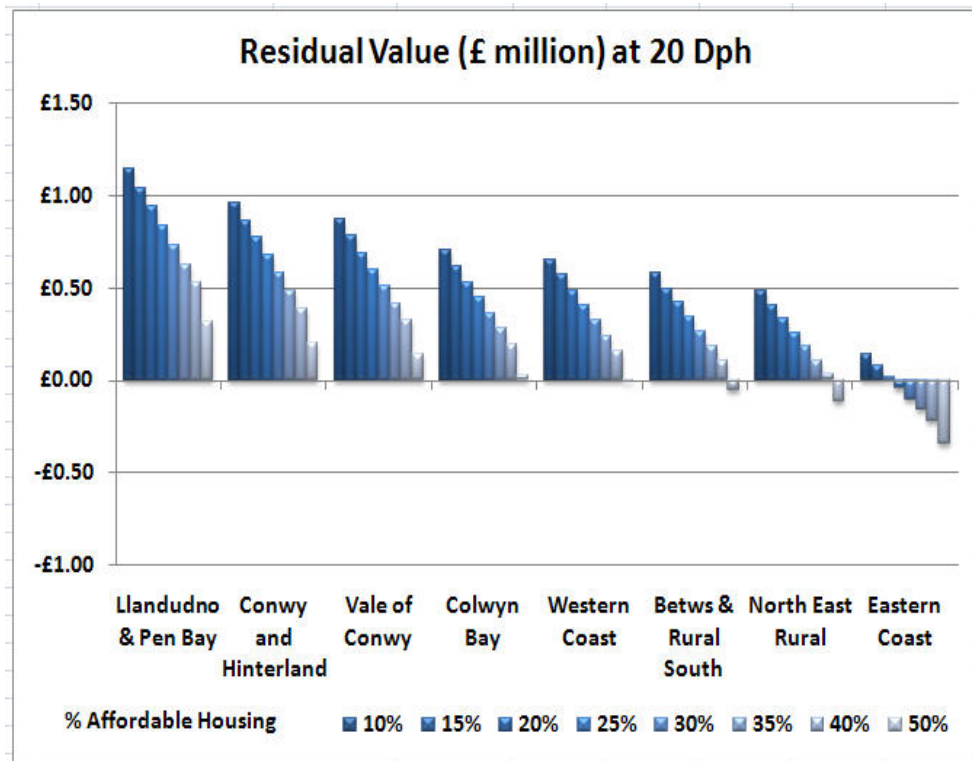
- 3.12 This section looks at a range of development mixes and densities. It shows the impacts of increasing the percentage of affordable housing on residual site values. Unless otherwise indicated, all the results are **without grant**. The full set of these results are shown in Appendix 3.

### Low density housing (20 dph)

- 3.13 Figure 3.1 shows low density housing (20dph) and the residual values for each of the market value areas outlined in Section 3.



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

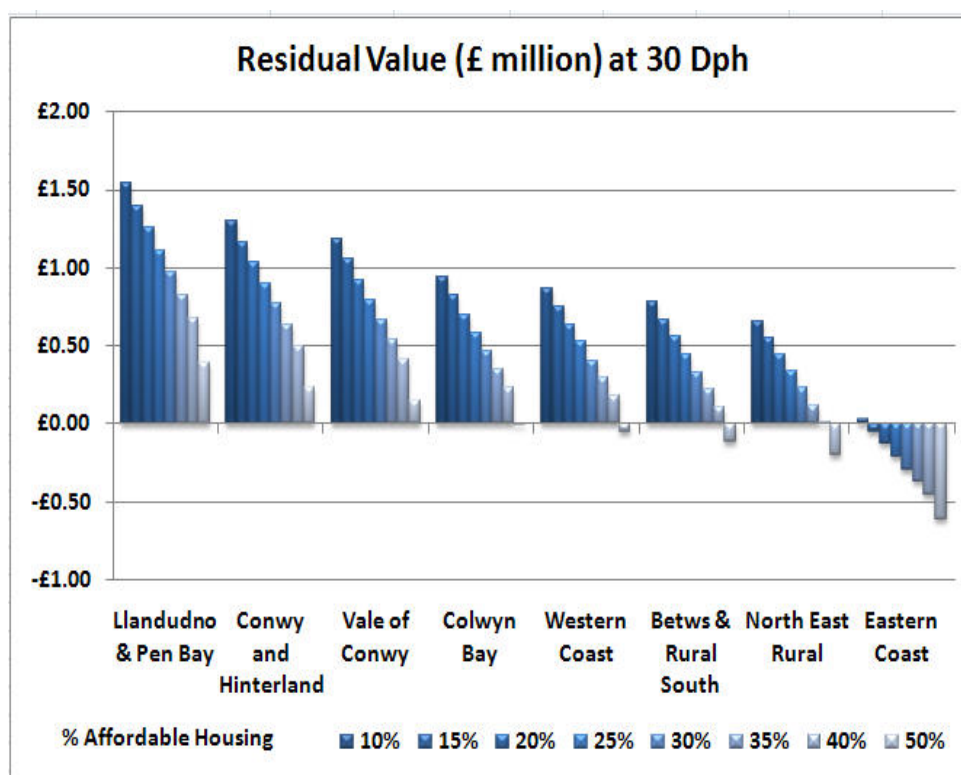


- Figure 3.1 shows residual values on a per hectare basis for the eight sub markets. Residual values are reasonably strong across mid market locations such as Colwyn Bay and Western Coast. Towards the lower end of the market however, negative residual values can be noted at higher proportions of affordable housing. As a mid point ‘marker’ residual values in Colwyn Bay at 25% affordable housing are marginally over £0.4 million per hectare.
- The chart (Figure 3.1) shows a grading of values. Llandudno, Conwy and Hinterland and the Vale of Conwy have significantly higher residual values than some of the inland locations although Abergele and the Eastern Coast area have the weakest viability.
- The range in values has potentially important implications for policy making. The graph shows the very significant difference in residual values between areas and this difference creates a strong case for the Council to promote a split affordable housing target.

### Lower density housing (30 dph)

3.14 Figure 3.2 shows medium density housing (30 dph) and the residual values for each of the market value areas.

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



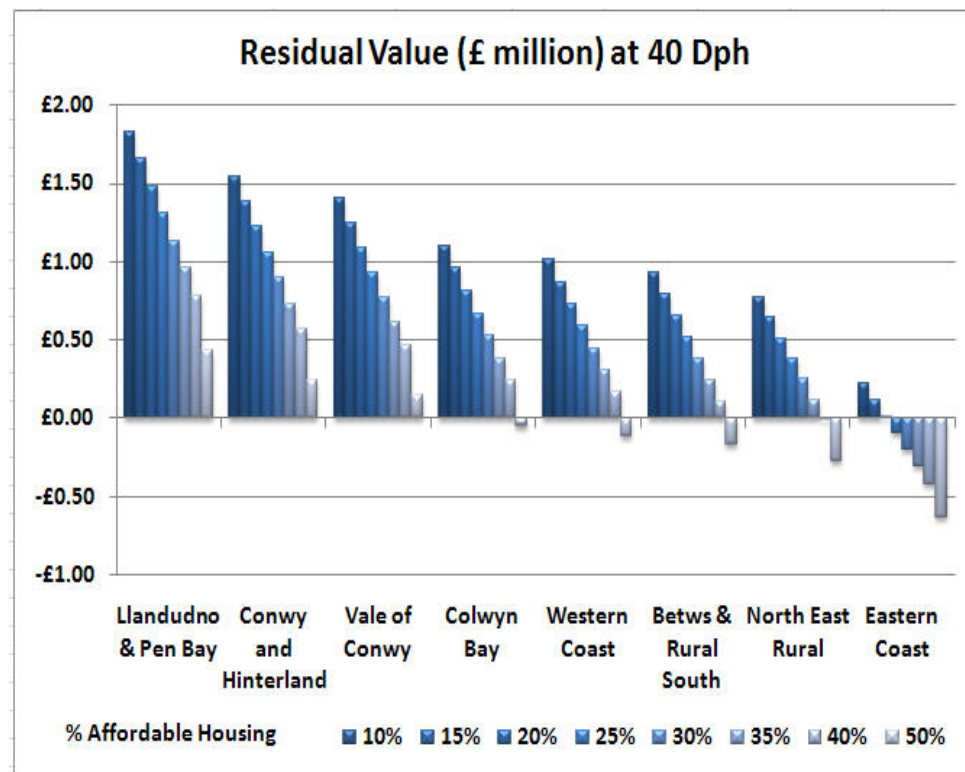
- The scenario at 30 dph generates a similar pattern of residual values as at 20 dph with the higher three sub markets generating significantly higher residual values than the remainder. The chart shows that above 10% affordable housing, schemes in the Eastern Coast settlements are likely to have a negative residual value.
- Residual values at 50% affordable housing in Llandudno and Penryhn Bay are marginally under £400,000 per hectare. On small greenfield sites, without significant infrastructure loading, this level of residual value is likely to generate a significant uplift for the land owner. Substantial viability differences exist, as can be seen from this and other charts. At 50% affordable housing residual value is higher at the top of the market than it is at 10% affordable housing at the bottom.
- In almost all cases, a 30 dph scheme will generate a higher residual value than a 20 dph scheme. Appendix 3 shows that only in the weakest sub market, Eastern Coast, are residual values consistently lower at 30 dph than 20 dph. Only in very limited instances (Betws-y-Coed and Rural South and North East Rural at 40% and 50% affordable housing) are residuals lower at 30 dph than

20 dph. The message is thus that a 30 dph scheme will, according to the assumptions of development mix made here, generate a higher residual than a 20 dph scheme.

### Medium density (40 dph) scheme

- 3.15 Figure 3.3 shows a higher density scheme – at 40 dph, and the residual values for each of the market value areas.

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



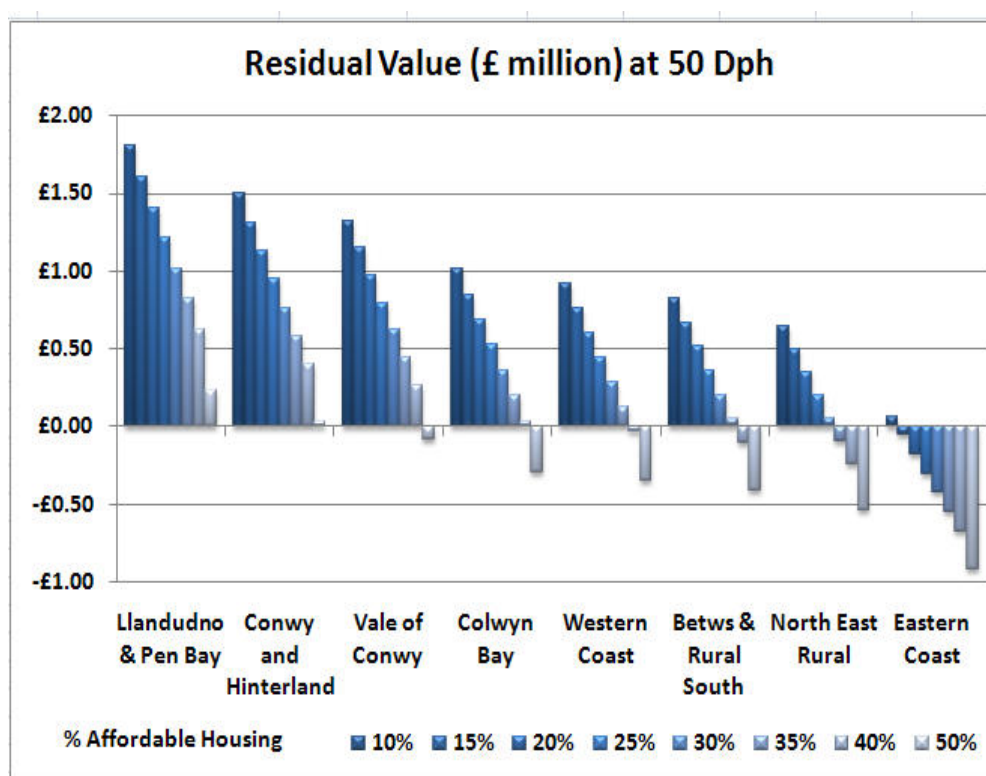
- The chart, Figure 3.3 shows similar grading for residual values across the sub markets. The policy message is still there: that a single target is unlikely to be sensible on viability grounds.
- Increasing density to 40 dph (from 30 dph) will increase residual values across the board; i.e. in all situations. The increases are not significant in mid markets locations, but in the higher value locations, particularly at lower percentages of affordable housing, residual value will increase substantially. In the lower value sub markets, increasing density from 30 dph to 40 dph will make the difference between having a scheme which has negative residual value to one where the residual is positive.

- In the higher value sub markets, residuals at 30% affordable housing are around £1 million per hectare. This is by no means a magic figure, but one which is likely to represent a substantial uplift from most existing use values. It can also be noted, by comparing Figures 3.3 and 3.2, that a higher density delivers positive residuals for schemes in weaker areas at lower percentages of affordable housing that (at 30 dph) were negative.

### High density (50 dph) scheme

- 3.16 Figure 3.4 shows a higher density (50 dph) scheme. The main impact here is to decrease viability in all scenarios tested (versus the 40 dph scenario).

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



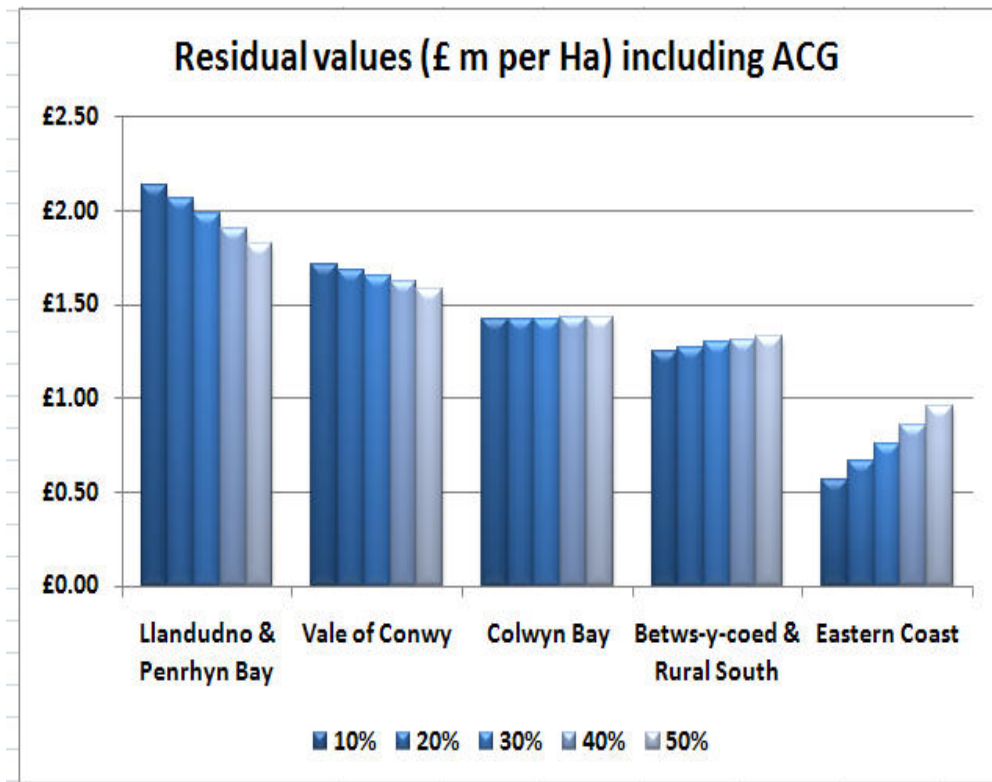
- 3.17 The main reason for the apparent decrease in viability is that the 50 dph scheme includes a significantly higher proportion of smaller units, notably flats. Smaller units, in a location such as Conwy, will normally have a depressing impact on overall viability since they do not generate a significant surplus of sales value relative to costs. When affordable housing is included in these schemes, residual value can quickly become negative or viability marginal.

- 3.18 It should be noted that all policy implications relating from density and development mix issues need to be tested at a scheme specific level. For example, a 50 dph scheme including a mix of larger housing could feasibly generate a higher residual value than at 40 dph.
- 3.19 In general terms however, we consider that residual value will be maximised between 40 dph and 50 dph.

#### Impacts of potential grant funding

- 3.20 The availability of public subsidy, in Wales in the form of SHG (Social Housing Grant) money, can have a significant impact on scheme viability. Grant given to the affordable housing providers enables them to pay more for affordable housing units, thus increasing overall scheme revenue and therefore the residual value of a mixed tenure scheme.
- 3.21 We look here at the impact of the SHG funding regime on viability. We select here ACG (Acceptable Cost Guidance) Band Level 3, as a mid point band range for the authority. We run the scenarios assuming SHG at 100% of ACG. Figure 3.6 shows the results for a 30 dph scheme for selected locations and selected percentages of affordable housing.

**Figure 3.5 Lower density housing (30 dph) – Residual value in £s million;  
ACG at 100%**



3.22 Figure 3.5 shows the specific impacts of subsidy in the County Borough. It shows two main impacts.

3.23 In the (three) higher value areas, residual value falls as affordable housing is increased within a scheme. In other words, the SHG subsidy scheme, whilst it significantly bolsters residual value, does not increase residual value as the affordable housing percentage increases.

3.24 In the (five) lower value sub markets, the pattern moves in the opposite direction. Residual values actually rise as affordable housing is increased within a scheme. The lower the value of house prices in an area, the greater the impact of the SHG input to residual value. Residual value in Eastern Coastal at 40% affordable housing is 50% higher than at 10% affordable housing.

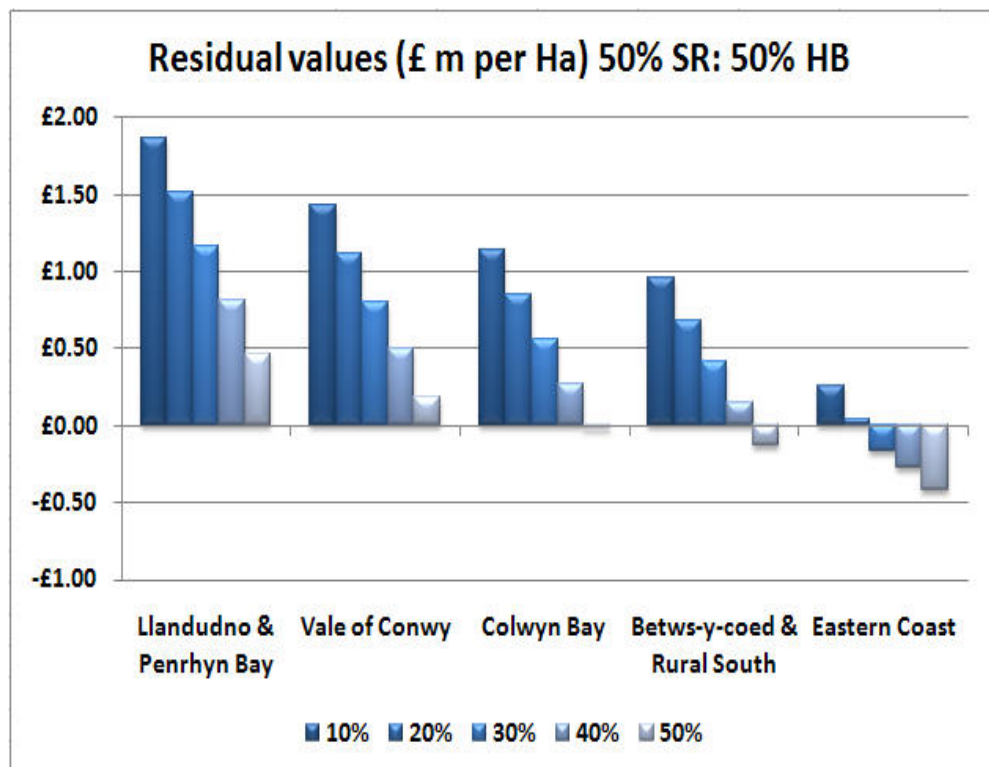
3.25 The reason for the trends is that in the higher value areas the opportunity cost of providing affordable housing supported by SHG is greater than in the lower value

areas. Where house prices are low, grant supported affordable housing increases residual value, where in the higher house price areas, residual value falls even when SHG support is available.

#### Affordable element split 50% Social Rent and 50% Homebuy

- 3.26 The analysis carried out thus far has assumed an apportionment of 70% Social Rent and 30% Homebuy at each affordable housing target tested. We understand that the Council may consider, where housing needs require, a split of, for example, 50% Social Rent and 50% Homebuy. Figure 3.6 shows the results of this analysis, as previously for selected locations and at selected percentage affordable housing targets.

**Figure 3.6 Lower density housing (30 dph) – Residual value in £s million; Affordable element 50% Social Rent (SR) 50% Homebuy (HB)**



- 3.27 The analysis suggests that a switch in tenure split from 70% Social Rent: 30% Home Buy to 50% of each tenure will have only limited impacts. At 30% affordable housing, residual value at the top of the market – Llandudno and Penryhn Bay will increase by 19% at 30% affordable housing. At the bottom of the market – Eastern Coast – the impact will be very similar; i.e an increase of around 20%.



- 3.28 The impact of increasing the proportion of Intermediate affordable housing, relative to the impacts of grant funding (versus no grant) is relatively insignificant. In other words, schemes supported by the ACG route are likely to be more viable than those where the Council decides to be more flexible on affordable housing tenure. This is as much to do with the generosity of the ACG regime as it is to do with the relative weakness of house prices in some parts of Conwy.

#### Impacts of achieving Code for Sustainable Homes Level 4

- 3.29 A further consideration in relation to viability is the achievement of a higher standard of build as envisaged in the Code for Sustainable Homes.
- 3.30 It should be initially emphasised that the foregoing baseline testing assumes Code Level 3.
- 3.31 There are a number of problems in analysing the impacts of a higher code (we consider here Code 4) not least that there is a large range of costs which can impact on a scheme which operates within the same code.
- 3.32 The estimated costs of achieving Code Level 4 range from £2,000 to £12,000 per dwelling (Cyril Sweet, 2007 – Cost Review of the Code for Sustainable Homes). This depends on the extent to which different energy sources are adopted. We take here scenario 2 as a broad indication of costs (an additional £4,260 per end terrace) which represents ‘Initial energy efficiency measures initially followed by use of small scale wind turbines and then biomass systems’. We model at £5,000 per unit; across a scheme at 40 dph this means £200,000 per hectare taken off residual value.
- 3.33 Table 3.2 shows the joint impacts of achieving Lifetime Homes Standards and Code for Sustainable Homes Level 4 for selected locations at selected affordable housing targets.



**Table 3.2 Residual value (£s million per hectare) with Code for Sustainable Homes Level 4, at 30 dph (no grant)**

	10%	20%	30%	40%	50%
<b>Llandudno &amp; Penrhyn Bay</b>	£1.39	£1.10	£0.82	£0.53	£0.24
<b>Vale of Conwy</b>	£1.03	£0.77	£0.52	£0.26	£0.00
<b>Betws-y-Coed &amp; Rural South</b>	£0.63	£0.40	£0.18	-£0.04	-£0.26
<b>Eastern Coast</b>	-£0.12	-£0.28	-£0.44	-£0.60	-£0.76

3.34 Whilst residual values in the stronger market value areas will hold up, particularly at the lower percentages of affordable housing, the impact at higher percentages of affordable housing in the weaker market areas is now significant. For example at 30% affordable housing, residual value is almost halved in Betws-y-Coed & Rural South whilst in Llandudno and Penrhyn residual value is reduced by only 15%.

3.35 It is important to state with respect to this analysis that it is only a sensitivity test, and one which increases costs whilst holding all other variables constant. In practice, it is not improbable that as the CSH requirements become mainstream, costs will reduce and future selling prices may have increased by the time the code is introduced thus allowing viability to be maintained.

### Impacts of a higher level of Section 106

3.36 The baseline analysis (Figures 3.1 to 3.5) assumed a Section 106 contribution (in addition to the affordable housing) of £7,500 per unit. A second test was to be applied at £15,000 per unit.

**Table 3.3 Residual value (£s million per hectare) with a £15,000 per unit planning gain package, at 30 dph (no grant)**

30 dph					
	10%	20%	30%	40%	50%
<b>Llandudno &amp; Penrhyn Bay</b>	£1.32	£1.03	£0.74	£0.45	£0.17
<b>Vale of Conwy</b>	£0.96	£0.70	£0.44	£0.18	-£0.07
<b>Betws-y-coed &amp; Rural South</b>	£0.55	£0.33	£0.11	-£0.12	-£0.34
<b>Eastern Coast</b>	-£0.20	-£0.36	-£0.52	-£0.68	-£0.84

3.37 This clearly adds an additional £7,500 per unit and the impacts will be significant, although similarly (see Table 3.2) regressive in effect. In the weakest markets, this

impact will have very limited effect in practice because its consequence will be largely to make already negative residual values even more negative.

3.38 The impact will be greatest in practice in the middle to lower end sub markets. In Betws-y-Coed and Rural South for example, residual value will be reduced to one third at 30% affordable housing as a result of this higher level of planning gain package.

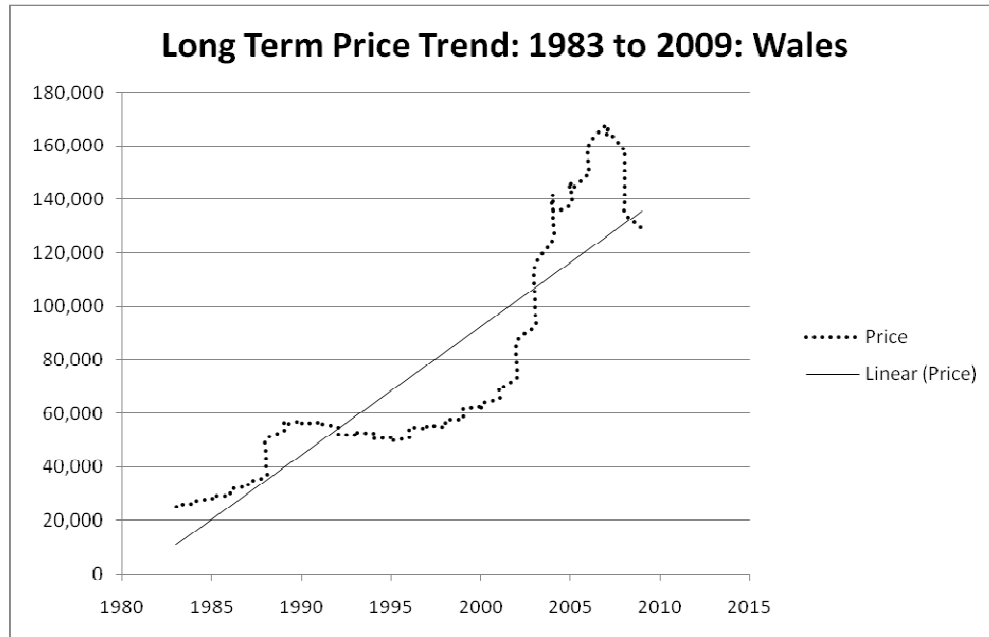
3.39 Again, however, we would strongly re-iterate the point made in Paragraph 3.35 above, that costs cannot be considered a free standing variable on viability. The relationship between revenue and cost is important in delivering Section 106.

#### Currency of market data

3.40 The analysis set out above relates to current house prices and development costs (at July 2010). In practice this situation may vary over the period of the Development Plan and therefore innumerable scenario tests are possible.

3.41 Figure 3.7 shows the current housing market position in relation to the long term trend. The chart shows the short term (fluctuating) trend as 'prices'. The long term trend is plotted by a straight regression linear line which minimises the variations between the range of price observations.

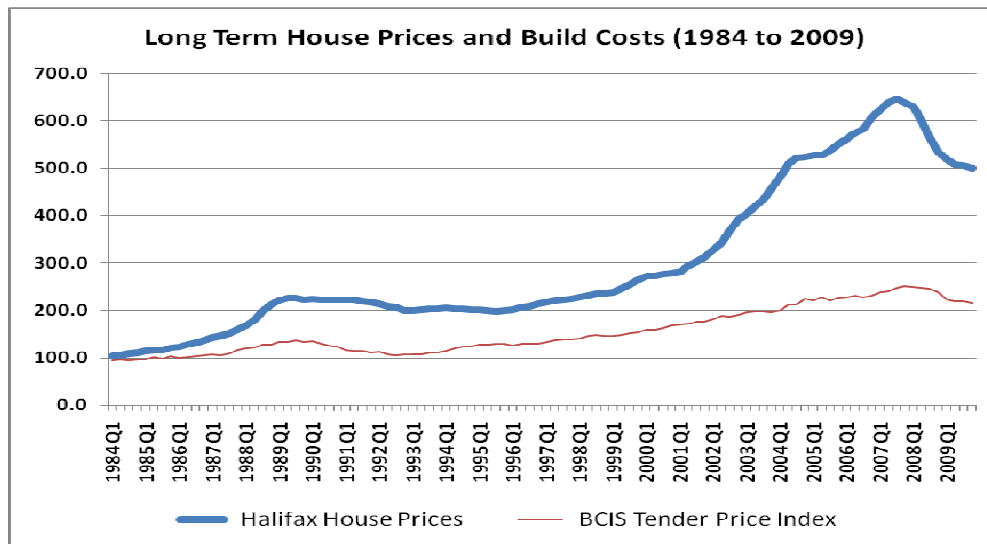
**Figure 3.7 Long and short term housing market trends in Wales**



**Source: Halifax House Price Index**

- 3.42 The chart shows that as at Quarter 4 2009, the market is marginally under the longer term trend. It is very close to it. Therefore our analysis has not taken an unrealistically optimistic approach to calculating residual value. It can be seen that 2007 and 2008 were high points in the housing market in Wales.
- 3.43 Another measure is the longer term price and build cost trend. We show here both variables (for the UK) where it can be seen that over time viability of development has improved with a widening gap between prices and costs (Figure 3.8).

**Figure 3.8 Long term house price and build costs trends**



3.44 In so far, therefore, that the housing market replicates in some measure its former trends, we would expect our analysis to hold for the Plan period, although we would urge the Council to review the findings in the medium term to test whether there has been a widening or narrowing in the relationship between selling prices and development costs.

3.45 Short term fluctuations will need to be dealt with by the Council through the development control process, ideally using the DAT or other development appraisal models to reflect any changed circumstances.

### Benchmarking results

3.46 There is no specific guidance on the assessment of viability which is published by national government. In Section 2, we set out that we think viability should be judged against return to developer and return to land owner.

3.47 One measure, although not necessarily of viability, is to take “current” land values for different development uses as a kind of ‘going rate’ and consider residual values achieved for the various scenarios tested against these. Table 3.4 shows residential land values for selected locations across Wales.

**Table 3.4 Residential land values regionally**

WALES			
REGION	Small Sites (sites for less than five houses)	Bulk Land (sites in excess of two hectares)	Sites for flats or maisonettes
	£s per hectare	£s per hectare	£s per hectare
Cardiff	2,750,000	2,750,000	2,600,000
Carmarthen	900,000	900,000	850,000
Merthyr Tydfil	1,100,000	1,000,000	1,000,000
Bridgend	1,550,000	1,550,000	1,550,000
Swansea	1,400,000	1,400,000	1,800,000
Llandudno	1,000,000	850,000	1,000,000
Newport	1,900,000	1,900,000	1,400,000
Wrexham	1,000,000	850,000	1,000,000

**Source: Valuation Office; Property Market Report, July 2009**

- 3.48 The table indicates residential land values of around £850,000 per hectare for a location such as Llandudno which is at the top of the market in Conwy. At 40 dph this figure equates to around 40% affordable housing (Appendix 3).
- 3.49 The workshop held suggested land values of around £1 million per hectare for the Conwy area.
- 3.50 Another benchmark which can be referred to is that of industrial land. Table 3.5 shows values of between £200,000 to £300,000 per hectare (Llandudno and Colwyn Bay).

**Table 3.5 Industrial land values in Wales**

WALES			
	From £s per ha	To £s per ha	Typical £s per ha
Cardiff	210,000	315,000	270,000
Carmarthen	160,000	210,000	190,000
Merthyr Tydfil	135,000	200,000	160,000
Taff Ely	125,000	205,000	140,000
Swansea	190,000	245,000	235,000
Colwyn Bay/Llandudno	200,000	300,000	250,000
Newport	180,000	250,000	225,000
Deeside	200,000	300,000	250,000

**Source: Valuation Office; Property Market Report, July 2009**

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

## **4 LAND SUPPLY, SMALL SITES AND USE OF COMMUTED SUMS**

### **Introduction**

- 4.1 This chapter reviews the policy context and options for identifying the size of sites above which affordable housing contributions would be sought, in the national policy context.
- 4.2 The chapter provides an assessment of the profile of the likely future land supply and the relative importance of small sites. It then considers practical issues about on-site provision and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed).

### **Purpose of the Analysis**

- 4.3 Evidence on viability is 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. TAN2 does not provide any national guidance on appropriate thresholds and leaves this to LPAs to identify. However, TAN 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”.*  
(TAN2 para 10.4)

- 4.4 By reducing site size thresholds and ‘capturing’ more sites from which affordable housing can be sought, an authority can potentially increase the amount of affordable housing delivered through the planning system.

#### Site supply analysis

- 4.5 We have analysed data based on the Council’s housing development commitments – from 2006/7 to 2008/9. Commitments include planning consents and new units allocated in the Local Plan. Commitments assessed here include development not started, development under construction and units completed.
- 4.6 Table 4.1 sets out the overall picture in Conwy. It shows the number and percentage of dwellings falling under each site size category. Sites of one to four dwellings are the smallest sites considered; sites with capacity for more than 100 dwellings are the largest.
- 4.7 The analysis shows that a significant proportion of housing supply is currently concentrated in smaller sites. 42% of new dwellings will be developed on sites with a capacity of less than 15 dwellings. Moreover almost 60% (59%) of all dwellings under current commitments will be developed on sites with a capacity of less than 25 dwellings
- 4.8 Only 20% of all commitments will be developed on sites of over 100 dwellings. These figures generally indicate a need for a low affordable housing threshold in order to deliver affordable housing.

**Table 4.1: No of dwellings in different sizes of sites (2010)**

Site Size	No of Dwellings	% of Total
1 to 4	410	19.19
5 to 9	232	10.86
10 to 14	258	12.08
15 to 24	361	16.90
25 to 49	248	11.61
50 to 100	198	9.27
> 100	429	20.08
	<b>2136</b>	<b>100.00</b>

**Source: Conwy CBC (2010)**

- 4.9 Table 4.2 shows the same analytical framework but compares supply in the main settlements versus that in the smaller settlements.
- 4.10 A draft settlement hierarchy is set out in the Council's Background Paper 8. This suggests that the main settlements fall within the Urban Development Strategy Area and include Abergele, Colwyn Bay, Conwy, Llandudno, Llanfairfechan, Llanwrst, Penmaenmawr and Towyn. A Rural Development Strategy Area includes the Tier 1 & 3 Villages, Minor Villages and Hamlets. We have included these in the analysis in the table below.

**Table 4.2: No of dwellings in different sizes of sites: main and minor settlements.**

Site Size	Main Settlements		Minor Settlements & Rural Areas	
	No of Dwellings	% of Total	No of Dwellings	% of Total
1 to 4	316	16.06	93	55.35
5 to 9	215	10.93	17	10.12
10 to 14	258	13.11	0	0
15 to 24	303	15.40	58	34.53
25 to 49	163	8.29	0	0
50 to 100	283	14.38	0	0
> 100	429	21.81	0	0
	<b>1967</b>	<b>100</b>	<b>168</b>	<b>100.00</b>

**Source: Conwy CBC**



- 4.11 Table 4.2 shows that there is, as may be expected, significantly greater reliance on smaller sites in the minor settlements and rural areas. The analysis shows that 55% of all units committed will be built on sites of less than 5 dwellings. 100% of commitments in these locations will be built on sites with a capacity for less than 25 dwellings.
- 4.12 The table shows nevertheless that the main settlements also have a significant reliance on smaller sites. 40% of all commitments will be developed on sites with a capacity for less than 15 dwellings.
- 4.13 The data shows therefore that across both major and minor settlements the Borough will need small sites to deliver housing. The case for a low threshold is strong.
- 4.14 We discussed the suitability of different site types (including small sites) for affordable housing at the workshop with the development industry and which included representatives from developers and Registered Social Landlords (RSLs).
- 4.20 Neither small nor large sites were considered to be more economically viable to develop on a systematic basis. Small sites might not attract the economies of scale of larger schemes but, on the other hand, small sites can be relatively easy and quick to develop.

#### **Use of commuted sums**

- 4.21 As a general principle, we recognise that seeking on-site provision of affordable housing will be the first priority, in accordance with national planning guidance which encourages the promotion of mixed communities, 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.
- 4.22 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.

- 4.23 If the 'equivalence' principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution.

#### Potential reductions in Section 106 obligations

- 4.24 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 where there is planning merit and / or public interest in the site being developed

## 5 CASE STUDY VIABILITY ANALYSIS

### Introduction

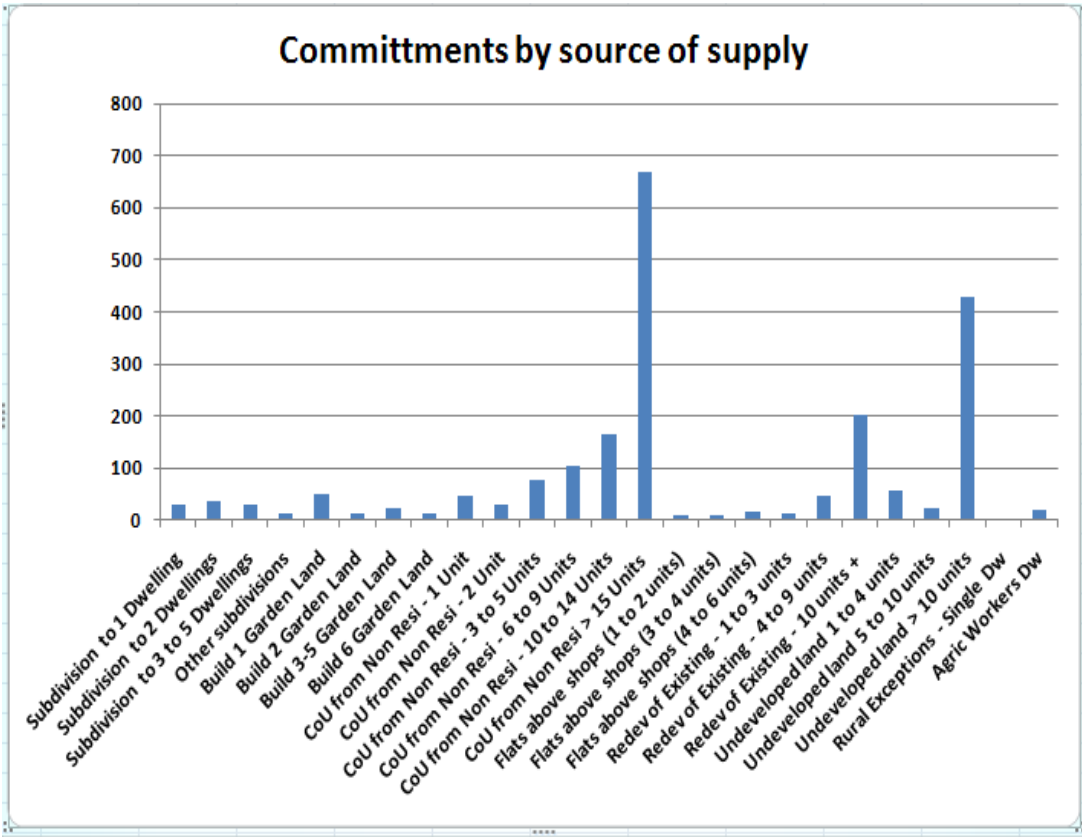
- 5.1 The analysis in Chapter 3 provides a good indication of the likely viability of sites in the Conwy CBC area. The residual values can be compared with existing use values to establish whether land owners are likely to make a return over and above existing use value, taking into account a developer margin.
- 5.2 The analysis in Chapter 3 will apply for large as well as small sites (on a pro rata basis). We do not have any evidence from this or related studies to suggest that the economics change significantly between large and small sites.
- 5.3 It will be noted (Table 3.4) that small sites can achieve higher land values than larger ones, suggesting that the economics of developing smaller sites could actually be more favourable than developing larger ones.
- 5.4 In theory therefore there is no real need to review in detail viability issues for small sites. However, for the sake of further illustration, and recognising that there may be special circumstances which impact on the viability of some types of smaller sites, it was felt helpful to review the development economics of some illustrative case studies.

### Case study sites

- 5.5 In this section we review a number of case study developments which are examples of small sites for residential development. This is based on information held on the

Council’s database of Commitments and Completions. We use the same dataset as for the analysis in Chapter 4.

**Figure 5.1 Commitments by source of supply**



**Source: Conwy CBC**

- 5.6 Figure 5.1 shows the range of scheme types within the Borough. The data relates to the number of dwellings that will be built from different sources of land and property supply.
- 5.7 Sites involving a change of use to residential development from non residential land comprise a high proportion of supply. 51% of all new units will emanate from this source of supply. We think that a significant proportion of these sites will be in commercial or industrial use. Also important (20% of all units) is undeveloped land as a source of supply for housing.
- 5.8 Smaller schemes, from brown and green field sources will make up a highly significant source of supply. Schemes developed on housing land via the sub

division of units will be important. The sub division of buildings into dwellings make up 4% of all units.

- 5.9 There is no particularly scientific way of selecting case studies from this overview of supply. Viability for the bulk of the supply, i.e. sites changing from non residential to residential can be established by comparing the residual values in Chapter 3 with going rates for commercial uses. For example, Table 3.5 shows typical industrial values at around £200,000 per hectare.
- 5.10 There are particular problems in assessing schemes involving conversion or subdivisions at a policy level since build costs vary tremendously and hence policy lessons are difficult to draw.
- 5.11 We focus here on four case studies which we think are typical for the Borough in relation to small sites with a range of uses. These uses might be gardens, infill or undeveloped backland. The results will establish the viability of developing these typically smaller sites. Table 5.1 sets out the case studies:

**Table 5.1 Case study sites**

<b>Case Study</b>	<b>Number of dwellings</b>	<b>Type of new development</b>	<b>Site Size (Ha)</b>	<b>Resulting density</b>
<b>A</b>	<b>1</b>	1 x 4 bed detached	0.05	20
<b>B</b>	<b>2</b>	1 x 4 bed detached; 1 x 5 bed detached	0.075	27
<b>C</b>	<b>4</b>	3 x 3 bed terraces; 1 x 3 bed detached	0.1	40
<b>D</b>	<b>8</b>	3 x 3 bed terraces; 2 x 3 bed semis; 3 x 3 bed detached	0.15	53

- 5.12 For each case study we have undertaken an analysis of residual values at levels of affordable housing from 10%; 20%, 30%, 40% and 50%. We have selected a range of sub markets to test: Llandudno & Penrhyn Bay, Vale of Conwy, Colwyn Bay, Betws-y-Coed & Rural South and Eastern Coast. All the assumptions used are the same as for the main analysis described in Chapter 3.

- 5.13 We have assumed no grant in all scenarios tested here.

## Case study A – Develop one detached house on a 0.05 ha site

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

**Table 5.2 Develop one four bed detached house**

	AH	10%	20%	30%	40%	50%
Llandudno & Penrhyn Bay	Total RV	£72,000	£60,000	£47,000	£34,000	£21,000
	RV per Hectare	£1,440,000	£1,200,000	£940,000	£680,000	£420,000
Vale of Conwy	Total RV	£55,000	£43,000	£32,000	£20,000	£9,000
	RV per Hectare	£1,100,000	£860,000	£640,000	£400,000	£180,000
Colwyn Bay	Total RV	£44,000	£32,000	£22,000	£12,000	£1,000
	RV per Hectare	£880,000	£640,000	£440,000	£240,000	£20,000
Betws-y-Coed & Rural South	Total RV	£36,000	£26,000	£17,000	£6,000	£-3,000
	RV per Hectare	£720,000	£520,000	£340,000	£120,000	£-60,000
Eastern Coast	Total RV	£7,000	£-1,000	£-9,000	£-16,000	£-23,000
	RV per Hectare	£140,000	£-20,000	£180,000	£320,000	£460,000

AH = affordable housing percentage

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

- 5.15 Table 5.2 shows residual values at the different proportions of affordable housing. Positive residual values are achieved in all five sub markets up to 40% affordable housing with the exception of Eastern Coast. Residual values on a per hectare basis in a mid market location such as Colwyn Bay are approaching £250,000 per hectare at 40% affordable housing.
- 5.16 Where one dwelling of this type is built on garden, infill or back land sites, we would expect there to be a sizeable uplift in site value in most locations, although on a site by site basis it will be necessary for the Council to consider any devaluation to any existing property that may occur as a result of a new property being built for example in a garden.
- 5.17 This type of development is unlikely to be viable where the scheme involves the demolition of an existing dwelling; i.e. where one dwelling replaces another.

### Case study B – Develop two detached houses on a 0.075 ha site.

5.18 The viability of developing two houses rather than one will depend on the site size and existing use value. There will be some instances where the relationship between existing use value and residual development value is favourable and some where this may not be the case. Table 5.3 shows residual values for the development of two dwellings.

**Table 5.3 Develop two dwellings**

	AH	10%	20%	30%	40%	50%
Llandudno & Penrhyn Bay	Total RV	£156,000	£126,000	£99,000	£70,000	£42,000
	RV per Hectare	£2,106,000	£1,701,000	£1,336,500	£945,000	£567,000
Vale of Conwy	Total RV	£115,000	£89,000	£65,000	£39,000	£14,000
	RV per Hectare	£1,552,500	£1,201,500	£877,500	£526,500	£189,000
Colwyn Bay	Total RV	£92,000	£69,000	£46,000	£23,000	£-1,000
	RV per Hectare	£1,242,000	£931,500	£621,000	£310,500	£-13,500
Betws-y-Coed & Rural South	Total RV	£75,000	£52,000	£32,000	£10,000	£-12,000
	RV per Hectare	£1,012,500	£702,000	£432,000	£135,000	£162,000
Eastern Coast	Total RV	£11,000	£-5,000	£-21,000	£-38,000	£-54,000
	RV per Hectare	£148,500	£-67,500	£-283,500	£513,000	£729,000

AH = affordable housing percentage

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

5.18 For infill, back land and garden plots, as in the previous case study, there will be considerable uplift in land value in the higher value areas.

5.19 The results show here a higher density. This scenario shows higher residuals and hence improved viability. As in the previous case, the uplift from the types of site these schemes will emanate from, is likely to be substantial. We do not anticipate any particular viability constraints at the lower and medium range of affordable housing targets. Clearly at the lower end of the market (Eastern Coast) there is a viability challenge even at lower percentage (affordable housing) targets.

5.20 The residuals generated here are generally not sufficient to support an affordable housing contribution where two dwellings replace one. Taking the example of Llandudno and Penrhyn Bay, it can be seen that at 10% affordable housing, the residual is £156,000, which is below what we would expect a single medium sized dwelling to sell for.

### Case study C – Develop four houses (three terraces and one detached) on a 0.1 ha site.

5.22 We assume here a scheme of terraces (three) and one detached house. The resulting density on this scheme is 40 dph. As with previous cases, the uplift from existing use value is significant. In this case, the equivalent (per hectare) value of the scheme at 40% is £710,000 in Llandudno & Penrhyn Bay whilst being in excess of £250,000 per hectare at 30% affordable housing in Betws-y-Coed & Rural South.

**Table 5.4 Develop four dwellings**

	AH	10%	20%	30%	40%	50%
Llandudno & Penrhyn Bay	Total RV	£184,000	£146,000	£109,000	£71,000	£34,000
	RV per Hectare	£1,840,000	£1,460,000	£1,090,000	£710,000	£340,000
Vale of Conwy	Total RV	£136,000	£102,000	£70,000	£35,000	£2,000
	RV per Hectare	£1,360,000	£1,020,000	£700,000	£516,000	£20,000
Colwyn Bay	Total RV	£102,000	£72,000	£41,000	£10,000	£-20,000
	RV per Hectare	£1,020,000	£720,000	£410,000	£100,000	£200,000
Betws-y-Coed & Rural South	Total RV	£85,000	£55,000	£27,000	£-4,000	£-32,000
	RV per Hectare	£850,000	£550,000	£270,000	£-40,000	£320,000
Eastern Coast	Total RV	£7,000	£-17,000	£-39,000	£-61,000	£-83,000
	RV per Hectare	£70,000	£-170,000	£-390,000	£610,000	£830,000

AH = affordable housing percentage

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

5.23 Where four dwellings replace one (demolished) the economics still look unfavourable. In Llandudno & Penrhyn Bay, the highest value sub market, the total

residual value is £184,000 (10% affordable housing). This would not normally be sufficient to acquire a detached house in the area.

#### Case study D – Develop eight houses on a 0.15 ha site.

- 5.24 This scheme involves the development of eight homes; three, three bed terraces, two, three bed semis and three, three bed detached houses.

**Table 5.5 Develop eight dwellings**

	AH	10%	20%	30%	40%	50%
Llandudno & Penrhyn Bay	Total RV	£407,000	£330,000	£253,000	£176,000	£99,000
	RV per Hectare	£2,713,000	£2,200,000	£1,687,000	£1,173,000	£660,000
Vale of Conwy	Total RV	£308,000	£239,000	£171,000	£102,000	£34,000
	RV per Hectare	£2,053,000	£1,593,000	£1,140,000	£680,000	£227,000
Colwyn Bay	Total RV	£237,000	£174,000	£112,000	£49,000	£-14,000
	RV per Hectare	£1,580,000	£1,160,000	£747,000	£327,000	£-93,000
Betws-y-Coed & Rural South	Total RV	£197,000	£137,000	£79,000	£19,000	£-40,000
	RV per Hectare	£1,313,000	£913,000	£527,000	£127,000	£267,000
Eastern Coast	Total RV	£38,000	£-8,000	£-54,000	£-100,000	£146,000
	RV per Hectare	£253,000	£-53,000	£-360,000	£-667,000	£973,000

AH = affordable housing percentage

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

- 5.24 The results in Table 5.5 again show strong residual values with the exception of the Eastern Coastal sub market. Significant uplift will occur from most sites of this nature.
- 5.25 Where this type of scheme involves the demolition of an existing dwelling, then we would anticipate modest affordable housing contributions in the higher value locations.



### Commentary on the results

- 5.26 This section on case studies is primarily illustrative, looking at the economics with particular reference to smaller sites and including consideration of achieved residual values for different sites and how they compare with existing use values.
- 5.27 The results for the small sites reflect in large measure, the previous analysis which considered the notional 1 hectare site. This analysis however shows more clearly the focus that is needed on location, rather than site size. Residual values on a per hectare basis do not vary significantly between the one hectare examples and the smaller sites tested here.
- 5.28 The analysis shows overall that the smallest developments can generate very positive viability situations and that, when these results are compared with those in Appendix 3 (in relation to the High Level Testing) that small sites are no less viable than larger ones (tested a notional one hectare site).
- 5.29 As previously stated with respect to the High Level Testing, scheme viability is significantly enhanced by grant and the Council will need to think about this solution, particularly with a focus on the weaker sub market areas.

### Viability on very large sites

- 5.30 The analysis carried out in this study relates to a notional one hectare site (Chapter 3) and to smaller sites (here – Chapter 5), where it is anticipated that market selling prices will broadly ‘pick up’ the values from surrounding or very local settlements.
- 5.31 In practice, where very large sites are released (several hundred houses or a Sustainable Urban Extension), these sites will have the potential to create their own market, which in many instances will exceed the prices being charged for new housing on local smaller sites.
- 5.32 The testing of such strategic sites is beyond the scope of this study, as market values and specific infrastructure and abnormal costs need to be established in each instance. We would suggest that these sites are tested independently by the Council going forward.

- 5.33 Most importantly, in areas where the existing neighbouring stock shows only relatively low house prices, and major development is envisaged, it will be important that policy can be set at the maximum level adopted anywhere in the County Borough.

#### Sites in smaller settlements with a policy of 100% affordable housing

- 5.34 Analysis of the viability of sites for 100% affordable housing shows that these are challenging.
- 5.35 Our analysis of small sites for 100% affordable housing in the Snowdonia National Park found that however, development can come forward where policy is proven to be flexible.
- 5.36 In terms of taking the Borough's policy forward for the small settlements, we recommend that sites are dealt with specifically, allowing for a cascade type approach. For example, where Social Rented cannot be developed unsupported by grant, then alternative tenures are considered; eg intermediate affordable and in some instances, self build.
- 5.37 We understand that affordable housing supply from these sites is relatively insignificant in the context of the Borough's overall housing supply.

## 6 MAIN FINDINGS AND CONCLUSIONS

### Key findings

- 6.1 Eight housing sub markets were identified and defined in relation to the Conwy CBC area. These are: Llandudno & Penrhyn Bay, Conwy and Hinterland, Vale of Conwy, Colwyn Bay, Western Coast, Betws-y-Coed & Rural South, North East Rural and Eastern Coast. These sub markets are based on an analysis of postcode sectors and were agreed with the local authority and the developer workshop.
- 6.2 The selling prices of dwellings vary significantly between these areas. The differences in market values are reflected in differences in residual values (for the different scenarios tested). The report establishes that residual value is dependent not only on location but also on the density and development mix adopted.
- 6.3 Prices are graded from highest (Llandudno and Penrhyn Bay) to lowest value (Eastern Coast) areas. There is a moderate 'step' in residual values between the highest three value locations (Llandudno & Penrhyn Bay, Conwy and Hinterland, Vale of Conwy) and the next four (Western Coast, Betws-y-Coed & Rural South, North East Rural). Values in the Eastern Coast sub market are then significantly lower than elsewhere.
- 6.4 Price differences are important in terms of policy implications. At 30 dph for example, residual value in Llandudno and Penrhyn Bay is £0.39 million per hectare at 50% affordable housing, whilst being only marginally positive (£30,000 per hectare) in the Eastern Coast. Similarly, at 50 dph residual value at the top of the market at 50% affordable housing is three times that at the bottom – at 10% affordable housing.
- 6.5 Residual values are buoyant in the higher value locations. In the Vale of Conwy, residual value is over £750,000 per hectare at 25% affordable housing (at 30 dph). This is not a magic figure which 'proves' viability or otherwise, but demonstrates the likelihood of significant land owner returns in many instances.
- 6.6 The results suggest that development would appear most viable around 40 dph with the optimal situation then being dependent on location. However it is important to emphasize the role played by the inter-relationship of location, density and

development mix in determining viability. The Council will need to ensure that sites are tested on an individual basis to establish the precise economics in each case. That stated, we would expect lower to medium density development (up to 50 dph) to provide the optimum viability outcomes.

- 6.7 The introduction of grant significantly improves residual values across the area. It is applied most efficiently however in the lower value areas. The analysis shows that in the weakest sub markets, residual values actually increases with the amount of affordable housing included in a scheme. This is in no small measure due to the fact that the value of (100%) ACG is very generous at 100% relative to house prices in the weakest sub market areas.
- 6.8 We do not believe however that grant will not be needed in some of the higher value areas, in some instances, to bring sites forward. Market prices in Conwy are not always going to be high enough to overcome existing use values, although all depends here on the levels of Section 106 assumed. The Development Appraisal Toolkit which the Borough has adopted provides a useful mechanism for demonstrating the need for grant on a scheme by scheme basis.
- 6.9 Viability is highly sensitive to the relationship between existing (or, where relevant, alternative) use value. Our analysis suggests that sites will be brought forward on a variety of different types of sites. The analysis suggests that many of the smaller sites will be brought forward on existing use values which are low – in particular residential and residential amenity land.
- 6.10 However, some sites will be delivered within commercial areas and on land which is in current industrial use. Existing use values here are likely to be higher.
- 6.11 Our analysis suggests that small sites are not problematic in terms of viability. Rather it is the specific location and nature of development (eg new build and/or demolition) that will be the key factor in determining viability.
- 6.12 The analysis indicates that for Conwy CBC as a whole, small sites are very significant in providing housing supply. This picture is not significantly different in the major settlements. As may be expected (consistent with other local authority

areas), in the rural areas, there is much higher reliance on small sites to bring housing forward.

- 6.13 Where a financial payment in lieu of on-site provision of affordable housing (or commuted sum) is to be sought, it should be of “broadly equivalent value”. This approach is, on the evidence we have considered, a reasonable one to take in policy terms.
- 6.14 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.
- 6.15 Significantly, the longer term trend for house prices, and indeed the relationship between house prices and build costs, suggests that this analysis, carried out in July 2010 is ‘conservative’ in nature, not over estimating the potential for Section 106 contributions over the period of the Plan.

### Conclusions and policy options

- 6.16 There is no detailed government guidance setting out how targets should be assessed, based on an assessment of viability. An assessment of viability for policy setting purposes might have reference to a range of factors including: past and recent delivery of affordable housing, residual values, the relationship between residual values and existing use values, what has been found to be robust targets in similar authorities through the Core Strategy process, the land supply equation and its relationship to 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.
- 6.17 From this review, we have highlighted the considerable variation in residual values achieved across Conwy CBC and in particular the viability differences between the range of sub markets. This pattern has important consequences for the way we

have framed the options for the targets for affordable housing which we set out below:

- A single target for the Conwy CBC area. This could reasonably be set at 25% but recognising that this would be challenging in the weaker sub markets and not challenging enough in the higher value (mainly rural) areas.
- A split target which seeks 30% affordable housing in Llandudno and Penrhyn Bay, Conwy and Hinterland and Vale of Conwy; and 20% elsewhere. Again, this will be challenging at the lower end of the market, particularly for sites falling within the Eastern Coast area;
- A split (four way) target which seeks 35% in the Llandudno and Penrhyn sub market; 30% in Conwy and Hinterland and the Vale of Conwy; 20% in Colwyn Bay, Western Coast, Betws-y-Coed and Rural South and North East Rural; and 10% in Eastern Coast.
- A policy of 30% affordable housing in the Urban Areas and the Tier 1 Main Villages and 100% affordable elsewhere.

6.18 With respect to the options above, we would be clearly advocating a split target which does not fall in line with the single target (50%) advocated in the Council's Affordable Housing Delivery Statement (2007 – 2011) adopted in April 2009. The results however suggest that this target is unrealistic in the higher value areas and very unrealistic in the lower value areas.

6.19 It is important to stress that the policy options set out above relate to settlements where a Section 106 policy will apply. This relates to the Urban Areas and to the Tier 1 Main Villages. All Tier 2 Main Villages, Minor Villages and Hamlets have a 100% Affordable Housing Local Needs policy. We have tested this policy in the context of the Snowdonia National Park (SNP). The Park's Strategy is currently (October 2010) under examination. The analysis for the SNP found viability to be challenging in the context of 100% affordable sites, but not unrealistic where flexibility on the tenure of affordable housing is applied.

6.20 Given the distinct differences in policy approach between the Urban Areas and the Tier 1 Main Villages on the one hand, and the Tier 2 Main Villages, Minor Villages and Hamlets it has been appropriate to adopt a fourth option, that is a policy of 30%

affordable housing in the Urban Areas and the Tier 1 Main Villages and 100% affordable elsewhere.

- 6.21 Inevitably, there are hot (and cold) spots within each of the eight sub markets and the Council will in some cases achieve the target set, but in others not. The Development Appraisal Toolkit can be used to determine viability on a site by site basis.
- 6.22 If a split target approach is adopted, this should allow the market to adjust to the policy in a more precise way, reducing the scope for disputes about viability on a site by site basis; i.e. the policy will be more credible taking into account local market circumstances.

### Viability on individual sites

- 6.23 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 or where development exceeds the proposed targets. This should not detract from the robustness of the overall targets but the Council will need to take into account specific site viability concerns when these are justified.
- 6.24 If there is any doubt about viability on a particular site, it will be the responsibility of the developer to make a case that applying the Council's affordable housing requirement for their scheme makes the scheme not viable. Where the Council is satisfied this is the case, the Council has a number of options open to it (including changing the mix of the affordable housing and supporting a bid for grant funding from the WAG/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 and wider strategic planning issues.

### Thresholds

- 6.25 The Council published an Affordable Housing Delivery Statement (2007 – 2011) in 2009. This aims to achieve at least 50% of affordable homes on sites from all development as set out in Policy HOU/2. We thus understand that the Council

seeks affordable housing contributions from each and every site that is being brought forward.

- 6.26 The analysis of this report, taking into account the case studies and feedback from the workshop, suggests that small sites do not systematically present viability challenges in comparison to larger sites. In other words, there is no significant viability based evidence against the Council's current approach to seeking affordable housing contributions from every site.
- 6.27 The analysis of development across the Borough suggests a very significant reliance on small sites for the delivery of housing. This applies particularly in the smaller settlements and rural locations, but also in the major urban areas as well. We therefore believe that the Council's current stance in requiring affordable housing from every site is appropriate.
- 6.28 There is of course a practical question in that the current policy stance, which is supported by the findings of this study, requires that the Council may have to negotiate a significant number of schemes going forward over the Plan period. This has resource implications.

### Commuted sums

- 6.29 Where **commuted sums** are collected a possible approach to calculating the appropriate sum sought is to base this on the equivalent amount which would be contributed by the developer/landowner were the affordable housing provided on site. This is expressed as follows:

RV 100% M = Residual value with 100% market housing

RV AH = Residual value with X% affordable housing (say 40%)

Equivalent commuted sum = RV 100% MV minus RV AH

- 6.30 Where commuted sums are collected, the council will need to have in place a strategy to ensure the money is spent effectively and in a timely manner. Options for spending will be a matter for the council to consider but could include supporting schemes which would otherwise not be viable, increasing the amount of social rented housing in a scheme, increasing the proportion of family units in a scheme,



seeking higher quality affordable housing (e.g. a higher level of the Code for Sustainable Homes).

### Monitoring

- 6.31 This study is intended to be robust for the period of the LDP. The Council's affordable housing targets have been set with the longer (Plan period) term in mind.
- 6.32 It will inevitably be the case in some instances that the policy target or targets cannot be met because site circumstances vary from the norm (at local authority or sub market level). In these situations the Council has at its disposal the Development Appraisal Toolkit (DAT) which it may use to negotiate (if appropriate) a lower quantum of affordable housing than policy requires. The Council have received training in the use of the Toolkit and are hence in a position to adopt a flexible but appropriate approach where needed.
- 6.33 The Council have ensured that the Toolkit has been kept up to date since its inception for use in 2006. It is understood that the Council will continue to maintain the DAT over the period of the Plan. Doing so will allow the Council to both negotiate schemes with developers using current data as well as re-visit the Plan policies at an interim point in time should this prove an appropriate step.

## Appendix 1: Viability Workshop

### Conwy Local Development Plan

### Joint Affordable Housing Viability Workshop

### In preparation of the Conwy Affordable Housing Viability Study

## KEY OUTCOMES AND ACTIONS

**Date:** 9 July 2010

**Venue:** Glasdir, Llanrwst

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**Objectives:** Councillor Goronwy Edwards presented the objectives of the day;

*He emphasised the importance of joint working and collaboration with Snowdonia National Park, economic pressures and the importance of working in partnership with developers, landowners, lenders and registered social landlords in improving affordable housing delivery in Conwy.*

*The overall objective of the workshop was to identify the key viability issues associated with development and to conclude what level of affordable housing provision is viable in Conwy. This information will inform the evidence base to support the approach in the Conwy Local Development Plan and Supplementary Planning Guidance.*

**Planning Policy Framework:** Stan Yates presented the current National, Regional and Local planning policy framework relevant to affordable housing delivery in Conwy

**Three Dragons:** Dr Andrew Golland presented on the following:

- Study context
- The theory of viability and the S106 process

The following outcomes and actions resulting from the presentation and debates were concluded:

- It was agreed to forward these notes and the Powerpoint Presentations of the day to those present **ACTION: James Harland**
- **Developer Profit Margins (DPM):** It was agreed to further investigate the appropriate DPM. Current levels in Conwy relate to a 17% DPM which is consistent with other areas of Wales and has been agreed with the Home Builders Federation as being a reasonable figure to adopt..
- **Land values:** Delegates were asked to provide indicative going rates for land. A Figure of £400,000 per acre was stated as being a reasonable going rate for

residential building land. Existing use values of £6,000 per acre for agricultural land and £150,000 per acre for industrial land were also quoted. A challenge to development in the current market is that some sites were purchased when prices were much higher and hence delivering Section 106 under these circumstances could require greater flexibility in negotiations.

- **Interest Payments on Land/Finance:** Debate took place around the level of interest and whether the Development Appraisal Toolkit (DAT) and the study would factor this in. Dr Andrew Golland confirmed that the interest levels were included in the overall costs.
- **Grant Funding or ACG funded:** It was agreed that the viability testing would apply an overall 'no ACG/Funding is available' factor: **ACTION: Dr Andrew Golland**
- **Market Sales (Take up and Value):** Concerns were raised that the viability testing does not take into account the impact affordable housing could possibly have on the sale of market properties and the sale value. Andrew Golland stated that he was unaware of any systematic body of evidence to prove a 'stigma' effect. Delegates were invited to provide references to relevant studies or evidence bases.
- **Planning Obligations:** Debate took place over the assumptions for planning obligations when testing a site for viability. It was agreed that a range of obligation levels would be tested at £0, £7,500 & £15,000 with £7,500 being the baseline level. **ACTION: Dr Andrew Golland**
- **Affordable Housing Targets:** It was agreed to test the level of affordable housing at 10%; 20%; 30%; 40% and 50% AH based on 70% SR and 30% Homebuy split. The analysis will also test a 50% (Social Rent) and 50% (HomeBuy) affordable housing mix. **ACTION: Dr Andrew Golland**
- **Testing a range of sites:** The study will look at a range of sites derived from current planning/SHLAA data where possible. The sites are likely to include very small sites for example from residential amenity land through to sites say between 5 and 15 units in commercial land use. The sites will reflect the profile of site types coming forward in Conwy. **ACTION: Dr Andrew Golland**
- **Finance Costs:** Debate took place over the cost of finance and whether the assumption figure in the DAT was accurate and up to date. Dr Andrew Golland would check this and present in his findings: **ACTION: Dr Andrew Golland**
- **Sub Markets & Indicative New Build Prices:** The sub markets and indicative new build prices presented by Dr Andrew Golland were agreed as the basis for the study. **ACTION: Dr Andrew Golland**
- **Proposed Development Mixes:** The proposed development mixes as presented by Dr Andrew Golland were agreed as the basis for the study. It was agreed that a 'LHMA' mix would be tested as a scenario reflecting a needs driven development. **ACTION: Dr Andrew Golland**
- **Abnormal Development Costs:** Debate took place as to whether abnormal/exceptional costs should be applied to the assumptions and overall viability testing. Dr Andrew Golland stated that abnormal costs are by definition

'abnormal' and should therefore not be included within the baseline testing. It was agreed that the appropriate way to deal with abnormal costs is on a site by site basis ensuring that there is no double counting between normal and abnormal costs.

- **Code for Sustainable Homes:** The assumption was agreed that the Code Level 3 is taken into account in the overall build costs as presented by Dr Andrew Golland. Code Level 4 will be tested however as part and parcel of the study approach.  
**ACTION: Dr Andrew Golland**

These assumptions and actions will form part of evidence base to inform the Conwy Affordable Housing Viability Study.

## Key data assumptions

### Market areas and prices:

Sub Market	Detached			Semi-Det			Terraced			Flat/Mais		
	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	4 Bed	3 Bed	2 Bed	3 Bed	2 Bed	1 Bed
Llandudno & Penrhyn Bay	£345,000	£300,000	£240,000	£215,000	£185,000	£160,000	£205,000	£180,000	£155,000	£170,000	£150,000	£105,000
Conwy and Hinterland	£325,000	£285,000	£225,000	£205,000	£175,000	£150,000	£195,000	£170,000	£150,000	£160,000	£140,000	£100,000
Vale of Conwy	£315,000	£275,000	£220,000	£195,000	£170,000	£145,000	£190,000	£165,000	£145,000	£155,000	£135,000	£95,000
Colwyn Bay	£300,000	£260,000	£205,000	£185,000	£160,000	£135,000	£176,000	£155,000	£135,000	£150,000	£130,000	£90,000
Western Coast	£295,000	£255,000	£200,000	£180,000	£160,000	£135,000	£170,000	£150,000	£130,000	£145,000	£130,000	£90,000
Betwys-y-coed & Rural South	£285,000	£250,000	£195,000	£175,000	£155,000	£130,000	£170,000	£150,000	£130,000	£140,000	£125,000	£85,000
North East Rural	£280,000	£235,000	£190,000	£170,000	£150,000	£125,000	£165,000	£145,000	£125,000	£135,000	£120,000	£80,000
Eastern Coast	£240,000	£210,000	£165,000	£150,000	£130,000	£110,000	£140,000	£125,000	£110,000	£120,000	£105,000	£75,000

The development mixes were as follows:

	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
3 Bed Bunagalow	15	5		
	10	10		
	100	100	100	100

**Affordable housing targets:**

10%;  
15%;  
20%;  
25%;  
30%;  
35%;  
40%;  
50%;

Affordable housing split: 70% to 30% Social Rent to Shared Ownership

## Appendix 2: Results – Residual values in £s million per hectare (no grant)

20 dph								
	10%	15%	20%	25%	30%	35%	40%	50%
Llandudno & Penrhyn Bay	£1.15	£1.04	£0.94	£0.84	£0.73	£0.63	£0.53	£0.32
Conwy and Hinterland	£0.96	£0.87	£0.77	£0.68	£0.58	£0.49	£0.39	£0.20
Vale of Conwy	£0.87	£0.78	£0.69	£0.60	£0.51	£0.41	£0.32	£0.14
Colwyn Bay	£0.70	£0.62	£0.53	£0.45	£0.36	£0.28	£0.19	£0.02
Western Coast	£0.65	£0.57	£0.49	£0.40	£0.32	£0.24	£0.16	-£0.01
Betws-y-Coed & Rural South	£0.58	£0.50	£0.42	£0.34	£0.26	£0.18	£0.10	-£0.06
North East Rural	£0.49	£0.41	£0.33	£0.26	£0.18	£0.11	£0.03	-£0.12
Eastern Coast	£0.14	£0.08	£0.02	-£0.04	-£0.10	-£0.16	-£0.22	-£0.35
30 dph								
	10%	15%	20%	25%	30%	35%	40%	50%
Llandudno & Penrhyn Bay	£1.54	£1.40	£1.25	£1.11	£0.97	£0.82	£0.68	£0.39
Conwy and Hinterland	£1.30	£1.17	£1.03	£0.90	£0.77	£0.63	£0.50	£0.23
Vale of Conwy	£1.18	£1.05	£0.92	£0.79	£0.67	£0.54	£0.41	£0.15
Colwyn Bay	£0.94	£0.82	£0.70	£0.58	£0.46	£0.35	£0.23	-£0.01
Western Coast	£0.87	£0.75	£0.64	£0.52	£0.41	£0.29	£0.18	-£0.06
Betws-y-Coed & Rural South	£0.78	£0.67	£0.55	£0.44	£0.33	£0.22	£0.11	-£0.11
North East Rural	£0.65	£0.55	£0.44	£0.33	£0.23	£0.12	£0.01	-£0.20
Eastern Coast	£0.03	-£0.05	-£0.13	-£0.21	-£0.29	-£0.37	-£0.45	-£0.61
40 dph								
	10%	15%	20%	25%	30%	35%	40%	50%
Llandudno & Penrhyn Bay	£1.83	£1.66	£1.48	£1.31	£1.13	£0.96	£0.78	£0.43
Conwy and Hinterland	£1.55	£1.38	£1.22	£1.06	£0.90	£0.73	£0.57	£0.24
Vale of Conwy	£1.40	£1.24	£1.09	£0.93	£0.77	£0.62	£0.46	£0.15
Colwyn Bay	£1.10	£0.96	£0.81	£0.67	£0.53	£0.38	£0.24	-£0.05
Western Coast	£1.01	£0.87	£0.73	£0.59	£0.45	£0.31	£0.17	-£0.11
Betws-y-Coed & Rural South	£0.93	£0.79	£0.66	£0.52	£0.38	£0.24	£0.11	-£0.17
North East Rural	£0.77	£0.64	£0.51	£0.38	£0.25	£0.12	-£0.01	-£0.27
Eastern Coast	£0.23	£0.12	£0.01	-£0.10	-£0.20	-£0.31	-£0.42	-£0.63
50 dph								
	10%	15%	20%	25%	30%	35%	40%	50%
Llandudno & Penrhyn Bay	£1.80	£1.61	£1.41	£1.22	£1.02	£0.82	£0.64	£0.23
Conwy and Hinterland	£1.50	£1.31	£1.13	£0.95	£0.76	£0.58	£0.40	£0.03
Vale of Conwy	£1.33	£1.15	£0.97	£0.80	£0.62	£0.44	£0.27	-£0.09
Colwyn Bay	£1.01	£0.85	£0.69	£0.52	£0.36	£0.20	£0.03	-£0.29
Western Coast	£0.92	£0.76	£0.60	£0.45	£0.29	£0.13	-£0.03	-£0.35
Betws-y-Coed & Rural South	£0.82	£0.67	£0.51	£0.36	£0.20	£0.05	-£0.11	-£0.42
North East Rural	£0.64	£0.50	£0.35	£0.20	£0.05	-£0.09	-£0.24	-£0.54
Eastern Coast	£0.07	-£0.06	-£0.18	-£0.30	-£0.43	-£0.55	-£0.67	-£0.92

## Worked Example – 40 dph scheme at 25% Affordable Housing in the Colwyn Bay sub market

### 1 - SITE IDENTIFICATION

Site Details

Site Address

Site Reference

Application Number

Scheme Description

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

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### 3 - BASIC SITE INFORMATION

Total Size of Site In Hectares

**Density / Number of Dwellings**

Specify either a number of dwellings or a density for this site. If a scheme already exists in the Toolkit then adjusting the density will result in clearance of the unit details on the next page.

☒ Enter a Number of Dwellings (Density is then calculated)

Number of dwellings

☐ Enter your own density

Enter density

Adjust density

Resulting Number of Dwellings

Resulting Density  dph

**Bedspaces**

Specify the number of bedspaces:

Specify the number of habitable rooms:

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#### 4 - CHARACTERISTICS OF DEVELOPMENT

You can either enter the details for each unit type in the cells below or press the button 'Use default unit types' to call up the Toolkit values

Clear Table

Click this button to clear table contents

Use Default Unit Types

Press this button to automatically use the default units types and mix.

Ref.	Description of Dwelling	No of Bed-Rooms	Dwelling Type	No of Units	Size in sq.m Affordable	Size in sq.m Market	Parking (flats only)	No. of Storeys (1-99)
1	2 Bed Flats	2	House	2	60	55	Surface	n/a
2	2 Bed Terraces	2	House	6	73	60	Surface	n/a
3	3 Bed Terraces	3	House	10	80	80	Surface	n/a
4	3 Bed Semis	3	House	10	80	80	Surface	n/a
5	3 Bed Detached	3	House	8	80	100	Surface	n/a
6	4 Bed Detached	4	House	4	100	130	Surface	n/a
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total Number of units				40.00				

On the following pages of the Toolkit you must clear any values left in the Rents and Market Values tables; this information may no longer be relevant

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#### 5 - MARKET VALUES

This is a user entered scheme

There are no default unit prices available, please clear the table and enter your own values

Market Value price adjust (%)

100 %

Reset

Clear Table

Ref.	Dwelling Type	No of Bed-Rooms	Market Value	Adjusted Market Value
1	2 Bed Flats	2	£130,000	£130,000
2	2 Bed Terraces	2	£135,000	£135,000
3	3 Bed Terraces	3	£155,000	£155,000
4	3 Bed Semis	3	£160,000	£160,000
5	3 Bed Detached	3	£205,000	£205,000
6	4 Bed Detached	4	£260,000	£260,000
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

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## 6 - TENURE MIX

You may decide the distribution of the units across the tenures in two ways. By Percentage: In which case you enter a percentage of the total number of units to assign to each tenure. These percentages are applied equally across all unit types. By Quantity: In which case enter the exact number of units of each type to assign to each tenure in the table below.

☒ Input by Percentages

☐ Input by Quantity

Ref.	Description	SALE	AFFORDABLE				No of Units
			Social rent	Homebuy	Intermediate rent	Equity Share	
1	2 Bed Flats	75%	18%	8%			2.0
2	2 Bed Terraces	1.5	0.4	0.2			6.0
3	3 Bed Terraces	4.5	1.1	0.5			10.0
4	3 Bed Semis	7.5	1.8	0.8			10.0
5	3 Bed Detached	7.5	1.8	0.8			8.0
6	4 Bed Detached	6.0	1.4	0.6			4.0
7		3.0	0.7	0.3			
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20	Total	30.0	7.0	3.0			40.0

Percentage purchased by purchaser for Homebuy Default: 70% User: 60%

Percentage purchased by purchaser for Equity Share Default: 70% User:

The number of dwellings may be expressed as fractions for the purposes of financial calculations

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## 9 - SOCIAL AND INTERMEDIATE RENT

Press the Clear Tables button below to remove any user values from the tables

Clear Tables

☐ Show default rent values

Ref.	Description	UnitType
1	2 Bed Flats	House
2	2 Bed Terraces	House
3	3 Bed Terraces	House
4	3 Bed Semis	House
5	3 Bed Detached	House
6	4 Bed Detached	House
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

Social Rent

Please enter your own values in the white cells below

Social Rent Values (per week)		
No. of units	Benchmark Rents	User Rents
0.4		£ 70
1.1		£ 70
1.8		£ 72
1.8		£ 72
1.4		£ 73
0.7		£ 78

Intermediate Rent

Please enter your own values in the white cells below

Intermediate Rent Values (per week)			
No. of units	Market Rent	Adjust 100%	User Rents

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## 10 - SOCIAL RENT AND INTERMEDIATE RENT - CAPITALISED NET RENT FACTORS

These values are used to calculate capitalised value when no grant is available.

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank then the Toolkit Value for that row will be used

Click this button to clear the table contents

Clear Tables

Social Rent		Toolkit Values	User Values
Costs per annum	Management / maintenance costs	£950	
	Voids / bad debts	3.00%	
	Repairs reserve	£ 700	
Capitalisation		6.25%	

Intermediate Rent		Toolkit Values	User Values
Costs per annum	Management / maintenance costs	£ 700	
	Voids / bad debts	4.00%	
	Letting fee	1.00%	
Capitalisation		6.25%	

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## 11 - DEVELOPMENT COSTS

Depress this button to clear these tables

Clear Tables

### Build Costs per sq m

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank the Toolkit Value for that row will be

	Toolkit Values	User Values
Bungalows	£1,120	£1,055
Flats (16+ storeys)	£1,985	£2,130
Flats (6-15 storeys)	£1,490	£1,600
Flats (5 & less storeys)	£1,086	£1,140
Houses <= 75m2	£945	£890
Houses > 75m2	£905	£860

### Other Development Costs

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank the Toolkit Value for that row will be used

	Toolkit Values	User Values
Professional Fees %	12%	
Internal Overheads	5%	
Finance (Market)	6%	
Finance (Affordable Housing)	6%	
Marketing Fees	3%	
Developers Return	17%	
Contractors Return	5%	

Land Finance

### Wheelchair Costs

	Toolkit Value	User Values
Unit size increase	25%	
Build cost increase	15%	

### Exceptional Development Costs

Costs for Code SH	£0
<Enter cost description>	£0
<Enter cost description>	£0
<Enter cost description>	£0
Scheme Total	£0

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## 12 - PLANNING OBLIGATIONS

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure).

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

You have the option to enter a Planning Obligation package per unit. This value supercedes any values entered by unit or tenure.

Depress this button to clear the page

Clear Table

	Input by Total		Input by Unit					Calculated Total (Affordable and Sale)
	Enter Total?	User Total	Sale	Affordable				
				Social rent	Homebuy	Intermediate rent	Equity share	
Education Contribution	<input type="checkbox"/>							£0
Highway Works	<input type="checkbox"/>							£0
Contribution to public transport	<input type="checkbox"/>							£0
Contribution to community facilities	<input type="checkbox"/>							£0
Provision for open space	<input type="checkbox"/>							£0
Contribution to public realm	<input type="checkbox"/>							£0
Contribution to public art	<input type="checkbox"/>							£0
Environmental improvements	<input type="checkbox"/>							£0
Town centre improvements	<input type="checkbox"/>							£0
Waterfront Improvements	<input type="checkbox"/>							£0
Support for employment development	<input type="checkbox"/>							£0
Flood Defence Strategy	<input type="checkbox"/>							£0
Employment related training	<input type="checkbox"/>							£0
Other	<input type="checkbox"/>							£0

Obligations package per unit

Total for Scheme	£300,000
Total for Scheme per hectare	£300,000
Total for Scheme divided by total number of units	£7,500
Total for Scheme divided by number of sale units	£10,000

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## 14 - CAPITAL VALUE OF AFFORDABLE HOUSING

Please select the method by which the capital value of the scheme is generated

- ☐ Capital value is based on ACG - Grant is available
- ☐ Capital value is based on ACG - Grant is not available
- ☒ Capital value is based on income to the housing association - grant may be available
- ☐ Capital payment is agreed between the housing association and the developer

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## 21 - SCHEME RESULTS

### Site Economics

<b>RESIDUAL VALUE</b>	<b>£ 780,000</b>
Total scheme revenue	£ 5,710,000
Total scheme costs	£ 4,930,000

<b>Residual</b>	Per hectare	£ 780,000
	Per dwelling	£ 20,000
	Per market dwelling	£ 26,000
	Per bedspace	No Info
	Per habitable room	No Info

<b>Revenue</b>	Market housing	£ 5,175,000
	Affordable Housing	£ 535,000
	- Social rent	£ 224,000
	- Homebuy	£ 311,000
	- Intermediate Rent	£ -
	- Equity Share	£ -
	Capital Contribution	£ -
	Commercial Elements	£ -

<b>Costs</b>	Market housing	£ 3,737,000
	Affordable Housing	£ 855,000
	- Social rent	£ 599,000
	- Homebuy	£ 257,000
	- Intermediate Rent	£ -
	- Equity Share	£ -
	Planning Obligations	£ 300,000
	Exceptional Development Costs	£ -
	Commercial Elements	£ -
	Land Finance	£ -

<b>Alternative Site Values</b>		Against residual
Existing Use Value	£ -	£ -
Acquisition Cost	£ -	£ -
Alternative Use Value 1	£ -	£ -
Alternative Use Value 2	£ -	£ -
Alternative Use Value 3	£ -	£ -

### Site Details

Site	Conwy - Example Scheme - Colwyn Bay at 25% Affordable Housing
Address	
Site Details	0

Site Reference	0
Application Number	0
Site Location	Conwy
Scheme Description	1 Hectare Site at 40 Dph

<b>Total number of units</b>	Dwellings	40
	Bedrooms	No Info
	Bedspaces	No Info
	% Wheelchair Units	0%

<b>Density (per hectare)</b>	Dwellings	40.0
	Bedrooms	No Info
	Bedspaces	No Info

<b>Affordable Units</b>	Quantity	% of All Units
	Total	10.0 25%
	Social rent	7.0 18%
	Intermediate	3.0 8%

<b>Grant</b>	Whole scheme	£ -
	Per Social Rental dwelling	£ -
	Per HomeBuy dwelling	£ -

Cost Components

Discounting Function

Save Results

View Results

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