

Replacement Local Development Plan 2018-2033
Background Paper

BP10: Affordable housing viability study



Deposit Plan
May 2024



Mae'r ddogfen hon ar gael yn Gymraeg hefyd.

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Conwy County Borough Council Viability Study



Final Report

May 2024



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CHAPTER 1 – INTRODUCTION

Overview and objectives

- 1.1 Andrew Golland Associates have been appointed to carry out an update of the Council's previous viability analyses.
- 1.2 Previous analyses have addressed the following key questions:
 - Whether a split (Affordable Housing) target was appropriate?
 - Whether the current threshold or 'trigger point' is appropriate?
 - And if not whether this should be lower (higher)?
 - And/or whether the overall target should be varied by size of site?
- 1.3 This study covers the following main activities:
 - 1) Updating the High Level Testing;
 - 2) Testing a number of key sites that will cover a significant amount of supply over the Plan period;
 - 3) Analysis of small residential sites;
- 1.4 The Council are currently in the process of reviewing the Local Plan. To support the new Plan it is important to have an up-to-date evidence base.

Background for this study

- 1.5 This study takes place against a backdrop of significant political and economic change. Two impacts appear to have been significant – Brexit and Covid. We are now largely beyond the physical effects of Covid, although it has made a significant dent in the public finances as a consequence of the furlough scheme and the cost of mitigating health impacts. Brexit also appears to be having a major impact on falling living standards, rising interest rates and the general ability of households to meet their outgoings. It has further had specific negative impacts, particularly on the primary industries – farming, fishing and manufacturing, but as well

as on export trade and has had further disastrous impacts on the knowledge, research and cultural industries.

1.6 Against this backdrop it might be expected that the housing market would be in a state of collapse. This is not the case for a number of reasons. Perhaps the most important has been a lack of supply, particularly of new build housing. The table below shows house building in Wales over the last five years. Numbers fell significantly between 2019-20 and 2020-21. Levels increased again in 2021-22, but decreased in 2022-23. Numbers remain below pre-pandemic levels.

Table 1.1: new dwellings built in Wales

Year	No. new dwellings
2022-23	4,556
2021-22	5,659
2020-21	4,314
2019-20	6,224
2018-19	5,974
2017-18	6,037

Source: StatsWales, table HOUS0701, extracted 05/2024

1.7 Supply across England is now also expected to fall to its lowest for decades (<https://www.theguardian.com/society/2023/feb/26/england-new-housing-housebuilding-planning-policy>) which is bound to have knock on effects over the border in Wales. These impacts are driven in large measure by political considerations with the Westminster government being concerned about losing votes in rural areas opposed to new development.

1.8 However, it should be acknowledged that for the development industry, the price of raw materials, often imported from the EU, has risen and this is then bound to squeeze margins, assuming that inflation costs cannot be passed on to land owners. Rising costs against fixed or falling gross development values mean tighter residual values.

1.9 Whether cost inflation means less development depends on the trend in prices. Indeed, across Wales prices have risen by around

35% since January 2020 (HM Land Registry). For Conwy County Borough the price rise over the same period is circa 25%. Therefore this provides an excellent ‘bolster’ against cost rises. Over the same period costs appear only to have increased by around 13% (<https://costmodelling.com/construction-indices>). This means that in principle the viability of development has improved, although in practice some of this change will have fed through into land prices.

- 1.10 As ever, it is important to make a distinction between land prices and residual values. The purpose of policy development is to temper the transition from residual value into land value; in other words to ensure that a portion of any increase in land value translates into community benefits. This is entirely fair and reasonable as it is the community that creates that land value in the first instance.

Policy background

Planning Policy Wales

- 1.11 Planning Policy Wales (Edition 12, February 2024) states (paragraph 4.2.20):
- 1.12 ‘As part of demonstrating the deliverability of housing sites, financial viability must be assessed prior to their inclusion as allocations in a development plan. At the ‘Candidate Site’ stage of development plan preparation land owners/developers must carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites. At the ‘Deposit’ stage, there must be a high level plan-wide viability appraisal undertaken to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements. In addition, for sites which are key to the delivery of the plan’s strategy a site specific viability appraisal must be undertaken through the consideration of more detailed costs, constraints and specific requirements. Planning authorities must

consider management how they will define a ‘key site’ at an early stage in the plan-making process. Planning authorities must also consider whether specific interventions from the public and/or private sector, such as regeneration strategies or funding, will be required to help deliver the housing supply.’

1.13 Paragraph 4.2.22 of the guidance states:

‘Where up-to-date development plan policies have set out the community benefits expected from development, planning applications which comply with them should be assumed to be viable and it should not be necessary for viability issues to be considered further. It is for either the applicant or the planning authority to demonstrate that particular exceptional circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision-maker, having regard to all the circumstances in the case, including whether the development plan and the viability evidence underpinning it are up-to-date, and any change in circumstances since the plan was adopted. Such circumstances could include, for example, where further information on infrastructure or site costs is required or where a recession or similar significant economic changes have occurred since the plan was adopted. Where negotiation is necessary, the planning authority and developer should operate in an open and transparent manner with all information provided on an ‘open book’ basis.’

Affordable Housing

1.14 Paragraph 4.2.29 states:

‘Development plans must include a target for affordable housing (expressed as numbers of homes). The target for affordable housing should be based on the LHMA and identify the expected contributions that the policy approaches identified in the development plan (for example, site thresholds, site specific targets, commuted sums and affordable housing exception sites) will make to meeting this target. The target should take account of deliverability and viability which will be influenced by the

anticipated levels of finance available for affordable housing, including public subsidy, and other community benefit contributions being sought by the planning authority.'

1.15 In addition (Paragraph 4.2.30) states:

'Where development plan policies make clear that an element of affordable housing or other developer contributions are required on specific sites, this will be a material consideration in determining relevant applications. Applicants for planning permission should therefore demonstrate and justify how they have arrived at a particular mix of housing, having regard to development plan policies. If, having had regard to all material considerations, the planning authority considers that the proposal does not contribute sufficiently towards the objective of creating mixed communities, then the authority will need to negotiate a revision of the mix of housing or may refuse the application. Development plan policies should also state what the authority would regard as affordable housing and the arrangements it would expect for ensuring that such housing remains reserved for those who need it in perpetuity. All affordable housing, including that provided through planning obligations and planning conditions, must meet the Welsh Government's development quality standards.'

1.16 Paragraph 4.2.31 states:

'Development plans should include either site thresholds or a combination of thresholds and site-specific targets for affordable housing. Planning authorities should set site capacity thresholds for residential developments above which a proportion of affordable housing will be sought from developers. This applies both to sites specifically allocated in the development plan and to unallocated (windfall) sites and will normally take the form of on-site affordable housing contributions. In principle all new market housing sites, irrespective of site size, may contribute to meeting the need for affordable housing.'

1.17 It is therefore clear that, via forward planning and viability testing, WG anticipates local authorities to set Affordable Housing targets

and thresholds (as the trigger point at which the targets can justifiably be required).

1.18 WG's Development Plans Manual Edition 3 (May 2020) states, with respect to financial viability information:

'Para 5.88: The LPA must undertake a high level viability appraisal to assess the broad levels of development viability at housing market areas. Broad housing market areas should identify the contribution sites can make to the delivery of infrastructure, affordable housing and any other policy requirements. The LPA should identify whether there are likely to be any site specific issues or abnormal costs which could affect the viability of sites. This could result in a range of affordable housing percentages being sought across the LPA area.

Para 5.89: To support delivery of the plan, site specific viability appraisals should be undertaken for those sites which are key to delivering the plan (the size threshold can vary between LPAs). An appraisal will enable more detailed information to be taken into account having regard to the site specific details. The preferred approach is for this to be done in conjunction with a site promoter who has access to the detail, or conversely through more detailed modelling with site specific assumptions. Much more insight can be gained which can result in refined affordable housing targets, as opposed to the broader area identified in the high level appraisal. The two are not contradictory, rather the site specific being a refinement of the high level appraisal. This should be undertaken as early as possible.

5.90 High level testing is generally based on a methodology that produces a residual land value (after allowing for a percentage profit margin for the developer) which is then compared with the benchmark land value (or values) for a geographical area. Site specific appraisals commonly include an assumed benchmark value; the test then being whether the residual profit will provide an appropriate return for a developer in the context of prevailing market conditions. For the development plan high level testing is required to give certainty that the plan and policies can be

delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements. For those sites key to delivering the plan's strategy they will need to demonstrate they can be delivered through the consideration of more detailed costs, constraints and site specific requirements.....Only in exceptional circumstances should further viability appraisals be undertaken at the planning application stage.'

FUTURE WALES The National Plan 2040

- 1.19 Policy 7 – Delivering Affordable Homes states: The planning system has a long established role in the delivery of affordable housing. We are committed to ensuring that new housing meets the needs of all members of society especially those unable to afford to buy on the open market. Echoing the strategic placemaking principles in policy 2, sustainable places are inclusive and welcoming to all; they do not exclude sections of the community or create ghettos of the affluent and the poor. The Welsh Government is committed to increasing the delivery of affordable housing, with a focus on social housing, in the areas where it is needed and will use its funding, land, planning and housing policies to drive delivery. We recognise that the affordability of housing is not uniform across Wales and different responses will be needed in different parts of Wales to meet the needs of local communities. The Welsh Government will work with everyone involved in the planning and delivery of affordable housing from the public, private and third sectors to achieve these aims
- 1.20 Policy 4 – Supporting Rural Communities states: The Welsh Government supports sustainable and vibrant rural communities. Strategic and Local Development Plans must identify their rural communities, assess their needs and set out policies that support them. Policies should consider how age balanced communities can be achieved, where depopulation should be reversed and consider the role of new affordable and market housing,

employment opportunities, local services and greater mobility in tackling these challenges

Technical Advice Note (TAN) 2 and viability

- 1.21 Paragraph 10.4 of TAN 2 states: 'when setting site-capacity thresholds and site specific targets local planning authorities should balance the need for affordable housing against site viability. This may involve making informed assumptions about the levels of finance available for affordable housing and the type of affordable housing to be provided.'
- 1.22 The Technical Note states further that (Paragraph 10.6) 'Information from a Joint Housing Land Availability Study could form the basis for determining site-capacity thresholds. This will indicate the proportion of housing completions expected to be provided on different size sites. If, for example, 90% of all housing completions are expected from sites of less than 5 units, then it may be appropriate to seek affordable housing on sites of 3 or more dwellings. However, site viability will be a critical factor to be considered in determining thresholds, particularly on small sites.'

Letter from the Minister for Housing and Local Government regarding affordable housing delivery (2019)

- 1.23 This letter was sent to all Leaders and Chief Executives of local authorities in July 2019. It states:

'When reviewing LDPs local planning authorities must make provision for affordable housing led housing sites. Such sites will include at least 50% affordable housing, which is defined as social rented housing provided by local authorities and registered social landlords, and intermediate housing where prices or rents are above those of social rent but below market levels and there are secure arrangements to recycle receipts to use for future affordable housing where full ownership is achieved. In the first instance affordable housing led housing sites should make use of public land. Where public land is not available, privately owned

land may be identified. Sites should not be inferior in any way to sites which are being promoted for market housing.'

Conwy County Borough Council (CBC)

1.24 The Council's Adopted Local Development Plan was published in October 2013. The Plan states with respect to Affordable Housing (Paragraph 4.2/15):

'Settlement boundaries have been provided for all settlements falling within the Urban Development Strategy Area and the Tier 1 and 2 Main Villages. These settlements are better equipped with the services and employment opportunities to support new housing. They are also considered to have the capacity to accommodate development without detriment to the position of the Welsh language. Within the Main Villages and Hamlets no settlement boundaries are drawn.

The Tier 1 Main Villages will provide a combination of market value and AHLN from existing commitments, on allocated sites and from windfall development. Within the Tier 2 Main Villages, the Council will seek to deliver 100% AHLN only on allocated and windfall sites within the settlement boundaries. In exceptional circumstances market dwellings will be permitted in the Tier 2 Villages within the settlement boundaries on allocated and windfall sites where it is essential to assist the delivery of affordable housing and where supported by the completion of a Viability Assessment Pro-Forma. Such windfall schemes will generally be smaller than those permitted in the Urban Development Strategy Areas (no more than 10 dwellings on windfall sites). Small scale (up to 5 dwellings) 100% AHLN exception sites may be permitted outside, but on the edge of, the settlement where it meets local need.

There are no settlement boundaries for Minor Villages and no allocations are made for new dwellings. To meet the needs of the community, the Council will seek to deliver 100% AHLN only on windfall sites within the confinements of the settlement or where single or small groups of new dwelling estates (up to 5 dwellings) represent a form of infilling and relate physically and visually to the

Minor Village. The level of development should represent the level of facilities and services and safeguard the Welsh language. To provide an element of flexibility, market dwellings may be permitted in exceptional circumstances on allocated and windfall sites only where it is essential to assist the delivery of affordable housing and where supported by the completion of a Viability Assessment ProForma. Small scale 100% AHLN (up to 3 dwellings) exception sites may be permitted outside, on the fringe of, the main settlement confinements, where it meets local need. The Affordable Housing SPG will provide further guidance on sites classed as falling within the confinements of the settlement and exception sites.

1.25 Policy HOU/2 'Affordable Housing for Local Need' states: 'The Council will require the provision of AHLN in new housing development as identified in the Local Housing Market Assessment and the Conwy Affordable Housing and First Steps Registers. The delivery of AHLN will be guided by Table HOU2a, the Housing Delivery and Phasing Plan and the following hierarchy:

- Giving AHLN provision a high priority through negotiating with developers to include AHLN on-site in all housing developments within the settlement boundaries of the Urban Development Strategy Area and Tier 1 Main Villages, according to the following distribution:

Llandudno and Penrhyn Bay, Rhos on Sea 35%;

Conwy, Llandudno Junction, Glan Conwy, Llanrwst 30%;

Llanfairfechan, Penmaenmawr, Colwyn Bay, Dwygyfylchi, Llanddulas & Llysfaen 20%;

Abergele, Towyn and Kinmel Bay 10%.

- A lower provision may be acceptable where it can be clearly demonstrated and supported by the submission of evidence including completion of a Viability Assessment Pro-Forma. Off-

site provision or commuted payments will be acceptable for development proposals consisting of 3 or LDP13 Affordable Housing – Adopted August 2017 6 less dwellings, and may be acceptable for proposals consisting of 4 or more dwellings provided there is sufficient justification. It is expected that the AHLN units will be provided without subsidy.

- 1.26 The Council is in the process of reviewing the LDP. The Preferred Strategy stage of the Replacement LDP was out to public consultation July-September 2019. It sets an overall growth level of 4,300 new homes. The draft Local Housing Market Assessment (2022-37) shows a need for 694 new affordable homes per annum (2022-27) and 67 per annum for 2028-37).
- 1.27 Strategic Policy 4 (SP/4): Growth Distribution and Hierarchy of Settlements states:

‘Urban settlements and the Key Service Centre of Llanrwst will be fundamental in delivering the housing, employment and other infrastructure, facilities and services needed over the plan period. Strategic sites have been identified in Llanfairfechan, Llanrhos, Old Colwyn, Abergele and Llanrwst to support the provision of these land use requirements. Further sites will be allocated in the Deposit plan as required in the urban settlements, the Key Service Centre and also within Tier 1 Main Villages.

The approach to housing delivery is set out in detail within the housing section. All residential developments above the minimum threshold size in urban settlements, the Key Service Centre and Tier 1 Main Villages to provide a minimum level of affordable housing, according to the split policy to be informed by the affordable housing viability study. To provide flexibility for increased opportunities for delivering higher levels of affordable housing, small-scale developments including a minimum of 50% affordable housing will be supported on suitable sites outside but adjoining the settlement boundaries.

Within the smaller settlements – Tier 2 Main Villages, Minor Villages and Hamlets – housing sites will not be allocated but small scale developments proportionate to the size and level of facilities

of the settlement will be supported on suitable sites where they comprise infill or rounding off. Such sites must be driven by local demand for housing and provide a minimum of 50% affordable housing for local need.

As an exception to this policy, sites to deliver 100% affordable housing will be supported outside the confines of the smaller settlements, subject to all other local and national policy matters and where there is evidenced local need.

In the open countryside away from defined settlements, any development will be strictly controlled and only permitted in exceptional circumstances. In the case of housing, to meet evidenced need for a Rural Enterprise Dwelling or to provide One Planet development, in line with national guidance’.

- 1.28 Further details will be available at the Deposit stage of the Replacement LDP, informed by this study.

General approach

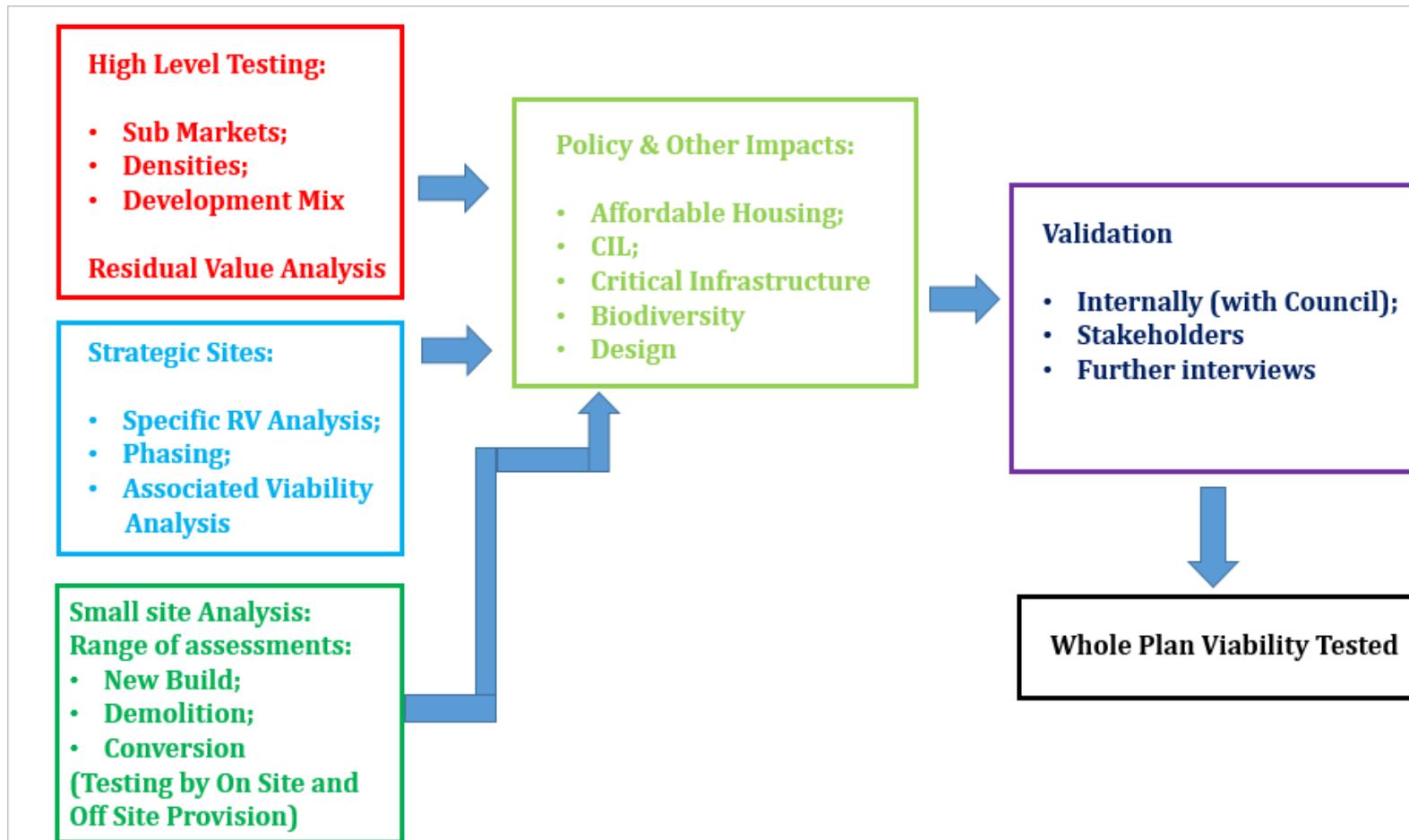
- 1.29 This study relates broadly to Whole Plan Testing (WPT). This is not specifically defined although viability testing should cover all aspects of policy.
- 1.30 The Planning Inspectorate have set out the following principles for WPT
http://www.pas.gov.uk/documents/332612/6363137/Pages+from+FINAL+PAS+Good+Plan+Making+-10.pdf/06519013-bb1d-4676-a005_6832ab6253f8) and have stated that:

‘Evidence for viability can be gathered from a variety of sources including local agents, mystery shopping exercises, the internet, previous planning applications (it can be helpful to record this information over time), and Inspectors’ reports on plans and CIL. However, if you are relying on more than one set of viability evidence (perhaps commissioned for different purposes CIL or affordable housing and or by different consultancies). This can

result in inconsistencies in methodology and assumptions. It is important to understand and to be able to reconcile these differences, through discussion with the consultants, to enable them to use the evidence in relation to whole-plan viability'.

- 1.31 Set out below is the approach adopted in this study, which involves High Level Testing (HLT), testing major and strategic sites and testing small sites.

Figure 1.1: Viability testing approach



Source: Dr A Golland, based on a range of projects for local authorities

Research undertaken for this study

1.32 There were five main strands to the research undertaken to complete this study:

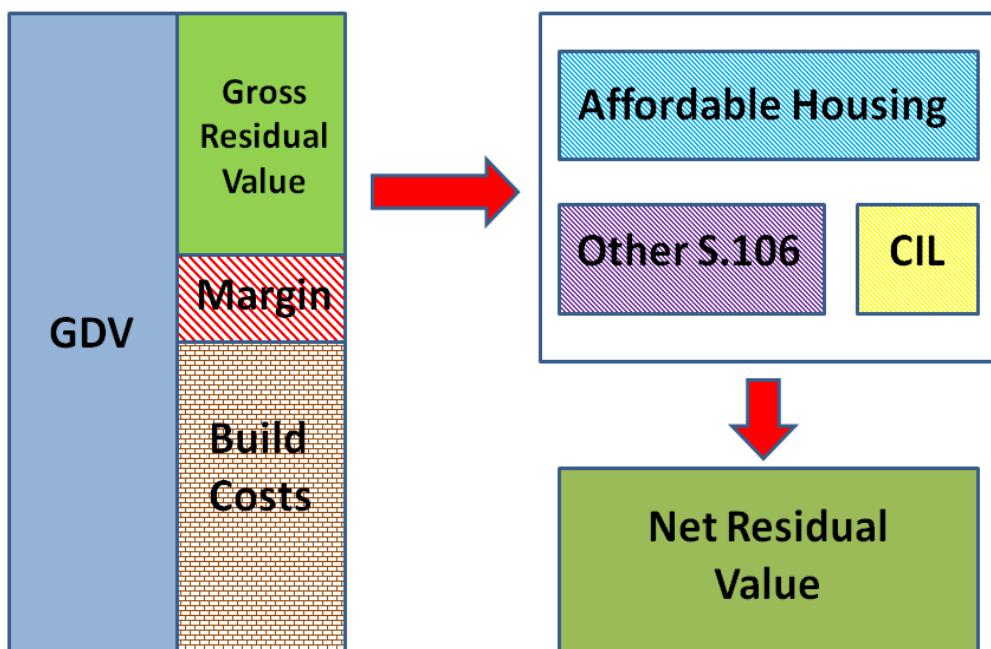
- Discussions with a project group of officers from the Council to help inform the structure of the research approach;
- Analysis of information held by the authority, including that which described the types of sites coming forward;
- Use of the Wales Development Appraisal Toolkit to carry out High Level Testing and to analyse scheme viability;
- Consultation with local developers, housing associations and land owners;
- Reporting on the viability of the Plan and its various policy impacts.

CHAPTER 2 – APPROACH TO VIABILITY DEFINITION

2.1 The Wales Development Appraisal Model (DAT) is used 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 (scheme revenue) and what it costs to develop (build costs and developer margin). The model can take into account the impact on scheme residual value of affordable housing and other Section 106 contributions or CIL where this is being tested.

2.2 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.

Figure 2.1 Viability, CIL and Affordable Housing

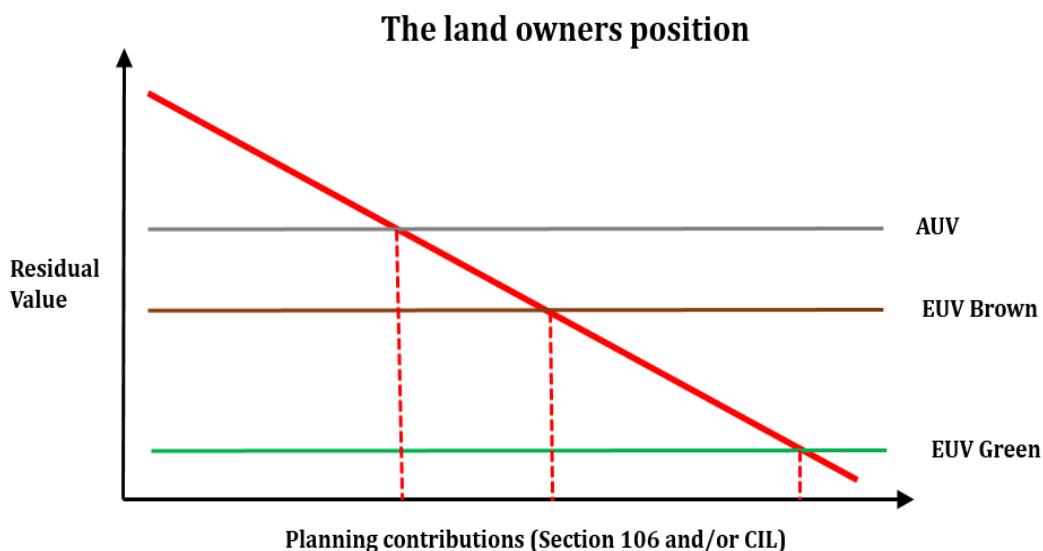


Source: Dr A Golland, based on best practice and a range of projects for local authorities

- 2.3 The gross residual value is the starting point for negotiations about the level and scope of Section 106 or CIL contribution. The contribution will normally be greatest in the form of affordable housing but other Section 106 items or CIL will also reduce the gross residual value of the site. Once the Section 106 contributions/CIL have been deducted, this leaves a net residual value.
- 2.4 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.
- 2.5 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 (EUV) of the site, or indeed a realistic alternative use value for a site 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 or any other use.
- 2.6 Figure 2.2 shows how this operates in theory. Residual value (RV) falls as planning contributions increase. The issue for the land

owner will be the point at which RV is less than or equal to the land value benchmark.

Figure 2.2 Residual Value (RV) and the land owner's position



Source: Dr A Golland, based on best practice and a range of projects for local authorities.

- 2.7 Above this point there will be a land owner return. The extent of this returns depends on the existing use value of the site (EUV). Some sites will be green field and some brown field. Normally brown field sites will have a higher EUV than green field but this does not always follow; for example where brown field land is heavily contaminated.
- 2.8 In some instances, an Alternative Use Value (AUV) will be appropriate to use. The conditions where this is the case are discussed in the Harman Review (2012) which looks at how local authorities may take viability on board when making plans.
- 2.9 How affordable housing targets or CIL charges are set will be a function of a number of factors including the nature of land supply, residual value, comparable authority policies and the broader land supply situation. There is no specific 'equation' which specifies how a particular policy should be derived.

Approach and best practice

- 2.10 This approach follows that set out in the GLA's Viability Toolkit Guidance (2001) which was the forerunner to the current National Planning Policy Guidance. I was the author of the Toolkit and its guidance notes and, in conjunction with two members of Three Dragons, have been instrumental in framing national planning policy guidance.
- 2.11 The approach set out above is robust for:
 - Policy development;
 - Scheme specific assessment;
 - Updating viability (policy and schemes);
 - Commuted sums;
 - Disposal of public and private land (subject to Section 106 and/or CIL).
- 2.12 This approach, which has led national planning policy guidance has been followed in good practice and in all appeals.
- 2.13 The approach has never been rejected.

CHAPTER 3 – VIABILITY ANALYSIS: HIGH LEVEL TESTING

Introduction

- 3.1 This chapter of the report considers viability for residential schemes including affordable housing. It provides an understanding of how residual value varies under different housing market circumstances, different policy impacts and different development densities and mixes.
- 3.2 The chapter is important in calculating residual values against which land value benchmarks are tested.

Sub Market areas

- 3.3 The analysis is based on sub markets. In previous reports, these have been aggregated from postcode sectors. In this report (2024) the sub markets have been aggregated from ward and settlement templates. This approach is driven by viability (house prices) but also reflects a more practical policy approach from the Council itself.
- 3.4 Sub markets are important in helping to define the way policy is structured, and in particular in terms of the Affordable Housing targets which are seen to be viable. Within the structure of the sub markets, location is the key driver of house prices, and ultimately residual value. It is important in these respects to recognise that there will be 'hot' and 'cold' spots where the economics of development will not precisely emulate those of the wider sub market in which the site is located.
- 3.5 The house price data draws on a full three years of (HM Land Registry) sales – 2021, 2022 and 2023, which is adjusted and updated to March 2024. The premium is varied by dwelling type according to the evidence for new build sales.
- 3.6 Table 3.1 below sets out the sub markets.

Testing assumptions

- 3.7 The analysis is based on a range of policy tests. Specifically, affordable housing targets of 0% through to 50%, including 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45% and 50%.
- 3.8 Residual values have been generated for a notional one hectare site that reflect a range of Affordable Housing percentages.

Table 3.1 Sub Markets: Conwy CBC area

LLANDUDNO		
SETTLEMENT	Community Council	Electoral division (pre 2022)
LLANDUDNO	Llandudno	Mostyn
LLANDUDNO	Llandudno	Craig-y-Don
BRYN PYDEW	Llandudno	Penrhyn
LLANDUDNO	Llandudno	Gogarth
BRYN PYDEW	Llandudno	Penrhyn
LLANDUDNO	Llandudno	Tudno
CONWY VALLEY		
SETTLEMENT	Community Council	Electoral division (pre 2022)
TREFRIW	Trefriw	Trefriw
TAL-Y-BONT	Caerhun	Caerhun
TYN-Y-GROES	Caerhun	Caerhun
PENTREFOELAS	Pentrefoelas	Llangernyw
CONWY	Henryd	Caerhun
EGLWYSBACH	Eglwysbach	Eglwysbach
PENMACHNO	Bro Machno	Uwch Conwy
LLANDDOGED	Llanddoged and Maenan	Eglwysbach
YSBYTY IFAN	Ysbyty Ifan	Uwch Conwy
LLANRWST	Llanrwst	Crwst
DOLGARROG	Dolgarrog	Trefriw
GLASFRYN	Cerrigydudion	Uwchaled
MELIN Y COED	Bro Garmon	Uwch Conwy
LLANRWST	Llanrwst	Gower
NANT Y RHIW	Bro Garmon	Uwch Conwy
LLANFIHANGEL GLYN MYFYR	Llanfihangel Glyn Myfyr	Uwchaled
CONWY		
SETTLEMENT	Community Council	Electoral division (pre 2022)
DEGANWY	Conwy	Deganwy
CONWY	Conwy	Conwy

GRAIG	Llansanffraid Glan Conwy	Llansanffraid
GLAN CONWY	Llansanffraid Glan Conwy	Llansanffraid
LLANDUDNO JUNCTION	Conwy	Marl
LLANDUDNO JUNCTION	Conwy	Pensarn
RURAL EAST		
SETTLEMENT	Community Council	Electoral division (pre 2022)
LLANGERNYW	Llangernyw	Llangernyw
BETWS YN RHOS	Betws Yn Rhos	Betws yn Rhos
GROES	Llansannan	Llansannan
LLANSANNAN	Llansannan	Llansannan
LLANFAIRTLHAIARN	Llanfairtalhaearn	Betws yn Rhos
MAENAN	Eglwysbach	Eglwysbach
LLANNEFYDD	Llannefydd	Llansannan
COLWYN BAY & OLD COLWYN		
SETTLEMENT	Community Council	Electoral division (pre 2022)
COLWYN BAY	Colwyn Bay	Rhiw
LLYSFAEN	Llysfaen	Llysfaen
RHOS ON SEA	Rhos-on-Sea	Llandrillo yn Rhos
OLD COLWYN	Old Colwyn	Eirias
OLD COLWYN	Old Colwyn	Colwyn
LLANELIAN	Betws Yn Rhos	Betws yn Rhos
COLWYN BAY	Colwyn Bay	Glyn
MOCHDRE	Mochdre	Mochdre
LLANFAIRFECHAN & PENMAENMAWR		
SETTLEMENT	Community Council	Electoral division (pre 2022)
LLANFAIRFECHAN	Llanfairfechan	Bryn
LLECHWEDD	Henryd	Caerhun
LLANFAIRFECHAN	Llanfairfechan	Pandy
DWYGYFYLCHI	Penmaenmawr	Capelulo
PENMAENMAWR	Penmaenmawr	Pant-yr-afon/Penmaenan

THE MOUNTAINS		
SETTLEMENT	Community Council	Electoral division (pre 2022)
PENTREFOELAS	Pentrefoelas	Llangernyw
CAPEL CURIG	Capel Curig	Betws-y-Coed
BETWS-Y-COED	Betws-y-Coed	Betws-y-Coed
DOLWYDDELAN	Dolwyddelan	Betws-y-Coed
PENMACHNO	Bro Machno	Uwch Conwy
ABERGELE AND LLANDDULAS		
SETTLEMENT	Community Council	Electoral division (pre 2022)
LLANDDULAS	Llanddulas and Rhyd-y-Foel	Llanddulas
ABERGELE	Abergele	Gele
ABERGELE	Abergele	Pentre Mawr
TOWYN AND KINMEL BAY		
SETTLEMENT	Community Council	Electoral division (pre 2022)
TOWYN	Towyn & Kinmel Bay	Towyn
KINMEL BAY	Towyn & Kinmel Bay	Kinmel Bay
ABERGELE (part)	Abergele	Abergele Pensarn

Source: CCBC

3.9 A full range of schemes are tested here. Densities of 20 dwellings per hectare (dph), 30 dph, 40 dph and 50 dph have been tested for all (nine) sub markets.

3.10 The results are shown in full (Residual Value in £ million) at Appendix B for all sub markets and each density is looked at in turn below. The results reflect the following assumptions:

- Affordable Housing assuming 50% Social Rent and 50% Intermediate; with Social Rent at 42% of ACG (Acceptable Cost Guidance).
- Equivalent 20% developer margin on Market element of schemes;
- 6% return on the Affordable element of schemes;

- 3% marketing fees.

Residual values at 20 dph

3.11 Table 3.2 shows residual values for all sub markets at a density of 20 dwellings per hectare. It shows residual values at a range of Affordable Housing targets from 0% through to 50%.

Table 3.2 Residual values (£ million per hectare) at 20 Dwellings per Hectare

20 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	
Llandudno	£1.38	£1.26	£1.14	£1.02	£0.90	£0.78	£0.66	£0.54	£0.42	£0.30	£0.18	
Conwy Valley	£1.29	£1.18	£1.06	£0.94	£0.82	£0.71	£0.59	£0.47	£0.36	£0.24	£0.12	
Conwy	£1.26	£1.14	£1.02	£0.91	£0.79	£0.68	£0.56	£0.44	£0.33	£0.21	£0.10	
Rural East	£1.20	£1.09	£0.97	£0.86	£0.74	£0.63	£0.52	£0.40	£0.29	£0.17	£0.06	
Colwyn Bay & Old Colwyn	£0.91	£0.82	£0.73	£0.63	£0.54	£0.44	£0.34	£0.25	£0.15	£0.06	-£0.04	
Llanfairfechan and Penmaenmawr	£0.83	£0.74	£0.65	£0.56	£0.47	£0.38	£0.29	£0.21	£0.12	£0.03	-£0.06	
The Mountains	£0.74	£0.64	£0.54	£0.44	£0.34	£0.25	£0.15	£0.05	-£0.08	-£0.15	-£0.15	
Abergele & Llanddulas	£0.64	£0.55	£0.45	£0.36	£0.27	£0.17	£0.08	£0.22	-£0.11	-£0.20	-£0.23	
Towyn & Kinmel Bay	-	£0.10	£0.17	£0.24	£0.31	£0.38	£0.45	£0.51	£0.58	-£0.65	-£0.72	-£0.79

Source: Dr A Golland viability testing

3.12 The table shows residual values (£ million) on a per hectare basis.

3.13 The most clear and obvious difference is that for example in the Llandudno sub market residual value is at around £180,000 per hectare at 50% Affordable Housing. This is many multiples of say agricultural land. At Kinmel Bay the residual value at the same percentage of Affordable Housing is negative to the tune of almost £800,000.

3.14 There are therefore significant differences between the localities, which has (across all densities) a case for varying the Affordable Housing target in its emerging policy. This being said, it is important to stress that within high value areas there will be 'cold' spots and within lower value areas there will be 'hot' spots. However, the sub markets will set the wider 'tone' for the policy and hence the practical functioning of the policy.

3.15 Residual values in a mid-market locations such as Colwyn Bay and Old Colwyn Rural East are around £350,000 per hectare at 30% Affordable

Housing. This is a robust value and Affordable Housing contributions here should not be challenging particularly on green field sites.

Residual values at 30 dph

- 3.16 Figure 3.1 shows residual values at 30 dph. This illustrates in bar chart form the geographical differences.
- 3.17 At 30 dph (as a sound ‘marker’ for policy development and setting Affordable Housing targets), residual values are positive at 45% in all but the lowest value three sub markets.
- 3.18 In terms of viability, RVs exceed green field existing use values by a very significant margin in most scenarios. As examples (20% Affordable Housing):

Llandudno x 63

Conwy Valley x 57

Conwy x 55

Rural East x 52

Colwyn Bay and Old Colwyn x 37

Llanfairfechan and Penmaenmawr x 32

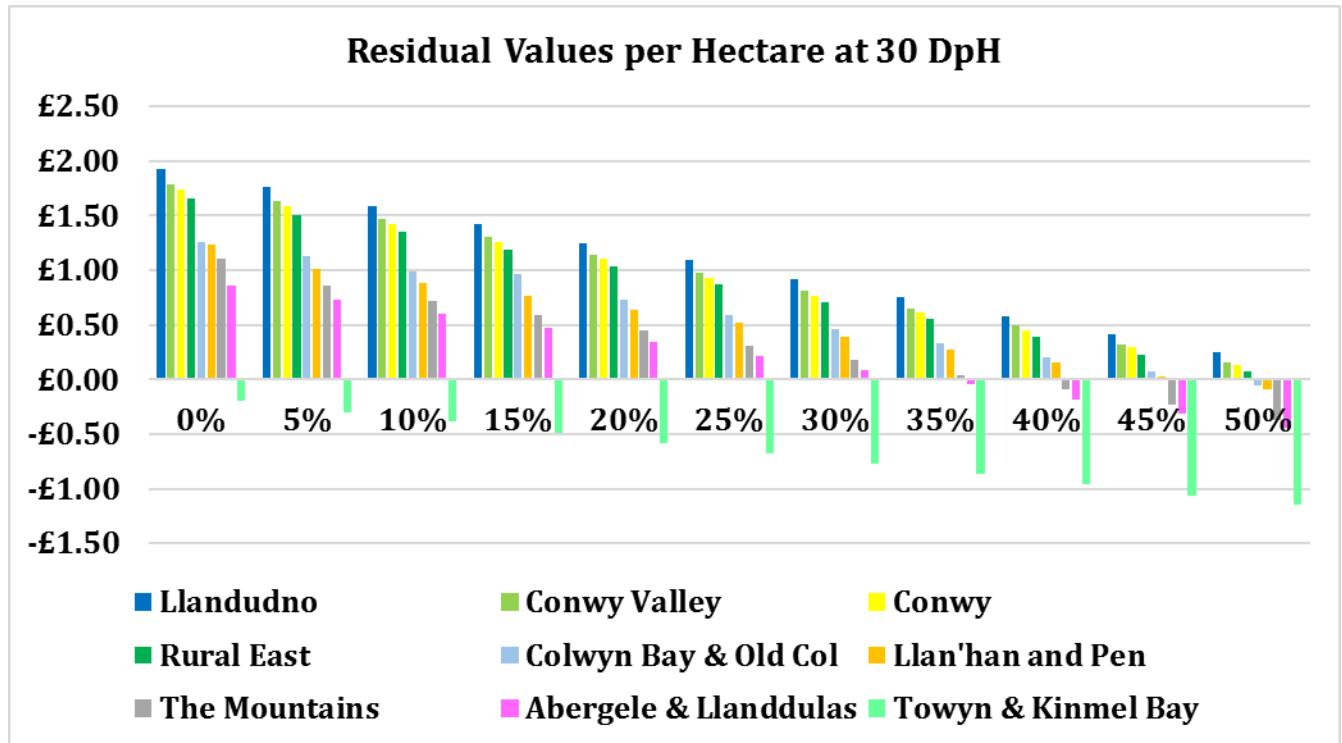
The Mountains x 23

Abergele and Llanddulas x 17

These multiples are based on agricultural value at circa £20,000 per hectare and 20% Affordable Housing contributions.

<https://www.carterjonas.co.uk/farmland-market-update-q1-2023#:~:text=Average%20arable%20and%20pasture%20land,%25%20to%20%C2%A37%C2C511%2Facre>

Figure 3.1 Residual value at 30 dph



Source: Dr A Golland viability testing

The data for the chart above is shown below:

Table 3.3 Residual values (£ million per hectare) at 30 dph

30 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	
Llandudno	£1.92	£1.76	£1.59	£1.42	£1.25	£1.09	£0.92	£0.75	£0.58	£0.41	£0.25	
Conwy Valley	£1.79	£1.63	£1.47	£1.30	£1.14	£0.98	£0.81	£0.65	£0.49	£0.32	£0.16	
Conwy	£1.74	£1.58	£1.42	£1.26	£1.10	£0.93	£0.77	£0.61	£0.45	£0.29	£0.13	
Rural East	£1.66	£1.50	£1.35	£1.19	£1.03	£0.87	£0.71	£0.55	£0.39	£0.23	£0.07	
Colwyn Bay & Old Colwyn	£1.26	£1.13	£0.99	£0.96	£0.73	£0.59	£0.46	£0.33	£0.20	£0.07	-£0.06	
Llanfairfechan and Penmaenmawr	£1.23	£1.01	£0.88	£0.76	£0.64	£0.52	£0.39	£0.27	£0.15	£0.03	-£0.09	
The Mountains	£1.11	£0.86	£0.72	£0.59	£0.45	£0.31	£0.18	£0.04	£0.09	£0.23	-£0.37	
Abergele & Llanddulas	£0.86	£0.73	£0.60	£0.47	£0.34	£0.21	£0.08	-	-	-	-£0.44	
Towyn & Kinmel Bay	-	£0.20	£0.30	£0.39	£0.49	£0.58	£0.68	£0.77	£0.87	£0.96	£1.06	-£1.15

Source: Dr A Golland viability testing

3.19 At 30dph, the housing market across the County Borough area is split broadly three ways between:

- Llandudno, Conwy, Conwy Valley and Rural East;
- Colwyn Bay, Old Colwyn, Llanfairfechan and Penmaenmawr, The Mountains, Abergale and Llanddulas;
- Towyn and Kinmel Bay (where residual values appear negative).

Residual values at 40 dph

3.20 It is important to test higher densities to understand the impact on residual values. Development mix changes with changes in density.

3.21 Table 3.4 sets out the residual values (RVs) for all sub markets at 40 dph.

Table 3.4 Residual values (£ million per hectare) at 40 dph

40 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Llandudno	£2.47	£2.26	£2.06	£1.85	£1.64	£1.44	£1.23	£1.02	£0.81	£0.61	£0.40
Conwy Valley	£2.36	£2.16	£1.96	£1.75	£1.54	£1.34	£1.13	£0.92	£0.72	£0.52	£0.31
Conwy	£2.24	£2.04	£1.84	£1.64	£1.44	£1.24	£1.04	£0.84	£0.64	£0.44	£0.24
Rural East	£2.14	£1.94	£1.75	£1.55	£1.35	£1.16	£0.96	£0.76	£0.57	£0.37	£0.17
Colwyn Bay & Old Colwyn	£1.63	£1.46	£1.30	£1.14	£0.98	£0.81	£0.65	£0.49	£0.33	£0.16	£0.00
Llanfairfechan and Penmaenmawr	£1.46	£1.31	£1.16	£1.01	£0.86	£0.71	£0.56	£0.41	£0.27	£0.12	-£0.03
The Mountains	£1.29	£1.12	£0.95	£0.79	£0.62	£0.45	£0.28	£0.11	£0.06	£0.23	-£0.39
Abergale & Llanddulas	£1.12	£0.96	£0.79	£0.63	£0.47	£0.31	£0.15	£0.01	£0.17	£0.33	-£0.49
Towyn & Kinmel Bay	-	£0.25	£0.36	£0.48	£0.59	£0.71	£0.83	£0.94	£1.06	£1.17	£1.29
											-£1.41

Source: Dr A Golland viability testing

3.22 Increasing density generally increases residual value. In comparing a scheme of 30 dph and 40 dph, residual values increase in all cases with the exception the Mountains (higher percentages Affordable Housing) and in Towyn and Kinmel Bay (where a negative residual is compounded). Generally smaller units generate a higher rate of sales per square metre although it should be stressed that costs per square metre can rise with smaller units; in particular, this occurs with flats at medium to high rise. This form of development is generally less common in the County Borough.

3.23 In terms of increases in residual value (40 dph compared with 30 dph), the following percentages apply (30% Affordable Housing in the scheme):

Llandudno – 34%
Conwy Valley – 40%
Conwy – 35%
Rural East – 35%
Colwyn Bay and Old Colwyn – 41%
Llanfairfechan and Penmaenmawr - 43%
The Mountains – 55%
Abergele and Llanddulas – 87%

3.24 The impact is particularly beneficial in the case of Abergele and Llanddulas where a very marginal residual is increased to a residual of circa £200,000 per hectare, making it viable towards 30% Affordable Housing.

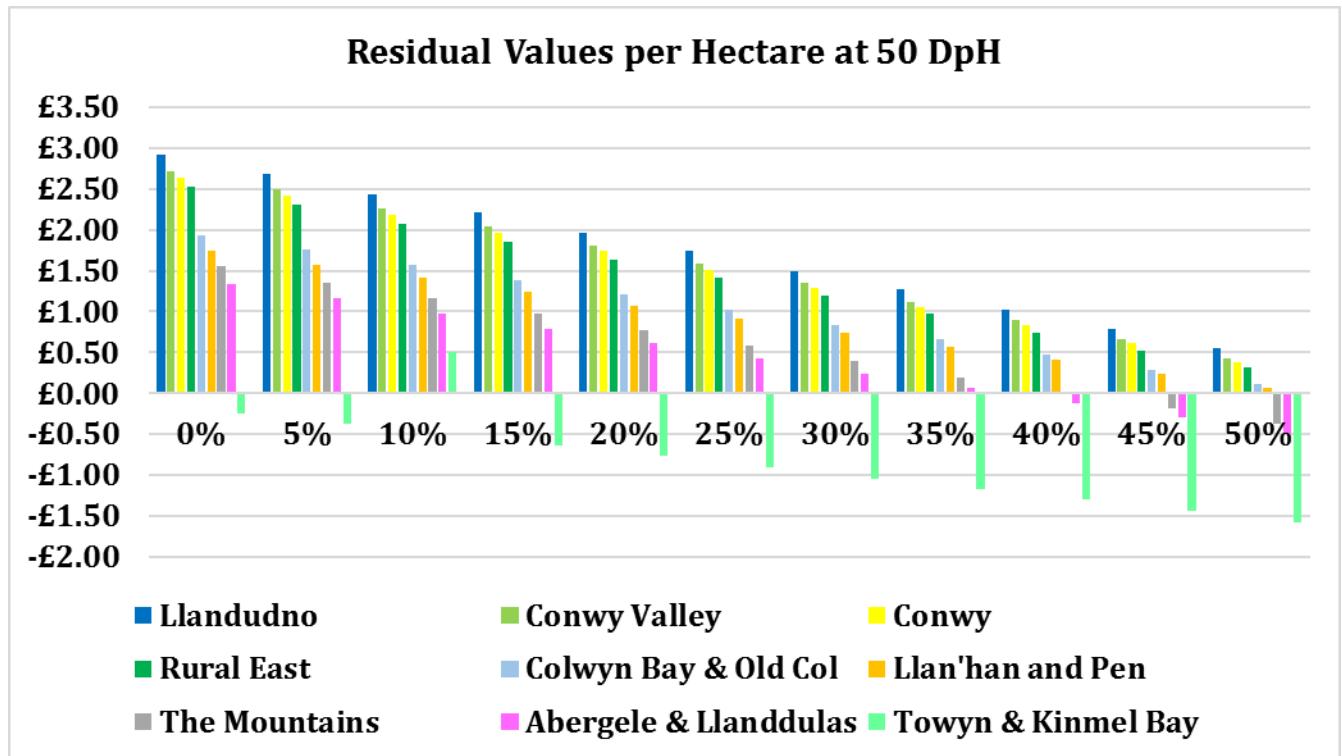
3.25 This is all important when considering the relationship between the intensification of a particular scheme and the level of Section 106 sought; in particular Affordable Housing.

Residual values at 50 dph

3.26 Figure 3.2 shows residual values per hectare for all sub markets at 50 dph. The pattern or spread of values is broadly maintained as for other density analyses.

3.27 Increasing density from 40 to 50 dph increases residual value for all sub markets with the exception of the two with the lowest values – Abergele and Llanddulas and Towyn and Kinmel Bay (although this only applies at higher levels of Affordable Housing).

Figure 3.2 Residual values per hectare at 50 dph



Source: Dr A Golland viability testing

3.28 The table below shows the data for this.

Table 3.5 Residual values (£ million per hectare) at 50 dph

50 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	
Llandudno	£2.92	£2.68	£2.44	£2.21	£1.97	£1.74	£1.50	£1.27	£1.03	£0.79	£0.56	
Conwy Valley	£2.72	£2.49	£2.26	£2.04	£1.81	£1.58	£1.35	£1.12	£0.89	£0.66	£0.43	
Conwy	£2.64	£2.42	£2.19	£1.97	£1.74	£1.51	£1.29	£1.06	£0.83	£0.61	£0.38	
Rural East	£2.53	£2.31	£2.08	£1.86	£1.64	£1.41	£1.19	£0.97	£0.74	£0.52	£0.31	
Colwyn Bay & Old Colwyn	£1.94	£1.76	£1.57	£1.39	£1.21	£1.02	£0.84	£0.66	£0.47	£0.29	£0.11	
Llanfairfechan and Penmaenmawr	£1.74	£1.57	£1.41	£1.24	£1.07	£0.91	£0.74	£0.57	£0.41	£0.24	£0.07	
The Mountains	£1.55	£1.35	£1.16	£0.97	£0.78	£0.59	£0.39	£0.20	£0.01	-	-£0.37	
Abergele & Llanddulas	£1.34	£1.16	£0.97	£0.79	£0.61	£0.43	£0.24	£0.06	-	-	-£0.49	
Towyn & Kinmel Bay	-	£0.24	£0.37	£0.51	£0.64	£0.77	£0.90	£1.04	£1.17	£1.30	£1.44	-£1.58

Source: Dr A Golland viability testing

Conclusions

3.29 The analysis in this chapter shows that:

- The key factor driving residual value is location. Location is the key to understanding why Affordable Housing targets (all other things equal) should be varied across different settlements and rural areas;
- Marginal changes in house prices have disproportionate impacts on residual value. This means that policy should be set sensitively, reflecting the differences, however reflecting the fact that hot spots and cold spots exist in all sub markets;
- The housing market across the County Borough area is split broadly three ways between:

Llandudno, Conwy, Conwy Valley and Rural East;

Colwyn Bay, Old Colwyn, Llanfairfechan and Penmaenmawr, The Mountains, Abergele and Llanddulas;

Towyn and Kinmel Bay (where residual values appear negative).

3.30 In terms of viability, RVs exceed green field existing use values by a very significant margin in most scenarios. As examples (20% Affordable Housing):

Llandudno x 63

Conwy Valley x 57

Conwy x 55

Rural East x 52

Colwyn Bay and Old Colwyn x 37

Llanfairfechan and Penmaenmawr x 32

The Mountains x 23

Abergele and Llanddulas x 17

3.31 These are very healthy residual values which are well above existing use value for green field land and allow the County Borough to set Affordable Housing targets fairly robustly and ambitiously.

- 3.32 When moving from policy targets to scheme specific negotiations it will be important for Planning and Housing officers to maintain a flexible approach. Not all sites are green field and will have higher existing use values that in some instances may make the headline target not deliverable.
- 3.33 Additionally it should also be remembered that development mix is key. A different mix on a scheme by scheme basis could generate improved viability.

CHAPTER 4 – PLANNING OBLIGATIONS

Some developments have potential to cause harm to their surroundings, or increase pressure on physical, environmental and social infrastructure in communities. To avoid or reduce these negative impacts and make the development more acceptable, Local Planning Authorities (LPAs) can ask the applicant or developer to provide facilities (like public open space) or make improvements (such as to make a road junction safer). In some circumstances, applicants can be asked to pay money instead, for the Council to use to make improvements or provide facilities.

Some of these matters can be controlled by Planning Conditions placed on a planning permission, and such Conditions should be used in the first instance where possible. Some matters however cannot be dealt with by Condition, such as payment of a financial contribution, and in this case will need to be controlled by a legal agreement, known as a ‘Planning Obligation’.

The legislative basis for planning obligations is Section 106 of the Town and Country Planning Act 1990 (amended by Section 12 of the Planning and Compensation Act 1991), Section s 111 of the Local Government Act 1972 and Section 2 of the Local Government Act 2000. Further legislation is set out in Regulations 122 and 123 of the Community Infrastructure Levy (CIL) Regulations 2010, and the CIL (Amendment) Regulations 2011. CIL Regulation 122 states:

(2) A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is—

- (a) necessary to make the development acceptable in planning terms;
- (b) directly related to the development; and
- (c) fairly and reasonably related in scale and kind to the development.

The current regime for seeking planning obligations for developments in Conwy LDP Plan Area fall under two broad categories:

1 Affordable Housing

- a. Policy HOU/2
- b. LDP13 – Affordable Housing SPG

2 Other Planning Obligations

- a. Policies DP/5, CFS/1 and CFS/11
- b. LDP13 – Planning Obligations SPG

The conclusions of this report sets out the proposed RLDP approach to Affordable Housing. The RLDP will separately identify policy requirements for other planning obligations.

Assumed planning obligation financial contributions have been calculated for indicative scenarios on the four strategic sites, based on the requirements and costs used in the emerging RLDP. These allow for financial contributions towards recreational spaces, allotments, libraries, waste and education (where required, taking account of the latest school capacity data). These S106 costs do not make a specific allowance for highways or health provision as there is no robust information to quantify the value of contributions needed at the moment. Further work relating to planning obligations will inform the site-specific viability assessments, which will include contributions towards highway improvements and health facilities, where applicable.

Table 4.1 Section 106 requirements for Strategic sites

Site	Dwellings	Total Section 106	Per Unit
Aber Road, Llanfairfechan	150	£460,000	£4,600
Llanrhos, Deganwy	150	£700,000	£4,700
Peulwys Farm, Old Colwyn	250	£570,000	£2,300
Strategic site, Llanrwst	100	£470,000	£4,700
Average		Per Unit	£3,400

Source: CCBC

The obligations requested range from £3,400 per dwelling in Old Colwyn, to £4,700 per dwelling in Llanrhos and Llanrwst, giving an average across all sites of £3,400 per dwelling. It was initially proposed to undertake viability testing based on £4k per dwelling, in order to minimise development costs and maximise AH delivery from sites. In practice, through viability testing it became clear that suppressing the S106 contribution had a negligible impact on scheme viability. To allow for uncertainty and provide a buffer within S106 requirements (including for health and highways), a S106 contribution of £5k was allowed. This gave no reduction in AH target, but provides a more robust approach compared to a £4k S106 estimate. In some circumstances this £5k S106 contribution may still be low, providing a challenging viability scenario to deliver. Where evidence demonstrates a higher level of S106 requirement is justified, this will be a material consideration when assessing planning applications.

Consideration has also been given to whether it would be appropriate to waive or reduce S106 contributions from AHLN units, on the basis of occupants of AHLN units already being from the local community. However AHLN in Conwy County Borough is generally provided to meet the county-wide priority need. So although there is a strong likelihood that occupants of new AHLN units already live within Conwy CB, they may have moved from a different town or community, resulting in a local impact on (for example) the need for open space

provision and school places. If allocation of AHLN units focuses on more local origin of need, this could be re-assessed on a sit-by-site basis if required. Alternatively a political decision may be taken to reduce/remove S106 contributions from AHLN units. The evidence does not currently support this based on the planning merits of AHLN developments alone.

CHAPTER 5 – LARGE SITE ANALYSIS

- 5.1 The Council has several key sites which will bring forward additional housing. These sites include:
 - A site at Llanfairfechan for 150 approximately dwellings;
 - A site at Llanrhos, Deganwy for approximately 150 dwellings;
 - A site at Peulwys Lane, Old Colwyn for approximately 250 dwellings;
 - A site at Llanrwst for approximately 100 dwellings.
- 5.2 The number of dwellings on each site is subject to further consideration and this will be updated once the information is available (prior to Deposit RLDP stage). Updated site specific viability assessments will be prepared as part of the Deposit stage plan for these site allocations. The specific affordable housing amount sought will be included as a criteria in the RLDP placemaking policies.
- 5.3 I have allowed £5,000 a unit in this section where infrastructure costs are not specified and/or bespoke.
- 5.4 The viability of each of these sites is looked at in turn.
Aber Road, Llanfairfechan
- 5.5 This site is for approximately 150 dwellings and open space. The site is green field and is sloping. It is in single ownership.
- 5.6 The site is shown below:

Figure 5.1 Map showing Aber Road, Llanfairfechan site



Source: [Maps@Conwy](#)

- 5.7 At a density of 30 dwellings per hectare site (and 150 dwellings) the developable area is around 5 hectares. It is assumed that this will be a range of house type and sizes. There is a total infrastructure allowance (at £5,000 per unit) at £1.25 million.
- 5.8 I have made an additional allowance for the cost of site infrastructure. I have allowed £200,000 per hectare for green field preparation and development.

5.9 The results of the assessment are shown in Table 5.1 below:

Table 5.1 Viability assessment for Aber Road: Results

Aber Road, Llanfairfechan			
% Affordable Housing	Residual Value	LVb	Surplus/Deficit
0	£6,601,000	£1,567,455	£5,033,545
5	£5,919,000	£1,567,455	£4,351,545
10	£5,237,000	£1,567,455	£3,669,545
15	£4,555,000	£1,567,455	£2,987,545
20	£3,873,000	£1,567,455	£2,305,545
25	£3,191,000	£1,567,455	£1,623,545
30	£2,509,000	£1,567,455	£941,545
35	£1,827,000	£1,567,455	£259,545
40	£1,145,000	£1,567,455	-£422,455
45	£462,000	£1,567,455	-£1,105,455
50	-£220,000	£1,567,455	-£1,787,455
Tipping Point	35%		N/A

Source: Dr A Golland viability testing

5.10 The assessment shows a residual values (RVs) in the range from £6.6 to minus £200,000. The tipping point at which Affordable Housing becomes unviable is around 35% of all units.

Llanrhos, Deganwy

5.11 This site is at Llanrhos, Deganwy for approximately 150 dwellings with open space, allotments, and active travel routes. Part of site is sloping, part fairly flat.

5.12 The site is shown below:

Figure 5.2 Map showing Llanrhos strategic site



Source: [Maps@Conwy](#)

- 5.13 At a density of 30 dwellings per hectare site (and 150 dwellings) the developable area is around 6.7 hectares. It is assumed that this will be a range of house type and sizes. There is a total infrastructure allowance (at £5,000 per unit) at £1 million.
- 5.14 As previously, I have made an additional allowance for the cost of site infrastructure. I have allowed £200,000 per hectare for green field preparation and development.
- 5.15 The results of the assessment are shown in Table 5.2 below:

Table 5.2 Viability assessment for the Llanrhos site: Results

Llanrhos, Deganwy			
% Affordable Housing	Residual Value	LVB	Surplus/Deficit
0	£9,351,000	£2,421,513	£6,929,487
5	£8,538,000	£2,421,513	£6,116,487
10	£7,727,000	£2,421,513	£5,305,487
15	£6,914,000	£2,421,513	£4,492,487
20	£6,101,000	£2,421,513	£3,679,487
25	£5,288,000	£2,421,513	£2,866,487
30	£4,476,000	£2,421,513	£2,054,487
35	£4,663,000	£2,421,513	£2,241,487
40	£2,850,000	£2,421,513	£428,487
45	£2,038,000	£2,421,513	-£383,513
50	£1,226,000	£2,421,513	-£1,195,513
Tipping Point	44%		N/A

Source: Dr A Golland viability testing

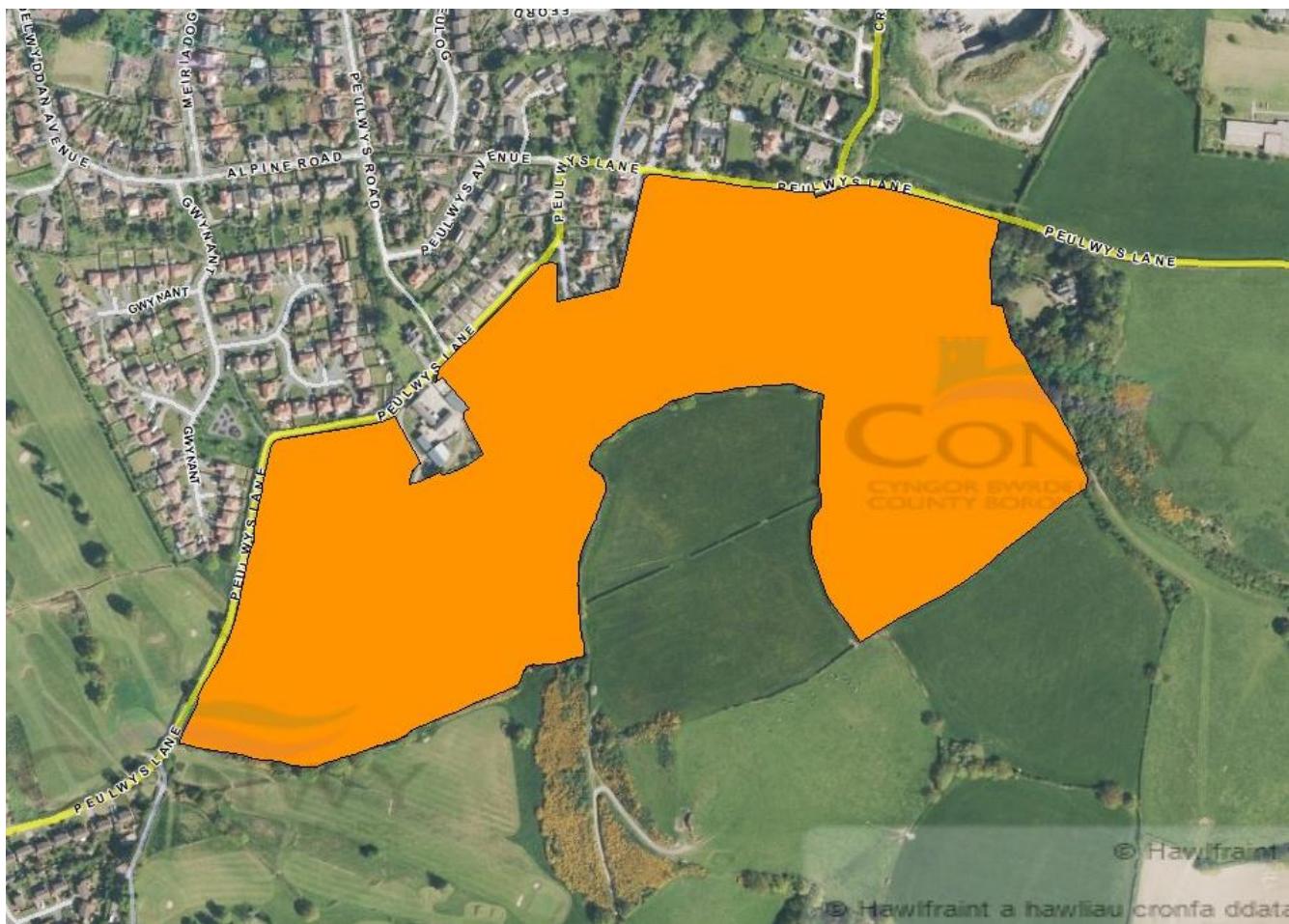
5.16 The assessment shows a residual values (RVs) in the range from £9.3 to minus £1.2 million. The tipping point at which Affordable Housing becomes unviable is around 44% of all units.

Peulwys Lane, Old Colwyn

5.17 This site is at Old Colwyn for approximately 250 dwellings with open space. There is a new spine road required through the site. There is a single owner. The site is green field with sloping ground and potentially challenging ground conditions (hard rock). There is some uncertainty with regards to hydraulic modelling and capacity for foul water drainage and suitability of SuDS for surface water drainage due to ground conditions.

5.18 The site is shown below:

Figure 5.3 Map showing Peulwys Lane strategic site



Source: [Maps@Conwy](#)

- 5.19 At a density of 30 dwellings per hectare site (and 250 dwellings) the developable area is around 8.3 hectares. It is assumed that this will be a range of house type and sizes. There is a total infrastructure allowance (at £5,000 per unit) at £1 million.
- 5.20 As previously, I have made an additional allowance for the cost of site infrastructure. I have allowed £200,000 per hectare for green field preparation and development.
- 5.21 The results of the assessment are shown in Table 5.3 below:

Table 5.3 Viability assessment for the Peulwys Lane, Old Colwyn site

Peulwys Lane, Old Colwyn			
% Affordable Housing	Residual Value	LVB	Surplus/Deficit
0	£10,632,000	£2,915,000	£7,717,000
5	£9,521,000	£2,915,000	£6,606,000
10	£8,410,000	£2,915,000	£5,495,000
15	£7,299,000	£2,915,000	£4,384,000
20	£6,188,000	£2,915,000	£3,273,000
25	£5,078,000	£2,915,000	£2,163,000
30	£3,965,000	£2,915,000	£1,050,000
35	£2,855,000	£2,915,000	-£60,000
40	£1,744,000	£2,915,000	-£1,171,000
45	£632,000	£2,915,000	-£2,283,000
50	-£479,000	£2,915,000	-£3,394,000
Tipping Point	37% AH		N/A

Source: Dr A Golland viability testing

5.22 The assessment shows a residual values (RVs) in the range from £10.6 to minus £0.5 million. The tipping point at which Affordable Housing becomes unviable is around 35% of all units.

Strategic site at Llanrwst

5.23 This is a site to the north of Llanrwst. This is for approximately 100 dwellings with open space and allotments. The site is in single ownership.

5.24 The site is shown below:

Figure 5.4 Map showing Llanrwst strategic site



Source: [Maps@Conwy](#)

5.25 At a density of 30 dwellings per hectare site (and 100 dwellings) the developable area is around 3.3 hectares. It is assumed that this will be a range of house type and sizes. There is a total infrastructure allowance (at £5,000 per unit) at £0.5 million.

5.26 As previously, I have made an additional allowance for the cost of site infrastructure. I have allowed £200,000 per hectare for green field preparation and development.

5.27 The results of the assessment are shown in Table 5.4 below:

Table 5.4 Viability assessment for the Llanrwst site: Results

Llanrwst			
% Affordable Housing	Residual Value	LVB	Surplus/Deficit
0	£6,018,000	£1,668,426	£4,349,574
5	£5,472,500	£1,668,426	£3,804,074
10	£4,926,500	£1,668,426	£3,258,074
15	£4,381,500	£1,668,426	£2,713,074
20	£3,836,000	£1,668,426	£2,167,574
25	£3,290,500	£1,668,426	£1,622,074
30	£2,745,000	£1,668,426	£1,076,574
35	£2,199,500	£1,668,426	£531,074
40	£1,654,000	£1,668,426	-£14,426
45	£1,109,000	£1,668,426	-£559,426
50	£563,000	£1,668,426	-£1,105,426
Tipping Point	40% AH		N/A

Source: Dr A Golland viability testing

5.28 The assessment shows a residual values (RVs) in the range from £6 to £0.5 million. The tipping point at which Affordable Housing becomes unviable is around 40% of all units.

Conclusions on the viability of the key sites

5.29 The analysis of larger sites is significant for several reasons. First, if these sites are viable to deliver then a significant proportion of new development in the Plan period will be viable. Second, this set of testing should bolster the findings of the High Level Testing and finally the results set a template for any further new sites that might come forward.

5.30 It is important to note that the findings of this report with respect to large sites are subject to further, more detailed analysis, which is being carried out at the time of writing. This will have the advantage of latest information on infrastructure loading in particular. If the evidence indicates that a higher proportion of affordable housing is viable with the site specific details, this increased proportion will be included in each site specific placemaking policy.

5.31 The analysis shows significant surpluses at lower percentages of Affordable Housing. This is a very positive outcome particularly when additional allowances have been made for site infrastructure costs.

5.32 The tipping points for the delivery of Affordable Housing range from 35% at Llanfairfechan, through 37% at Peulwys Lane, through 40% at Llanrwst to 44% at Llanros. In addition Section 106 contributions of £5,000 per unit across all the schemes are viable (at these Affordable Housing contributions).

5.33 Clearly, the best way to maximise the delivery of Affordable Housing and other community benefits is by allocating development in the areas which have the strongest viability; the market will tend to deliver where that is the case. So it is not necessarily the case that sustainability criteria should lead, where community benefits are at a premium. In other words, the viability evidence can, in some instance, lead on the allocation of sites within an emerging local plan.

5.34 It should be recognised that any site specific appraisal reflects information available at the time, and during site specific negotiations further data will be likely to emerge which may change the circumstances of viability. It is also recommended that when these sites are negotiated, a cash-flow appraisal is undertaken, using projections of best estimate revenues and costs.

CHAPTER 6 – SMALL SITES AND THE AFFORDABLE HOUSING THRESHOLD

- 6.1 Conwy adopted LDP policy HOU/2 'Affordable Housing for Local Need' states: 'The Council will require the provision of AHLN in new housing development as identified in The Local Housing Market Assessment and the Conwy Affordable Housing and First Steps Registers'. Therefore, as it currently stands, the Council seek Affordable Housing contributions from all sites including schemes down to a single unit. This chapter looks the updated viability position with respect to small sites being brought forward.
- 6.2 In order to do this, the Council have provided data on small sites. This is data which reflect the MIDS (Minor Dwelling Applications) approved for schemes of less than 10 homes.
- 6.3 Two main measures of the small site data which are seen to be important: the incidence of certain types of site (relating to a specific source of supply), and second, the volume of dwellings emanating from each source of supply.
- 6.4 Table 6.1 sets out the key data:

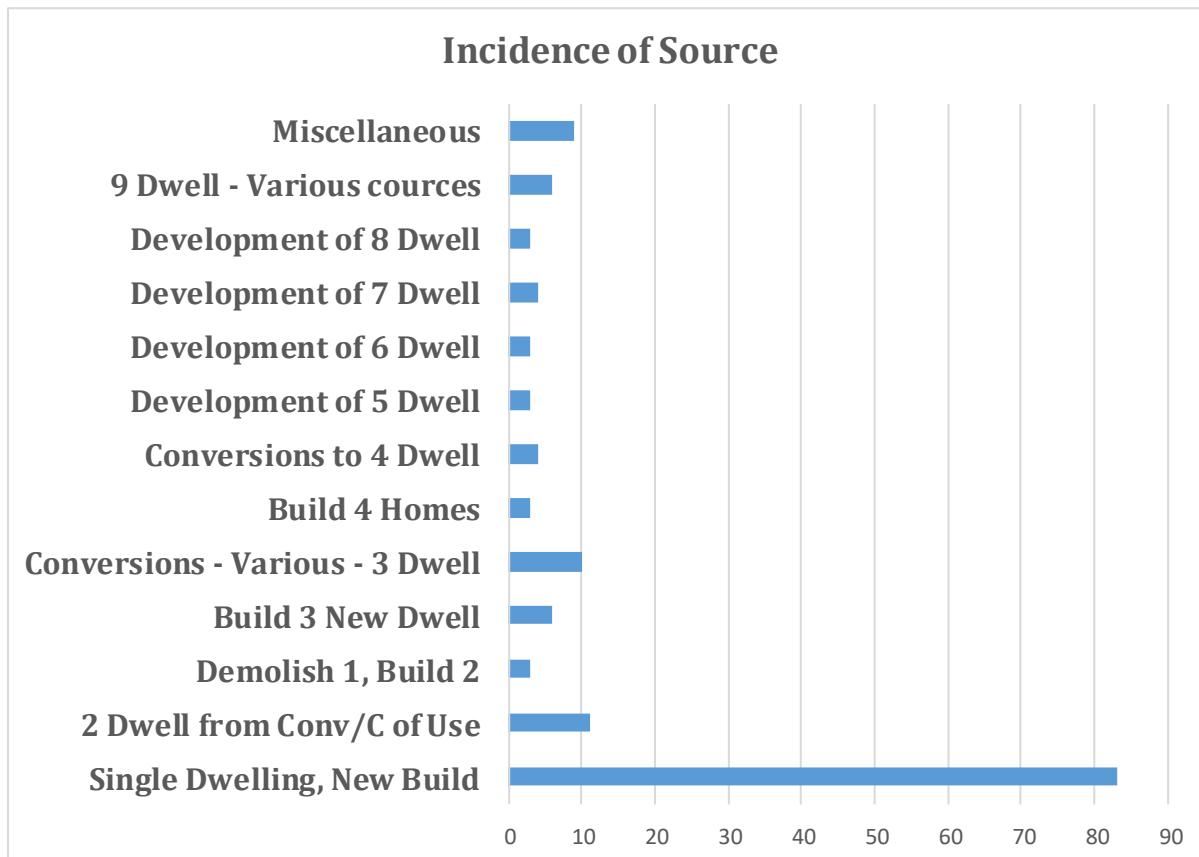
Table 6.1 Sources of supply

Sources of Supply	No of Dwellings	Incidence of Source	Total - Incidences	Incidence (%)	Total Dwellings	Dwellings (%)
Single Dwelling, New Build	83	83	148	56.08	350	23.71
2 Dwellings from Conv/C of Use	22	11	148	7.43	350	6.29
Demolish 1, Build 2	6	3	148	2.03	350	1.71
Build 3 New Dwellings	18	6	148	4.05	350	5.14
Conversions - Various - 3 Dwellings	30	10	148	6.76	350	8.57
Build 4 Homes	12	3	148	2.03	350	3.43
Conversions to 4 Dwellings	16	4	148	2.70	350	4.57
Development of 5 Dwellings	15	3	148	2.03	350	4.29
Development of 6 Dwellings	18	3	148	2.03	350	5.14
Development of 7 Dwellings	28	4	148	2.70	350	8.00
Development of 8 Dwellings	24	3	148	2.03	350	6.86
9 Dwellings - Various sources	54	6	148	4.05	350	15.43
Miscellaneous	24	9	148	6.08	350	6.86
	350	148		100		100

Source: CCBC

6.5 Table 6.1 (above) shows the full range of small scheme types recently coming through the planning system. Around 56% of all applications relate to single dwellings on garden or vacant land. Around 7% of all applications come from conversion schemes to two dwellings. A similar percentage come from conversion to three dwellings. Figure 6.1 sets out the overview graphically:

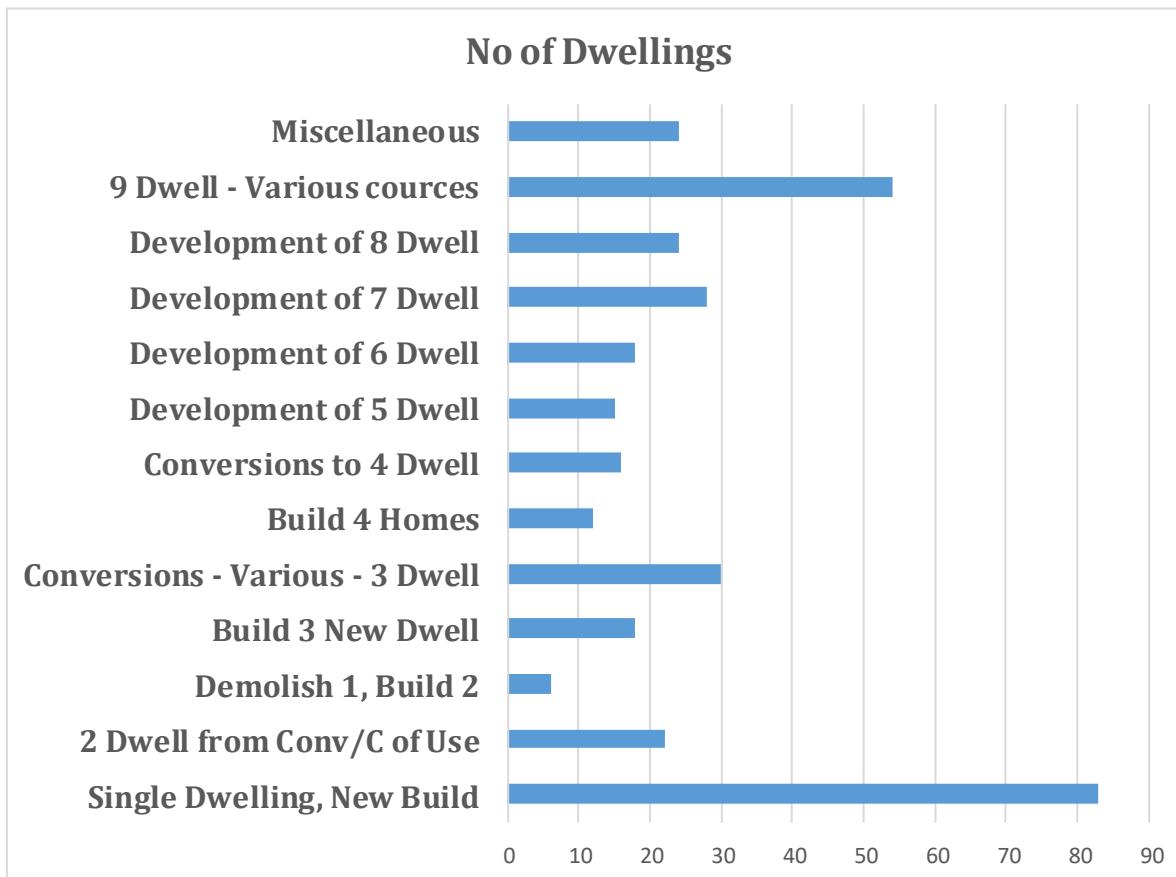
Figure 6.1 Incidence of permissions – small sites



Source: CCBC

6.6 The sources of small site supply range widely. Whilst single dwellings on vacant/back/garden land predominate in terms of applications, there are a substantial number of applications that involve new building schemes of 4 to 9 dwellings. Conversions are also an important general source of supply.

6.7 It is also important to look at the quantum or volume of dwellings emanating from the full range of small site types. Figure 6.2 shows the data.

Figure 6.2**Number of dwellings – small sites**

Source: CCBC

6.8 Figure 6.2 shows the full range of small schemes by type. The key points are:

- On the small sites (less than 10 dwellings), 24% of all dwellings come from single dwellings.
- Almost 20% of dwellings in smaller schemes come from conversions. This is significant since these types of scheme are typically more challenging from a viability point of view;
- As is to be expected 40% of new dwellings come from the ‘larger’ schemes – 4 to 9 dwellings;
- Around 2% of all dwellings come from ‘two for one’ replacement schemes. These schemes are more likely to be challenging from a viability perspective as they have a high existing use value;

- There are a number of schemes (circa 7% of all dwellings) which don't fall neatly into any particular category. These are labelled as miscellaneous.

Testing small schemes for viability

6.9 The economics of small scheme delivery are the same in principle to that of larger sites. There is no need to deviate significantly from the approach adopted for the High Level Testing which sets the targets for the Plan. Whilst it may be the case that with smaller 'one-off' dwellings costs will be higher than for estate housing, it is also the case that this type of scheme is more exclusive and hence will command a higher selling price/s. These variables have therefore not been varied.

6.10 Table 6.2 sets out the viability position for a range of schemes less than 10 units on vacant, back or garden land.

Table 6.2 Small schemes – vacant, back or garden land

Single Dwelling	0%	10%	20%	30%	40%	50%
Llandudno	£64,000	£53,000	£41,667	£30,667	£19,333	£8,333
Conwy Valley	£59,667	£49,000	£38,000	£27,000	£16,333	£5,333
Conwy	£58,000	£47,333	£36,667	£25,667	£15,000	£4,333
Rural East	£55,333	£45,000	£34,333	£23,667	£13,000	£2,333
Colwyn Bay and Old Colwyn	£42,000	£33,000	£24,333	£15,333	£6,667	-£2,000
Llanfairfechan and Penmaenmawr	£41,000	£29,333	£21,333	£13,000	£5,000	-£3,000
The Mountains	£37,000	£24,000	£15,000	£6,000	-£3,000	-£12,333
Abergele and Llanddulas	£28,667	£20,000	£11,333	£2,667	-£6,000	-£14,667
Towyn and Kinmel Bay	-£6,667	-£13,000	-£19,333	-£25,667	-£32,000	-£38,333

Two Dwellings	0%	10%	20%	30%	40%	50%
Llandudno	£128,000	£106,000	£83,333	£61,333	£38,667	£16,667
Conwy Valley	£119,333	£98,000	£76,000	£54,000	£32,667	£10,667
Conwy	£116,000	£94,667	£73,333	£51,333	£30,000	£8,667
Rural East	£110,667	£90,000	£68,667	£47,333	£26,000	£4,667
Colwyn Bay and Old Colwyn	£84,000	£66,000	£48,667	£30,667	£13,333	-£4,000
Llanfairfechan and Penmaenmawr	£82,000	£58,667	£42,667	£26,000	£10,000	-£6,000

The Mountains	£74,000	£48,000	£30,000	£12,000	-£6,000	-£24,667
Abergele and Llanddulas	£57,333	£40,000	£22,667	£5,333	-£12,000	-£29,333
Towyn and Kinmel Bay	-£13,333	-£26,000	-£38,667	-£51,333	-£64,000	-£76,667

Three Dwellings	0%	10%	20%	30%	40%	50%
Llandudno	£192,000	£159,000	£125,000	£92,000	£58,000	£25,000
Conwy Valley	£179,000	£147,000	£114,000	£81,000	£49,000	£16,000
Conwy	£174,000	£142,000	£110,000	£77,000	£45,000	£13,000
Rural East	£166,000	£135,000	£103,000	£71,000	£39,000	£7,000
Colwyn Bay and Old Colwyn	£126,000	£99,000	£73,000	£46,000	£20,000	-£6,000
Llanfairfechan and Penmaenmawr	£123,000	£88,000	£64,000	£39,000	£15,000	-£9,000
The Mountains	£111,000	£72,000	£45,000	£18,000	-£9,000	-£37,000
Abergele and Llanddulas	£86,000	£60,000	£34,000	£8,000	-£18,000	-£44,000
Towyn and Kinmel Bay	-£20,000	-£39,000	-£58,000	-£77,000	-£96,000	£115,000

Four Dwellings	0%	10%	20%	30%	40%	50%
Llandudno	£256,000	£212,000	£166,667	£122,667	£77,333	£33,333
Conwy Valley	£238,667	£196,000	£152,000	£108,000	£65,333	£21,333
Conwy	£232,000	£189,333	£146,667	£102,667	£60,000	£17,333
Rural East	£221,333	£180,000	£137,333	£94,667	£52,000	£9,333
Colwyn Bay and Old Colwyn	£168,000	£132,000	£97,333	£61,333	£26,667	-£8,000
Llanfairfechan and Penmaenmawr	£164,000	£117,333	£85,333	£52,000	£20,000	-£12,000
The Mountains	£148,000	£96,000	£60,000	£24,000	-£12,000	-£49,333
Abergele and Llanddulas	£114,667	£80,000	£45,333	£10,667	-£24,000	-£58,667
Towyn and Kinmel Bay	-£26,667	-£52,000	-£77,333	£102,667	£128,000	£153,333

Five Dwellings	0%	10%	20%	30%	40%	50%
Llandudno	£320,000	£265,000	£208,333	£153,333	£96,667	£41,667
Conwy Valley	£298,333	£245,000	£190,000	£135,000	£81,667	£26,667
Conwy	£290,000	£236,667	£183,333	£128,333	£75,000	£21,667
Rural East	£276,667	£225,000	£171,667	£118,333	£65,000	£11,667
Colwyn Bay and Old Colwyn	£210,000	£165,000	£121,667	£76,667	£33,333	-£10,000
Llanfairfechan and Penmaenmawr	£205,000	£146,667	£106,667	£65,000	£25,000	-£15,000
The Mountains	£185,000	£120,000	£75,000	£30,000	-£15,000	-£61,667
Abergele and Llanddulas	£143,333	£100,000	£56,667	£13,333	-£30,000	-£73,333

Towyn and Kinmel Bay	-£33,333	-£65,000	-£96,667	-	-	-	-
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Source: CCBC

6.11 The table above shows that these types of schemes should be viable.

The benchmarks are based on the HLT (pro rata). There are a high number of small sites that might be caught by a very low threshold.

Schemes involving demolition and new build

6.12 Schemes involving the replacement of a dwelling or dwellings are normally much more difficult to deliver from a viability perspective. This is because they involve the acquisition of an existing dwelling and the replacement of this with a new scheme. Land value benchmarks under these circumstances tend to be the open market value for an existing dwelling, plus a premium. This premium can be as high as 20% in some instances.

6.13 Table 6.3 looks at the viability of these schemes. The example is one dwelling assuming this is a second hand bungalow (being demolished). The analysis suggests that replacement schemes in the CBC area generally are not viable unless at least 5 new homes are being provided.

6.14 Schemes with five or more dwellings replacing one dwelling are viable but mainly in the higher value areas, and not with Affordable Housing.

Table 6.3 Schemes involving demolition of one dwelling

Single Dwelling	0%	10%	20%	30%	40%	50%
Llandudno	£64,000	£53,000	£41,667	£30,667	£19,333	£8,333
Conwy Valley	£59,667	£49,000	£38,000	£27,000	£16,333	£5,333
Conwy	£58,000	£47,333	£36,667	£25,667	£15,000	£4,333
Rural East	£55,333	£45,000	£34,333	£23,667	£13,000	£2,333
Colwyn Bay and Old Colwyn	£42,000	£33,000	£24,333	£15,333	£6,667	-£2,000
Llanfairfechan and Penmaenmawr	£41,000	£29,333	£21,333	£13,000	£5,000	-£3,000
The Mountains	£37,000	£24,000	£15,000	£6,000	-£3,000	-£12,333
Abergele and Llanddulas	£28,667	£20,000	£11,333	£2,667	-£6,000	-£14,667
Towyn and Kinmel Bay	-£6,667	-£13,000	-£19,333	-£25,667	-£32,000	-£38,333

Two Dwellings	0%	10%	20%	30%	40%	50%
Llandudno	£128,000	£106,000	£83,333	£61,333	£38,667	£16,667
Conwy Valley	£119,333	£98,000	£76,000	£54,000	£32,667	£10,667
Conwy	£116,000	£94,667	£73,333	£51,333	£30,000	£8,667
Rural East	£110,667	£90,000	£68,667	£47,333	£26,000	£4,667
Colwyn Bay and Old Colwyn	£84,000	£66,000	£48,667	£30,667	£13,333	-£4,000
Llanfairfechan and Penmaenmawr	£82,000	£58,667	£42,667	£26,000	£10,000	-£6,000
The Mountains	£74,000	£48,000	£30,000	£12,000	-£6,000	-£24,667
Abergele and Llanddulas	£57,333	£40,000	£22,667	£5,333	-£12,000	-£29,333
Towyn and Kinmel Bay	-£13,333	-£26,000	-£38,667	-£51,333	-£64,000	-£76,667

Three Dwellings	0%	10%	20%	30%	40%	50%
Llandudno	£192,000	£159,000	£125,000	£92,000	£58,000	£25,000
Conwy Valley	£179,000	£147,000	£114,000	£81,000	£49,000	£16,000
Conwy	£174,000	£142,000	£110,000	£77,000	£45,000	£13,000
Rural East	£166,000	£135,000	£103,000	£71,000	£39,000	£7,000
Colwyn Bay and Old Colwyn	£126,000	£99,000	£73,000	£46,000	£20,000	-£6,000
Llanfairfechan and Penmaenmawr	£123,000	£88,000	£64,000	£39,000	£15,000	-£9,000
The Mountains	£111,000	£72,000	£45,000	£18,000	-£9,000	-£37,000
Abergele and Llanddulas	£86,000	£60,000	£34,000	£8,000	-£18,000	-£44,000

Towyn and Kinmel Bay	-£20,000	-£39,000	-£58,000	-£77,000	-£96,000	-£115,000
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Four Dwellings	0%	10%	20%	30%	40%	50%
Llandudno	£256,000	£212,000	£166,667	£122,667	£77,333	£33,333
Conwy Valley	£238,667	£196,000	£152,000	£108,000	£65,333	£21,333
Conwy	£232,000	£189,333	£146,667	£102,667	£60,000	£17,333
Rural East	£221,333	£180,000	£137,333	£94,667	£52,000	£9,333
Colwyn Bay and Old Colwyn	£168,000	£132,000	£97,333	£61,333	£26,667	-£8,000
Llanfairfechan and Penmaenmawr	£164,000	£117,333	£85,333	£52,000	£20,000	-£12,000
The Mountains	£148,000	£96,000	£60,000	£24,000	-£12,000	-£49,333
Abergele and Llanddulas	£114,667	£80,000	£45,333	£10,667	-£24,000	-£58,667
Towyn and Kinmel Bay	-£26,667	-£52,000	-£77,333	£102,667	-£128,000	£153,333

Five Dwellings	0%	10%	20%	30%	40%	50%
Llandudno	£320,000	£265,000	£208,333	£153,333	£96,667	£41,667
Conwy Valley	£298,333	£245,000	£190,000	£135,000	£81,667	£26,667
Conwy	£290,000	£236,667	£183,333	£128,333	£75,000	£21,667
Rural East	£276,667	£225,000	£171,667	£118,333	£65,000	£11,667
Colwyn Bay and Old Colwyn	£210,000	£165,000	£121,667	£76,667	£33,333	-£10,000
Llanfairfechan and Penmaenmawr	£205,000	£146,667	£106,667	£65,000	£25,000	-£15,000
The Mountains	£185,000	£120,000	£75,000	£30,000	-£15,000	-£61,667
Abergele and Llanddulas	£143,333	£100,000	£56,667	£13,333	-£30,000	-£73,333
Towyn and Kinmel Bay	-£33,333	-£65,000	-£96,667	£128,333	-£160,000	£191,667

Source: CCBC

Conversions from commercial uses

6.15 A significant amount of supply from small sites emanates from commercial uses – small shops, offices and workshops/factories.

6.16 It is difficult to assess the precise viability of these schemes not least because conversion costs vary so much. For the purposes of this

exercise, it has been assumed that the costs of conversion are as for new build.

6.17 Table 6.3 considers a number of land value benchmarks in the form of small shops, offices and workshops/factories. It considers the economics of converting from different uses to: four, six and eight flats.

Table 6.3 Conversions from commercial to residential

Four Dwellings	0%	10%	20%	30%	40%	Shop	Office	Factory
Llandudno	£256,000	£212,000	£166,667	£122,667	£77,333	£190,000	£165,000	£110,000
Conwy Valley	£238,667	£196,000	£152,000	£108,000	£65,333	£190,000	£165,000	£110,000
Conwy	£232,000	£189,333	£146,667	£102,667	£60,000	£190,000	£165,000	£110,000
Rural East	£221,333	£180,000	£137,333	£94,667	£52,000	£190,000	£165,000	£110,000
Colwyn Bay and Old Colwyn	£168,000	£132,000	£97,333	£61,333	£26,667	£190,000	£165,000	£110,000
Llanfairfechan and Penmaenmawr	£164,000	£117,333	£85,333	£52,000	£20,000	£190,000	£165,000	£110,000
The Mountains	£148,000	£96,000	£60,000	£24,000	-£12,000	£190,000	£165,000	£110,000
Abergele and Llanddulas	£114,667	£80,000	£45,333	£10,667	-£24,000	£190,000	£165,000	£110,000
Towyn and Kinmel Bay	-£26,667	-£52,000	-£77,333	-£102,667	-£128,000	£190,000	£165,000	£110,000
Six Dwellings	0%	10%	20%	30%	40%			
Llandudno	£384,000	£318,000	£250,000	£184,000	£116,000	£290,000	£250,000	£165,000
Conwy Valley	£358,000	£294,000	£228,000	£162,000	£98,000	£290,000	£250,000	£165,000
Conwy	£348,000	£284,000	£220,000	£154,000	£90,000	£290,000	£250,000	£165,000
Rural East	£332,000	£270,000	£206,000	£142,000	£78,000	£290,000	£250,000	£165,000
Colwyn Bay and Old Colwyn	£252,000	£198,000	£146,000	£92,000	£40,000	£290,000	£250,000	£165,000
Llanfairfechan and Penmaenmawr	£246,000	£176,000	£128,000	£78,000	£30,000	£290,000	£250,000	£165,000
The Mountains	£222,000	£144,000	£90,000	£36,000	-£18,000	£290,000	£250,000	£165,000
Abergele and Llanddulas	£172,000	£120,000	£68,000	£16,000	-£36,000	£290,000	£250,000	£165,000
Towyn and Kinmel Bay	-£40,000	-£78,000	-£116,000	-£154,000	-£192,000	£290,000	£250,000	£165,000
Eight Dwellings	0%	10%	20%	30%	40%			
Llandudno	£512,000	£424,000	£333,333	£245,333	£154,667	£385,000	£330,000	£220,000
Conwy Valley	£477,333	£392,000	£304,000	£216,000	£130,667	£385,000	£330,000	£220,000

Conwy	£464,000	£378,667	£293,333	£205,333	£120,000	£385,000	£330,000	£220,000
Rural East	£442,667	£360,000	£274,667	£189,333	£104,000	£385,000	£330,000	£220,000
Colwyn Bay and Old Colwyn	£336,000	£264,000	£194,667	£122,667	£53,333	£385,000	£330,000	£220,000
Llanfairfechan and Penmaenmawr	£328,000	£234,667	£170,667	£104,000	£40,000	£385,000	£330,000	£220,000
The Mountains	£296,000	£192,000	£120,000	£48,000	-£24,000	£385,000	£330,000	£220,000
Abergele and Llanddulas	£229,333	£160,000	£90,667	£21,333	-£48,000	£385,000	£330,000	£220,000
Towyn and Kinmel Bay	-£53,333	-£104,000	-£154,667	-£205,333	-£256,000	£385,000	£330,000	£220,000

Conversion from shops

Conversion from office

Conversion from factory

Source: Dr a Golland viability testing

6.18 Table 6.3 shows the scenarios which are viable. Based on the assumptions above, conversions from factories are likely to prove the most viable – as they are benchmarked against the lowest existing use value. The coloured cells indicate where scenarios are viable against each existing use. As an example at Llandudno, a 10% Affordable Housing contribution is viable where the existing use is a shop; but where the existing use value is industrial, then up to 30% Affordable Housing should be viable.

6.19 Generally these types of development are likely to prove unviable in the lower sub market areas. In mid markets schemes are likely to be viable but only either without Affordable Housing contributions, or at lower percentages (typically 10% to 20%).

6.20 In the higher value locations, it is considered worthwhile pursuing Affordable Housing contributions as the economics look fairly robust. That being said, not all conversions are from commercial uses and residential to residential conversions may prove difficult where there is a sound investment value, albeit in some instances where the property is run down (e.g. rooms/HMOs to flats).

6.21 The success in maximising affordable housing from this type of development will depend on development coming forward where flats achieve a good price, probably driven by micro location. This is because the price of flats generally are low.

6.22 It should be emphasized that viability for this type of scheme is highly sensitive to existing use value. The value of commercial property will be in turn very sensitive to local demand.

Other schemes

6.23 There will be a range of other smaller schemes that come forward, which taken together, are impractical to model in any meaningful way. The current problems being experienced by the hospitality industry means pub and clubs are being brought forward. These will, for obvious reasons of lack of demand, be valued at a low price. This gives an opportunity for Section 106. Other schemes sometimes come forward from car parks. Typically these will be under-used car parks which again will be priced at a

low existing use value. Each of these opportunities will need to be negotiated on a scheme by scheme basis.

Conclusions

- 6.24 This chapter has looked in some detail at the economics of development on small sites. Small sites contribute significantly to the delivery of housing, and hence the question is whether they should deliver Affordable Housing in the same way as larger sites do.
- 6.25 It would be convenient to draw a clear threshold below which schemes are not viable. This is never possible because viability is driven more by location than by scale of development. Nationally there are large schemes that do not stack up, whilst smaller schemes in higher value locations are viable.
- 6.26 That being said, it would appear that development of small sites in the lower sub markets in the Conwy CBC area can be exempted from Affordable Housing contributions. This includes Towyn and Kinmel Bay, and, for practical purposes, Abergel and Llanddulas.
- 6.27 For mid market locations (Rural East, Colwyn Bay and Old Colwyn, Llanfairfechan and Penmaenmawr), the evidence suggests that Affordable Housing contributions should be sought (in line with the High Level Testing) for all small sites with the exception of schemes involving demolition. To this it should be stated commercial conversions are likely to prove challenging in some instance in terms of delivering affordable housing.
- 6.28 In the higher value locations it is recommended that the Council seek Affordable Housing contributions up to the range 30% to 40% as set out in policy. A more flexible approach will be needed from commercial conversions and it is unlikely that affordable housing will be deliverable from schemes involving demolition unless existing use values are low.
- 6.29 In conclusion, it is suggested that the Council seek Affordable Housing contributions in all situations with the exceptions identified above.

CHAPTER 7 – AFFORDABLE HOUSING LED SITES IN URBAN AREAS

Background

- 7.1 In response to the Ministerial letter of 2019 regarding affordable housing led sites (50%+ affordable on sites), the Council is exploring the option to allocate sites for this purpose. The letter suggests public owned land as a starting point, however, there are few sites available and so privately owned sites are being considered following an affordable housing led call for sites. These sites will be located in urban areas to meet identified affordable need.
- 7.2 Further details on the viability of these sites is available in Background Paper 68: Affordable housing led sites.

CHAPTER 8 – RURAL DEVELOPMENT SITES

Background

- 8.1 At the time of writing, the Council is exploring the option to progress new policy approaches in rural settlements. The aims are to increase the delivery of affordable housing in these areas, and provide market housing options for those who have a local connection to the area, but do not meet the criteria for affordable need. The Preferred Strategy set that there will be no rural site allocations due to previous low delivery, and so these sites will be coming forward on an ad hoc basis.
- 8.2 National policy ([TAN6](#)) places emphasis on the need to consider a range of delivery options for affordable housing in rural areas, but to maximise AH delivery. Smaller rural communities (Tier 2 main villages, minor villages and hamlets in the Conwy RLDP settlement hierarchy) are less suitable for delivering general needs housing due to the lack of facilities, and often less sustainable locations, compared to larger settlements. For this reason, commercial-led housing developments based on the AH targets set out in this paper would not deliver an appropriate mix of housing. The focus in the smaller settlements is therefore to meet the local need for housing, through supporting AH-led sites in suitable locations, which will require landowner's support for development by selling land below the LVB. The housing mix will be policy-driven rather than led by

viability calculations, so the AHLN targets from this paper will not apply in smaller settlements.

CHAPTER 9 – BENCHMARKING AND VIABILITY

Background

- 9.1 There is no detailed guidance in Wales setting out how affordable targets should be assessed, based on an analysis of viability. The WG's Development Plans Manual Edition 3 (May 2020) refers to land values that reflect policy impacts but this has proven very difficult as a practical measure in relation to any given site. It is also a somewhat circular approach as viability would be deemed to be whatever residual value is (taking policy in account) and which could in many cases overstate the capacity of a site to be delivered where residual for housing is less than existing use value in other Use Class. The (now quite historic) Harman guidance provides a helpful framework for developing policy, but this is not 'step-by-step' and does not provide specific information in relation to land owner return.
- 9.2 The (Harman) guidance does support the approach set out in Chapter 2 of this report; i.e. an EUV 'Plus' approach and sets out reservations about the 'market value' approach adopted at one time in the RICS Planning and Viability paper. The Harman guidance is helpful in identifying situations where alternative use values (AUVs) might be adopted in lieu of EUVs. It places emphasis on setting land value benchmarks in the local context.
- 9.3 All guidance is clear that residual value for a scheme must be higher than the LVB (Land Value Benchmark). Where the LVB is higher than the residual value (RV), then schemes are in principle, unviable.
- 9.4 The English National Planning Policy Framework provides some clarity on viability. It would be unusual if an inspector from PINS (Wales and England) did not take account of this guidance, given the broadness of guidance in Wales.

The Revised NPPG

9.5 The Revised NPPG is very clear that the land value benchmark should be based on existing use value (EUV). It states:

'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).'

The guidance goes on to state:

'Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

9.6 Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.'

Wider Benchmarks

9.7 There are a number of land value benchmarks which can be drawn on, to help set the figure for any given local authority area. In this wider context,

the DCLG's study on The Cumulative Impact of Policy Requirements (2011), although older now, suggests that a figure of £100,000 to £150,000 per gross acre (£247,000 to £370,500 per gross hectare) is a reasonable benchmark for green field land.

9.8 It is also helpful to look at the benchmarks adopted across Wales. These are set out in Table 9.1:

Table 9.1 Land Value Benchmarks adopted in Welsh authorities

County Borough	LVB Per Hectare	Adoption
Carmarthenshire	£250,000	2014
Denbighshire	£250,000	2013
Newport	£500,000	2015
Neath Port Talbot	£408,000 to £672,000	2016
RCT	£150,000 to £550,000	2011
Pembrokeshire	£400,000	2013
Wrexham & Flintshire	£300,000	2014
Monmouthshire	£250,000 to £600,000	2014
Torfaen	£700,000	2013
Swansea	£490,000 to £790,000	2016
Herefordshire	£600,000	2015

Source: various named local authorities

- 9.9 A review of the evidence bases for these reports will show how difficult it is to set a benchmark, and in many cases the benchmarks have been set with some not insignificant steer from workshops held with local stakeholders. The closest benchmarks to Conwy are Denbighshire (£250,000) and Wrexham (£300,000)
- 9.10 Allowing for some inflation in prices for North Wales a figure of circa £350,000 would be reasonable. This figure is also the figure at the mid-point for the agricultural multiple land value approach (a range of 10 to 20 fold) – where a figure of 15 (fold) is adopted.
- 9.11 It is then important to adjust the LVBs for the range of sub markets with the County Borough. Clearly land owner expectations will adjust from one location to another with high house price areas generating high land values and lower value areas.

Table 9.2 Land Value Benchmarks by Sub Market

Sub Markets	3 Bed	Relative	RV at 20% AH	Relative	Ratio	CBC LVB	LVB
		HPs		RVs	HPs to RVs		Adjusted
LLANDUDNO	£264,000	112	£1,250,000	171	1.53	£350,000	£535,751
CONWY VALLEY	£259,000	110	£1,140,000	156	1.42	£350,000	£498,038
CONWY	£257,000	109	£1,100,000	151	1.38	£350,000	£484,303
RURAL EAST	£253,000	107	£1,030,000	141	1.32	£350,000	£460,653
COLWYN BAY & OLD COLWYN	£236,000	100	£730,000	100	1.00	£350,000	£350,000
LLANFAIRFECHAN & PENMAENMAWR	£231,000	98	£640,000	88	0.90	£350,000	£313,491
THE MOUNTAINS	£225,000	95	£450,000	62	0.65	£350,000	£226,301
ABERGELE AND LLANDDULAS	£219,000	93	£340,000	76	0.81	£350,000	£284,972
TOWYN AND KINMEL BAY	£174,000	74	-£580,000	-79	-1.08	£350,000	-£377,169

Source: Dr A Golland viability testing

9.12 The approach taken (Table 9.2) to adjusting the LVB per sub market is to adjust by both house prices (here 3 bed semis) and residual values. This is important because viability is more sensitive to residual value than simply house prices. Table 9.3 then shows the viable potential Affordable Housing policy positions for each of the sub markets.

Table 9.3 Viable potential Affordable Housing policy positions

	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	LVb
Llandudno	£1.92	£1.76	£1.59	£1.42	£1.25	£1.09	£0.92	£0.75	£0.58	£0.41	£0.25	£535,751
Conwy Valley	£1.79	£1.63	£1.47	£1.30	£1.14	£0.98	£0.81	£0.65	£0.49	£0.32	£0.16	£498,038
Conwy	£1.74	£1.58	£1.42	£1.26	£1.10	£0.93	£0.77	£0.61	£0.45	£0.29	£0.13	£484,303
Rural East	£1.66	£1.50	£1.35	£1.19	£1.03	£0.87	£0.71	£0.55	£0.39	£0.23	£0.07	£460,653
Colwyn Bay and Old Colwyn	£1.26	£1.13	£0.99	£0.96	£0.73	£0.59	£0.46	£0.33	£0.20	£0.07	£0.06	£350,000
Llanfairfechan and Penmaenmawr	£1.23	£1.01	£0.88	£0.76	£0.64	£0.52	£0.39	£0.27	£0.15	£0.03	£0.09	£313,491
The Mountains	£1.11	£0.86	£0.72	£0.59	£0.45	£0.31	£0.18	£0.04	-£0.09	£0.23	£0.37	£226,301
Abergele and Llanddulas	£0.86	£0.73	£0.60	£0.47	£0.34	£0.21	£0.08	-£0.05	-£0.18	£0.31	£0.44	£284,972
Towyn and Kinmel Bay	-£0.20	-£0.30	-£0.39	-£0.49	-£0.58	-£0.68	-£0.77	-£0.87	-£0.96	£1.06	£1.15	£377,169

Viable

Unviable

Source: Dr A Golland viability testing

9.13 These conclusions suggest a strong position from which a robust Affordable Housing can be developed. Certainly, a 40% target at the top end of the market is reasonable. Mid market locations such as Colwyn Bay and Old Colwyn and Llanfairfechan and Penmaenmawr can sustain a target of 30% Affordable Housing. Abergele and Llanddulas can sustain a target of 20% Affordable Housing. As previously pointed out in Chapter 3, there will be hot and cold spots which the Council will take need to account of during the application process.

CHAPTER 10 – MAIN FINDINGS AND CONCLUSIONS

Main objectives

- 10.1 The principal objectives of this study have been to test the most significant aspects of viability which will provide a basis for the Council's policies over the Plan period. The Council require an up-to-date evidence base that will provide a justification for those policies.
- 10.2 The analysis carried out here is comprehensive and covers high level testing for residential development as well as smaller residential development opportunities.

Analysis – residential High Level Testing

- 10.3 High Level Testing is very important to the study as it provides a starting point for understanding what might be viable from any site being brought forward through planning. It provides a template for understanding the results from the large sites as well as for smaller and windfall sites.
- 10.4 The market across Conwy is varied – Llandudno, Conwy Valley and Conwy and, at the other end, Towyn and Kinmel Bay. The variation in viability is important in determining the levels of Section 106 contribution that can be delivered viably on a local basis.
- 10.5 The housing market across the County Borough area is split broadly three ways between:
 - Llandudno, Conwy, Conwy Valley and Rural East;

- Colwyn Bay, Old Colwyn, Llanfairfechan and Penmaenmawr, The Mountains, Abergele and Llanddulas;
- Towyn and Kinmel Bay (where residual values appear negative).

10.6 Viability is stronger in the coastal locations, although to the east the market is weaker. This is to be expected as these are the locations with the best local services. Inland areas are less accessible to the A55 and selling prices for new developments are relatively low (this conclusions applies throughout the Snowdonia National Park).

10.7 The conclusions support, as with previous studies, a split target approach reflecting the differential viability.

Strategic site allocations

10.8 Four strategic sites have been assessed for viability. The analysis and assumptions here follow broadly the assessment made at higher level.

10.9 The viable tipping points for the delivery of Affordable Housing range from 35% at Llanfairfechan, through 35% at Peulwys Lane, through 40% at Llanwrst to 44% at Llanros. In addition Section 106 contributions of £5,000 per unit across all the schemes are viable (at these Affordable Housing contributions).

10.10 These are strong viability positions and at say a target of 30% in the higher value areas there are significant surpluses available for major and minor physical and environmental infrastructure.

10.11 As set out in Chapter 4, it will be important for the Council to have full, up-to-date data and information in order to assess these sites, as there are likely to be economies of scale and the viability will be sensitive to development mix and eventual density decided upon. Cash flow analysis will be key in defining the parameters of viability. The current viability appraisals have been provided to the Council at this stage.

Small sites and the Affordable Housing threshold

10.12 Conventionally Affordable Housing thresholds are drawn around scale of development. This is over simplistic and never possible because viability is driven more by location than by scale of development. As stated in Chapter 5, nationally there are large schemes that do not stack up, whilst smaller schemes in higher value locations are viable.

10.13 Currently, the Council seeks Affordable Housing contributions from all schemes, and with the smallest of schemes, in the form of payments-in-lieu.

10.14 Lower sub markets in the Conwy CBC area can be exempted from Affordable Housing contributions. This includes Towyn and Kinmel Bay, and, for practical purposes, Abergel and Llanddulas.

10.15 For mid market locations (Rural East, Colwyn Bay and Old Colwyn, Llanfairfechan and Penmaenmawr), the evidence suggests that Affordable Housing contributions should be sought (in line with the High Level Testing) for all small sites with the exception of schemes involving demolition. To this it should be stated commercial conversions are likely to prove challenging in some instance in terms of delivering Section 106.

10.16 In the higher value locations it is recommended that the Council seek Affordable Housing contributions up to the range 30% to 40% as set out in policy. A more flexible approach will be needed from commercial conversions and it is unlikely that Section 106 will be deliverable from schemes involving demolition unless existing use values are low.

10.17 In conclusion, it is suggested that the Council seek Affordable Housing contributions in all situations with the exceptions identified above.

Affordable Housing targets

10.18 Recommending Affordable Housing targets for development sites is a key remit of this report. In this respect, the current approach which adopts split targets appears correct.

10.19 Table 10.1 sets out the viable positions by reference to the High Level Testing which should also apply to the strategic sites.

Table 10.1 Viable potential Affordable Housing policy positions

	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	LVb
Llandudno	£1.92	£1.76	£1.59	£1.42	£1.25	£1.09	£0.92	£0.75	£0.58	£0.41	£0.25	£535,751
Conwy Valley	£1.79	£1.63	£1.47	£1.30	£1.14	£0.98	£0.81	£0.65	£0.49	£0.32	£0.16	£498,038
Conwy	£1.74	£1.58	£1.42	£1.26	£1.10	£0.93	£0.77	£0.61	£0.45	£0.29	£0.13	£484,303
Rural East	£1.66	£1.50	£1.35	£1.19	£1.03	£0.87	£0.71	£0.55	£0.39	£0.23	£0.07	£460,653
Colwyn Bay and Old Colwyn	£1.26	£1.13	£0.99	£0.96	£0.73	£0.59	£0.46	£0.33	£0.20	£0.07	£0.06	£350,000
Llanfairfechan and Penmaenmawr	£1.23	£1.01	£0.88	£0.76	£0.64	£0.52	£0.39	£0.27	£0.15	£0.03	£0.09	£313,491
The Mountains	£1.11	£0.86	£0.72	£0.59	£0.45	£0.31	£0.18	£0.04	-£0.09	£0.23	£0.37	£226,301
Abergele and Llanddulas	£0.86	£0.73	£0.60	£0.47	£0.34	£0.21	£0.08	-£0.05	-£0.18	£0.31	£0.44	£284,972
Towyn and Kinmel Bay	-£0.20	-£0.30	-£0.39	-£0.49	-£0.58	-£0.68	-£0.77	-£0.87	-£0.96	£1.06	£1.15	£377,169

Viable
Unviable

Source: Dr A Golland viability testing

10.20 On this basis, the following Affordable Housing targets are proposed (Table 10.2):

Table 10.2: affordable housing targets by sub-market

Sub Markets	RLDP strategy area	AH Target
Llandudno	Creuddyn	40%
Conwy Valley	Rural	40%
Conwy	Creuddyn	35%
Rural East	Rural	35%
Colwyn Bay and Old Colwyn	Central	30%
Llanfairfechan and Penmaenmawr	West	30%
The Mountains	Rural	25%
Abergele and Llanddulas	East	20%
Towyn and Kinmel Bay	East	0%

Source: Dr A Golland viability testing

10.21 As previously, the Council will need to consider whether these remain as 'targets' or whether they appear as guidelines and in some instances they may seek a higher percentage. This may assist where there are hot spots. Cold spots will be dealt with in the usual manner, by scheme specific viability tests.

10.22 It is important to note that the targets are effectively 'read off' the relationship between residual value and land value benchmark. It might be argued that this may be argued to be a broad measure, and that targets should also be set by reference to discussions with the Council on delivery.

10.23 Overall, this is fairly standard assessment which takes place within the usually broad framework of viability assessment. It is recommended that the Council press the WG for more prescriptive guidance on viability as it is currently (as in England) deficient for the purposes of setting local plan targets.

Appendix A Results

20 DPH											
	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Llandudno	£1.38	£1.26	£1.14	£1.02	£0.90	£0.78	£0.66	£0.54	£0.42	£0.30	£0.18
Conwy Valley	£1.29	£1.18	£1.06	£0.94	£0.82	£0.71	£0.59	£0.47	£0.36	£0.24	£0.12
Conwy	£1.26	£1.14	£1.02	£0.91	£0.79	£0.68	£0.56	£0.44	£0.33	£0.21	£0.10
Rural East	£1.20	£1.09	£0.97	£0.86	£0.74	£0.63	£0.52	£0.40	£0.29	£0.17	£0.06
Colwyn Bay and Old Colwyn	£0.91	£0.82	£0.73	£0.63	£0.54	£0.44	£0.34	£0.25	£0.15	£0.06	£0.04
Llanfairfechan and Penmaenmawr	£0.83	£0.74	£0.65	£0.56	£0.47	£0.38	£0.29	£0.21	£0.12	£0.03	£0.06
The Mountains	£0.74	£0.64	£0.54	£0.44	£0.34	£0.25	£0.15	£0.05	£0.08	£0.15	£0.15
Abergele and Llanddulas	£0.64	£0.55	£0.45	£0.36	£0.27	£0.17	£0.08	-	-	-	-
Towyn and Kinmel Bay	-	-	-	-	-	-	-	-	-	-	-
	£0.10	£0.17	£0.24	£0.31	£0.38	£0.45	£0.51	£0.58	£0.65	£0.72	£0.79

30 DPH											
	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Llandudno	£1.92	£1.76	£1.59	£1.42	£1.25	£1.09	£0.92	£0.75	£0.58	£0.41	£0.25
Conwy Valley	£1.79	£1.63	£1.47	£1.30	£1.14	£0.98	£0.81	£0.65	£0.49	£0.32	£0.16
Conwy	£1.74	£1.58	£1.42	£1.26	£1.10	£0.93	£0.77	£0.61	£0.45	£0.29	£0.13
Rural East	£1.66	£1.50	£1.35	£1.19	£1.03	£0.87	£0.71	£0.55	£0.39	£0.23	£0.07
Colwyn Bay and Old Colwyn	£1.26	£1.13	£0.99	£0.96	£0.73	£0.59	£0.46	£0.33	£0.20	£0.07	£0.06
Llanfairfechan and Penmaenmawr	£1.23	£1.01	£0.88	£0.76	£0.64	£0.52	£0.39	£0.27	£0.15	£0.03	£0.09
The Mountains	£1.11	£0.86	£0.72	£0.59	£0.45	£0.31	£0.18	£0.04	-	-	-
Abergele and Llanddulas	£0.86	£0.73	£0.60	£0.47	£0.34	£0.21	£0.08	-	-	-	-
Towyn and Kinmel Bay	-	-	-	-	-	-	-	-	-	-	-
	£0.20	£0.30	£0.39	£0.49	£0.58	£0.68	£0.77	£0.87	£0.96	£1.06	£1.15

40 DPH											
	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Llandudno	£2.47	£2.26	£2.06	£1.85	£1.64	£1.44	£1.23	£1.02	£0.81	£0.61	£0.40
Conwy Valley	£2.36	£2.16	£1.96	£1.75	£1.54	£1.34	£1.13	£0.92	£0.72	£0.52	£0.31
Conwy	£2.24	£2.04	£1.84	£1.64	£1.44	£1.24	£1.04	£0.84	£0.64	£0.44	£0.24
Rural East	£2.14	£1.94	£1.75	£1.55	£1.35	£1.16	£0.96	£0.76	£0.57	£0.37	£0.17
Colwyn Bay and Old Colwyn	£1.63	£1.46	£1.30	£1.14	£0.98	£0.81	£0.65	£0.49	£0.33	£0.16	£0.00
Llanfairfechan and Penmaenmawr	£1.46	£1.31	£1.16	£1.01	£0.86	£0.71	£0.56	£0.41	£0.27	£0.12	£0.03
The Mountains	£1.29	£1.12	£0.95	£0.79	£0.62	£0.45	£0.28	£0.11	£0.06	£0.23	£0.39
Abergele and Llanddulas	£1.12	£0.96	£0.79	£0.63	£0.47	£0.31	£0.15	£0.01	£0.17	£0.33	£0.49
Towyn and Kinmel Bay	-	-	-	-	-	-	-	-	-	-	-
	£0.25	£0.36	£0.48	£0.59	£0.71	£0.83	£0.94	£1.06	£1.17	£1.29	£1.41

50 DPH											
	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Llandudno	£2.92	£2.68	£2.44	£2.21	£1.97	£1.74	£1.50	£1.27	£1.03	£0.79	£0.56
Conwy Valley	£2.72	£2.49	£2.26	£2.04	£1.81	£1.58	£1.35	£1.12	£0.89	£0.66	£0.43
Conwy	£2.64	£2.42	£2.19	£1.97	£1.74	£1.51	£1.29	£1.06	£0.83	£0.61	£0.38
Rural East	£2.53	£2.31	£2.08	£1.86	£1.64	£1.41	£1.19	£0.97	£0.74	£0.52	£0.31
Colwyn Bay and Old Colwyn	£1.94	£1.76	£1.57	£1.39	£1.21	£1.02	£0.84	£0.66	£0.47	£0.29	£0.11
Llanfairfechan and Penmaenmawr	£1.74	£1.57	£1.41	£1.24	£1.07	£0.91	£0.74	£0.57	£0.41	£0.24	£0.07
The Mountains	£1.55	£1.35	£1.16	£0.97	£0.78	£0.59	£0.39	£0.20	£0.01	£0.18	£0.37
Abergele and Llanddulas	£1.34	£1.16	£0.97	£0.79	£0.61	£0.43	£0.24	£0.06	-	-	-
Towyn and Kinmel Bay	-	£0.24	£0.37	£0.51	£0.64	£0.77	£0.90	£1.04	£1.17	£1.30	£1.44
											£1.58

Appendix B Development Appraisal Toolkit (DAT)

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

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

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

Appendix C Indicative new build house prices

SUB MARKETS	Detached 5 Bed	Detached 4 Bed	Detached 3 Bed	Semis 3 Bed	Terraces 3 Bed	Terraces 2 Bed	Flats 2 Bed	Flats 1 Bed
LLANDUDNO	£432,000	£376,000	£301,000	£264,000	£253,000	£220,000	£212,000	£159,000
CONWY VALLEY	£423,000	£368,000	£294,000	£259,000	£248,000	£216,000	£207,000	£155,000
CONWY	£420,000	£364,800	£292,000	£257,000	£246,000	£214,000	£205,000	£154,000
RURAL EAST	£414,000	£360,000	£288,000	£253,000	£243,000	£211,000	£203,000	£152,000
COLWYN BAY & OLD COLWYN	£386,000	£336,000	£269,000	£236,000	£227,000	£197,000	£189,000	£142,000
LLANFAIRFECHAN & PENMAENMAWR	£377,000	£328,000	£262,000	£231,000	£221,000	£192,000	£185,000	£139,000
THE MOUNTAINS	£368,000	£320,000	£256,000	£225,000	£216,000	£188,000	£180,000	£135,000
ABERGELE & LLANDDULAS	£359,000	£312,000	£249,600	£219,000	£210,000	£183,000	£176,000	£132,000
TOWYN AND KINMEL BAY	£285,000	£248,000	£198,000	£174,000	£167,000	£145,000	£140,000	£105,000
ASSUMED DWELLING SIZES	135 m2	115 m2	92 m2	76 m2	72 m2	62 m2	59 m2	42 m2

SUB MARKETS	PRICES PER SQUARE METRE							
LLANDUDNO	£3,200	£3,270	£3,272	£3,474	£3,514	£3,548	£3,593	£3,786
CONWY VALLEY	£3,133	£3,200	£3,196	£3,408	£3,444	£3,484	£3,508	£3,690
CONWY	£3,111	£3,172	£3,174	£3,382	£3,417	£3,452	£3,475	£3,667
RURAL EAST	£3,067	£3,130	£3,130	£3,329	£3,375	£3,403	£3,441	£3,619
COLWYN BAY & OLD COLWYN	£2,859	£2,922	£2,924	£3,105	£3,153	£3,177	£3,203	£3,381
LLANFAIRFECHAN & PENMAENMAWR	£2,793	£2,852	£2,848	£3,039	£3,069	£3,097	£3,136	£3,310
THE MOUNTAINS	£2,726	£2,783	£2,783	£2,961	£3,000	£3,032	£3,051	£3,214
ABERGELE & LLANDDULAS	£2,659	£2,713	£2,713	£2,882	£2,917	£2,952	£2,983	£3,143
TOWYN AND KINMEL BAY	£2,111	£2,157	£2,152	£2,289	£2,319	£2,339	£2,373	£2,500

Appendix D Construction and development costs

Building function	£/m ² gross internal floor area						Sample
(Maximum age of projects)	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
810.1 Estate housing							
Generally (15)	1,505	732	1,278	1,447	1,645	5,185	1423
Single storey (15)	1,716	1,022	1,448	1,646	1,898	5,185	234
2-storey (15)	1,448	732	1,254	1,405	1,589	3,128	1104
3-storey (15)	1,581	940	1,310	1,510	1,797	3,090	80
4-storey or above (15)	3,152	1,541	2,522	2,816	4,192	4,690	5
810.11 Estate housing detached (15)	1,957	1,116	1,461	1,681	2,091	5,185	21
816. Flats (apartments)							
Generally (15)	1,773	880	1,469	1,666	1,995	6,030	845
1-2 storey (15)	1,670	1,036	1,413	1,591	1,866	3,480	180
3-5 storey (15)	1,751	880	1,462	1,665	1,974	3,685	564
6 storey or above (15)	2,092	1,279	1,697	1,964	2,277	6,030	98
	Baseline	at 15% (100)	Sub Total	Location Factor	Total		
Houses	£1,405	£211	£1,616	0.92	£1,486		
Flats	£1,591	£159	£1,750	0.92	£1,610		
Bungalows	£1,646	£247	£1,893	0.92	£1,741		

GLOSSARY OF TERMS

A

Abnormal Development Costs: Costs associated with difficult ground conditions e.g. contamination.

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

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

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

B

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

C

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

Community Infrastructure Levy: A levy raised by local authorities from developers and land owners in order to cover the costs of providing infrastructure, where the form of provision can include physical, social and environmental infrastructure. The levy is charged on a per square metre basis across a range of development uses.

D

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

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

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

E

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

F

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

G

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

I

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

L

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

M

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

P

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

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

R

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

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

Registered Social Landlord (RSL): a housing association or a not for profit company which provides affordable housing

S

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

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

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

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

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

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

T

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

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

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

V

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