



# Replacement Local Development Plan 2018-2033

## Background Paper

July 2019

### BP 10: Affordable Housing Viability Summary Paper

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## 1 Introduction

The Council is in the process of preparing an evidence base to support its Affordable Housing and related planning policies. A key Viability Report is underway which indicates at a high level, the likely viable Affordable Housing percentages which are deliverable. The study looks simply at viability, and not at housing needs, which are addressed elsewhere in the evidence base.

The approach used follows that approved at the previous Local Plan examination, and which bases policy mainly a high level 'testing' stage. It is accepted in national planning policy that viability tests are subject to site specific economics to take account of situations where there are 'cold' spots within a wider sub market. It is not usual for a local authority to set the Affordable Housing target higher than the viability figures suggest, although this may be acceptable where the evidence suggests that a 'hot spot' exists.

## 2 Sub Markets and market performance

It is important to reflect the impact of house prices on the viability of schemes – build costs vary far less than prices – hence residual scheme values vary disproportionately (to house prices).

The table below shows the sub markets adopted:

Sub Market	PCS
Conwy & Conwy Valley	LL32 8; LL28 5; LL27 0; LL26 0
Llandudno, Rhos on Sea	LL30 2; LL31 9; LL28 4
Penrhyn Bay	LL30 3; LL30 1
Rural South & West	LL25 0
Rural East	LL22 8
Colwyn & Old Colwyn	LL29 9
Penmaenmawr & Llanfairfechan	LL33 0
Abergele	LL22 7
Kinmel Bay & Tywyn	LL18 5

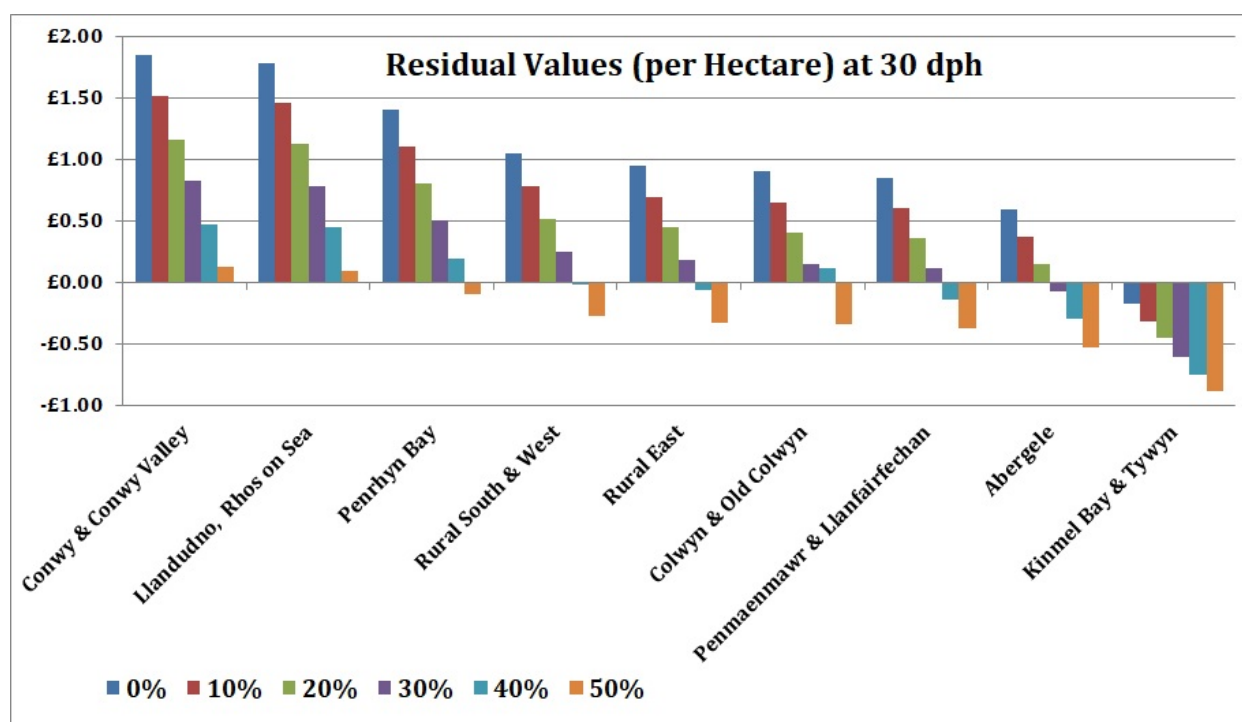


These are based on groupings of postcode sectors. This approach is not perfect but it allows analysis to be drawn from a significant number of transactions which still maintaining a ‘fine grain’ approach.

The housing market in the County Borough has improved over the last 3 years, although not significantly. Land Registry shows a 3% per annum increase although this has been offset by increases in build costs of some 5%. In practice this means little improvement in viability and land owners looking to maximise returns may have considered the recent past as not the best of times at which to release land for housing.

### 3 The viability picture: Affordable Housing targets

The analysis has covered a range of development densities – 20 dph up to 50 dph. At a mid point (30 dph) the results are shown below:



The chart shows residual values per hectare and demonstrates a very varied picture: whereas in Conwy residual values approach £500,000 per hectare at 40% Affordable Housing, whereas at the bottom end of the market development is marginal with no Affordable Housing.

The full results are set out in the table in the appendix to this summary paper.

The study, which benefits from inputs from four industry workshops, adopts a LVB (land value benchmark) of circa £400,000. This takes into

account an allowance of £3,000 per units for abnormals and specification.

In conjunction with the Council, the following Affordable Housing targets are recommended:

Sub Market	Target
Conwy & Conwy Valley	30%
Llandudno, Llandrillo & Rhos	30%
Penrhyn & Bay	30%
Rural South & West	20%
Rural East	20%
Colwyn & Old Colwyn	20%
Penmaenmawr & Llanfairfechan	20%
Abergele	10%
Kinmel Bay & Tywyn	0%

### **Affordable Housing thresholds**

The Council are required, in addition to setting Affordable Housing targets, to identify the size of scheme which triggers Affordable Housing contributions. This is important as clearly this determines the ceiling number of units which can be delivered by a local authority.

The evidence, as in previous studies, shows that viability is largely unrelated to scale of development and much more driven by location. There is little point shifting to a high Affordable Housing target where large sites fail to deliver any housing at all. This being stated, the Council having found some types of schemes (typically those involving conversion and demolition) to be more challenging from a viability viewpoint, may wish to exempt certain small schemes for Affordable Housing contributions.

The recommendation of the study is that the Affordable Housing threshold be set as low as the Council feels is practical and reflects past experience in delivering Section 106 contributions on small sites. Previous experience suggests that a threshold of between 2 and 3 dwellings is likely to be the practical level.

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## Appendix – Full results of the High Level Testing

20 Dph						
	0%	10%	20%	30%	40%	50%
Conwy & Conwy Valley	£1.35	£1.10	£0.84	£0.59	£0.33	£0.08
Llandudno, Rhos on Sea	£1.32	£1.07	£0.82	£0.57	£0.31	£0.06
Penrhyn Bay	£1.09	£0.84	£0.61	£0.39	£0.16	-£0.06
Rural South & West	£0.77	£0.58	£0.38	£0.18	-£0.01	-£0.21
Rural East	£0.73	£0.53	£0.34	£0.15	-£0.05	-£0.24
Colwyn & Old Colwyn	£0.69	£0.51	£0.32	£0.13	-£0.06	-£0.25
Penmaenmawr & Llanfairfechan	£0.65	£0.46	£0.28	£0.09	-£0.09	-£0.28
Abergele	£0.47	£0.30	-£0.09	-£0.22	-£0.36	-£0.50
Kinmel Bay & Tywyn	-£0.08	£0.14	-£0.03	-£0.19	-£0.36	-£0.64
30 Dph						
	0%	10%	20%	30%	40%	50%
Conwy & Conwy Valley	£1.85	£1.51	£1.16	£0.82	£0.47	£0.12
Llandudno, Rhos on Sea	£1.78	£1.46	£1.12	£0.78	£0.44	£0.09
Penrhyn Bay	£1.40	£1.10	£0.80	£0.50	£0.19	-£0.10
Rural South & West	£1.04	£0.78	£0.51	£0.25	-£0.02	-£0.28
Rural East	£0.95	£0.69	£0.44	£0.18	-£0.07	-£0.33
Colwyn & Old Colwyn	£0.90	£0.65	£0.40	£0.14	£0.11	-£0.34
Penmaenmawr & Llanfairfechan	£0.84	£0.60	£0.36	£0.11	-£0.14	-£0.38
Abergele	£0.59	£0.37	£0.15	-£0.08	-£0.30	-£0.53
Kinmel Bay & Tywyn	-£0.18	-£0.32	-£0.46	-£0.61	-£0.75	-£0.89
40 Dph						
	0%	10%	20%	30%	40%	50%
Conwy & Conwy Valley	£2.35	£1.91	£1.48	£1.04	£0.61	£0.17
Llandudno, Rhos on Sea	£2.28	£1.84	£1.41	£0.98	£0.56	£0.13
Penrhyn Bay	£1.77	£1.39	£1.01	£0.63	£0.26	-£0.12
Rural South & West	£1.32	£0.99	£0.62	£0.32	-£0.01	-£0.35
Rural East	£1.20	£0.88	£0.56	£0.24	-£0.08	-£0.41
Colwyn & Old Colwyn	£1.15	£0.84	£0.52	£0.20	-£0.11	-£0.43
Penmaenmawr & Llanfairfechan	£1.06	£0.75	£0.44	£0.14	-£0.17	-£0.47
Abergele	£0.75	£0.47	£0.20	-£0.08	-£0.36	-£0.63
Kinmel Bay & Tywyn	-£0.24	-£0.42	-£0.59	-£0.77	-£0.95	-£1.12
50 Dph						
	0%	10%	20%	30%	40%	50%
Conwy & Conwy Valley		£2.10	£1.59	£1.09	£0.58	£0.08
Llandudno, Rhos on Sea	£2.51	£2.01	£1.52	£1.02	£0.52	£0.22
Penrhyn Bay	£1.93	£1.48	£1.05	£0.61	£0.17	-£0.27
Rural South & West	£1.41	£1.02	£0.64	£0.25	£0.14	-£0.53
Rural East	£1.27	£0.89	£0.52	£0.15	-£0.23	-£0.60
Colwyn & Old Colwyn	£1.22	£0.85	£0.48	£0.11	-£0.26	-£0.63
Penmaenmawr & Llanfairfechan	£1.11	£0.75	£0.39	£0.04	-£0.32	-£0.68
Abergele	£0.75	£0.43	£0.11	-£0.21	-£0.54	-£0.86
Kinmel Bay & Tywyn	-£0.39	-£0.60	-£0.81	-£1.01	-£1.22	-£1.43