# Vale of Glamorgan Viability Update Report 2014

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**Vale of Glamorgan Viability Update Report**

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# 1 Introduction and project aims

1.1 The Vale of Glamorgan Council has recently consulted on its Draft Deposit Local Plan. A key objective of the Plan is to maximise the delivery of Affordable Housing whilst ensuring that overall housing delivery is not affected. Representations to the consultation have now been received. One point that has been made relates to the currency of the Baseline Report (BR) which was June 2010.

1.2 It was pointed that since then a number of changes have occurred, not only in the housing market, but also to planning and development policy. These can be summarised:

- Changes in the key variables affecting development viability, namely house prices and build costs;
- Additional guidance on viability assessment for local authorities, most notably the Harman Report (2012);
- National planning policy; notably Planning Policy Wales (2012) and CIL (The Community Infrastructure Levy);
- Building regulations; notably Part L and the requirement for sprinkler systems to be designed in new homes from January 2016;
- LDP Policy on Affordable Housing;
- Additional analysis (2013) on small sites;

1.3 This is an Update Report (UR) that looks at these impacts in particular and concludes on whether the Affordable Housing policy in particular is robust.

# 2 An overview of market and policy changes

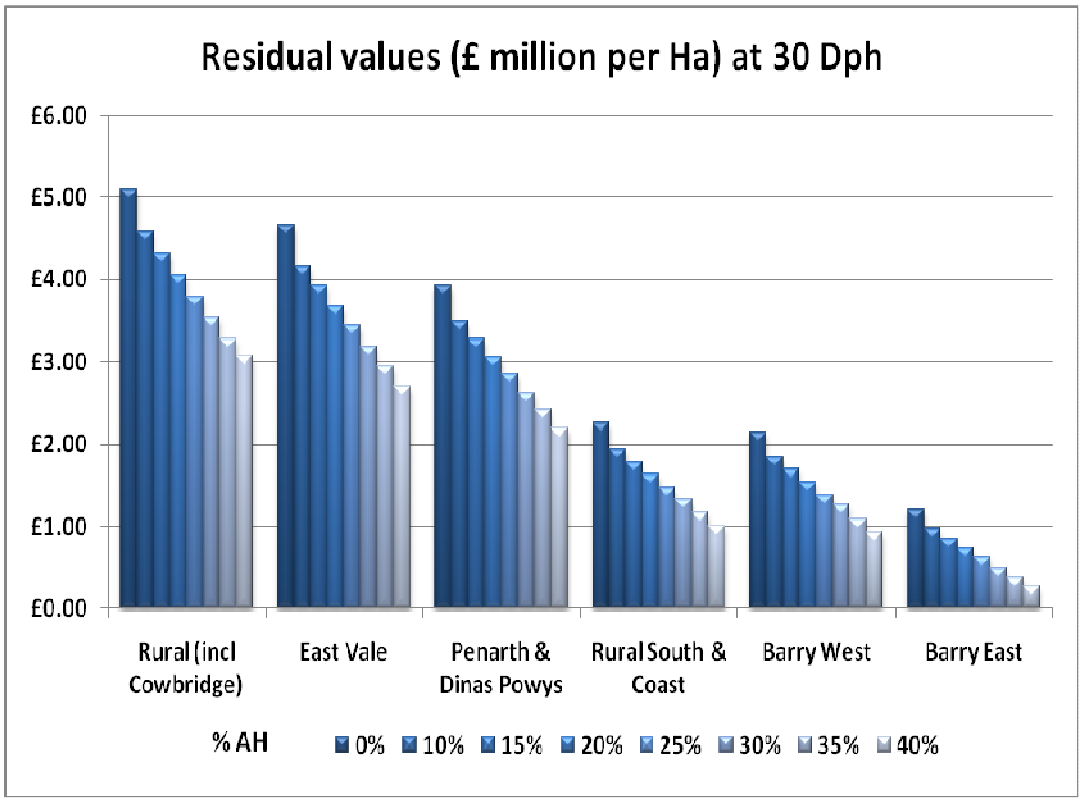
## The housing and development market

2.1 The Baseline Report was produced in the wake of a downturn in the housing market nationally. Wales generally has been slower to

recover than some parts of the United Kingdom, in particular London and the South East, although this this is probably no reflection on planning, rather on wider investment patterns across England and Wales.

2.2 The Vale of Glamorgan has amongst the highest house prices in South Wales. It therefore generates significant land values from which Section 106 contributions can be required. The AHVS BR of 2010 concluded that residual values for sites varied considerably as shown in the chart below:

**Figure 2.1 Residual values per hectare at 30 dph in the Vale of Glamorgan**




2.3 Since 2010 (the base date for the BR) house prices across the Vale, have according to HM Land Registry data, risen by 6%. The precise figures are, according to the House Price Index: 213.6 and 226.75; a rise of 6.1%. This uplift has been applied to my analysis in Chapter 4.

2.4 As may be anticipated, build costs have also risen. Using the RICS's Building Cost Information Service (BCIS), build costs appear to have risen by around 10% since 2010. This is broadly as expected, and in line with inflation.

2.5 Because costs have risen faster than selling prices, it might appear that viability is weaker now than in 2010. This conclusion would not necessarily be correct since a 1% rise in house prices is not the same as a 1% rise in build costs (because prices are greater than costs).

**Viability guidance for local authorities**

2.6 Since the BR in 2010, there has been a plethora of general guidance on how viability should be assessed. Much of this is however descriptive and does not really deal with the nub of the problem which is the quantum of land owner return which is seen to be competitive (the English NPPF 'measure').

2.7 The RICS published guidance (August 2012) on Planning and Viability. This document again falls into the 'descriptive' category as it spends much of its length comparing different approaches. It bases its main approach on 'market value' although it does not really define how this is established in the light of the fact that the planning process itself helps to define the value in the first instance. The guidance largely ignores case law and precedent (set out in Section 3 below).

2.8 The Harman Report (also produced in 2012) follows the same well trodden path although more helpfully it does helpfully make a key point that in setting policy by reference to local land value benchmarks and the land supply equation:

'Consideration of an appropriate Threshold Land Value needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy.

Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model.

We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below). Alternative use values are most likely to be relevant in cases where the Local Plan is reliant on sites coming

forward in areas (such as town and city centres) where there is competition for land among a range of alternative uses. This approach is already used by many councils, allows realistic scope to provide for policy requirements and is capable of adjusting to local circumstances by altering the percentage of premium used in the model.

2.9 In the BR, the South East Wales: HBF approach was used and this is still considered to be robust for the UR here.

**National planning policy and CIL**

2.10 Planning Policy Wales (2012), as with planning policy guidance in England is not particularly helpful in terms of viability assessment. Paragraph 9.2.16 states that:

'Development plans must include an **authority-wide target for affordable housing** (expressed as numbers of homes) 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 the anticipated levels of finance available for affordable housing, including public subsidy, and the level of developer contribution that can be realistically sought. In principle all new market housing may contribute to meeting the need for affordable housing.

In their development plan local planning authorities should include either **site thresholds** or a combination of thresholds and **site-specific targets**. Local 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 sites and will normally take the form of on-site affordable housing contributions. Site specific targets are indicative affordable housing targets for each residential site and for each mixed-use site which includes a residential component. For sites which fall below the site threshold local planning authorities may secure commuted sums using a section 106 agreement. Commuted sums should be used by the local planning authority solely for facilitating or providing affordable housing'.

2.11 The Community Infrastructure Levy (CIL) aims to make it clearer to developers and other applicants, local authority requirements to cover infrastructure. The Levy will not cover Affordable Housing, and this will be met through the traditional Section 106 route. The Levy will be raised on a per square metre basis. It can be set by Use Class, by geographical area or by scale of development; or indeed by any combination of units of assessment. Caerphilly CBC have recently taken their CIL Charging Schedule through Examination and have set a 'sliding' scale approach to covering the cost of infrastructure for residential development and a limited impact (retail units) for commercial property.

2.12 I understand that the Vale of Glamorgan are undertaking an assessment which will underpin their CIL charging schedule.

2.13 The important issue in this Update Report (UR) is that contributions (which will otherwise be covered by CIL) are reflected in the analysis here. The CIL Charging Schedule is not available yet. For the purposes of the analysis, I have taken a planning obligation 'package' of £10,000 per unit. This is consistent with the BR and works out at £125 per square metre CIL equivalent for an 80 square metre home.

**Part L and sprinklers**

2.14 There has been an ongoing debate at LDP Examination about the impacts of sustainable building measures.

2.15 **Part L** - In July and September 2013 the WG Minister for Housing & Regeneration announced the decision to legislate for a 20% improvement in carbon emissions from new non-domestic buildings and an 8% improvement for new domestic buildings. The 8% improvement (on an aggregate basis) effectively transposes the current Planning Policy Wales (PPW) expectation (Code for Sustainable Homes Level 3) into the Building Regulations.

2.16 The decision not to pursue the 25% and 40% consultation options reflected concerns about the impact of higher costs on a depressed housing market and related concerns about viability. It was decided that a greater improvement and cost would, at this time, have negative consequences, impacting on house building, employment and the economic position of Wales. 8% was judged to be a sensible

step between the current requirements and the 25% to 40% consulted upon. In 2016 a further review of Part L will be undertaken aimed at taking the next step towards 'zero carbon' new buildings (and nearly zero energy new buildings) as required by the Recast European Directive on the Energy Performance of Buildings 2010. The Directive requires this by 2019 for new public buildings and 2021 for all new buildings.

2.17 These changes are expected to be cost neutral.

2.18 **Sprinklers** – The WG cost benefit analysis for the introduction of Sprinklers - Sections 4.5 - 4.6 (page 26-28) covers sprinkler installation costs for new build with no economies of scale and associated water supply costs. For a house this equates to (£1,950 + £1,125 = £3.075) and a flat (£620 + £259 = £879).

**LDP policy: Vale of Glamorgan**

2.19 During 2010, the Vale of Glamorgan undertook policy development work to set affordable housing targets and thresholds. The study provided two main options for policy setting purposes:

- A single target for the Vale of Glamorgan area. This could reasonably be set at 30% but recognising that this would be challenging in the weaker sub markets and probably not challenging enough in the higher value (mainly rural) areas.
- A split target which seeks 40% affordable housing in Rural, East Vale and Penarth (and Dinas Powys) and, 30% affordable housing in Rural South and Coast and Barry (West and East).

2.20 The 2010 study concluded that the Council adopt the 10 threshold set out in the BR in Barry and Penarth and a nil threshold elsewhere in the Vale of Glamorgan area.

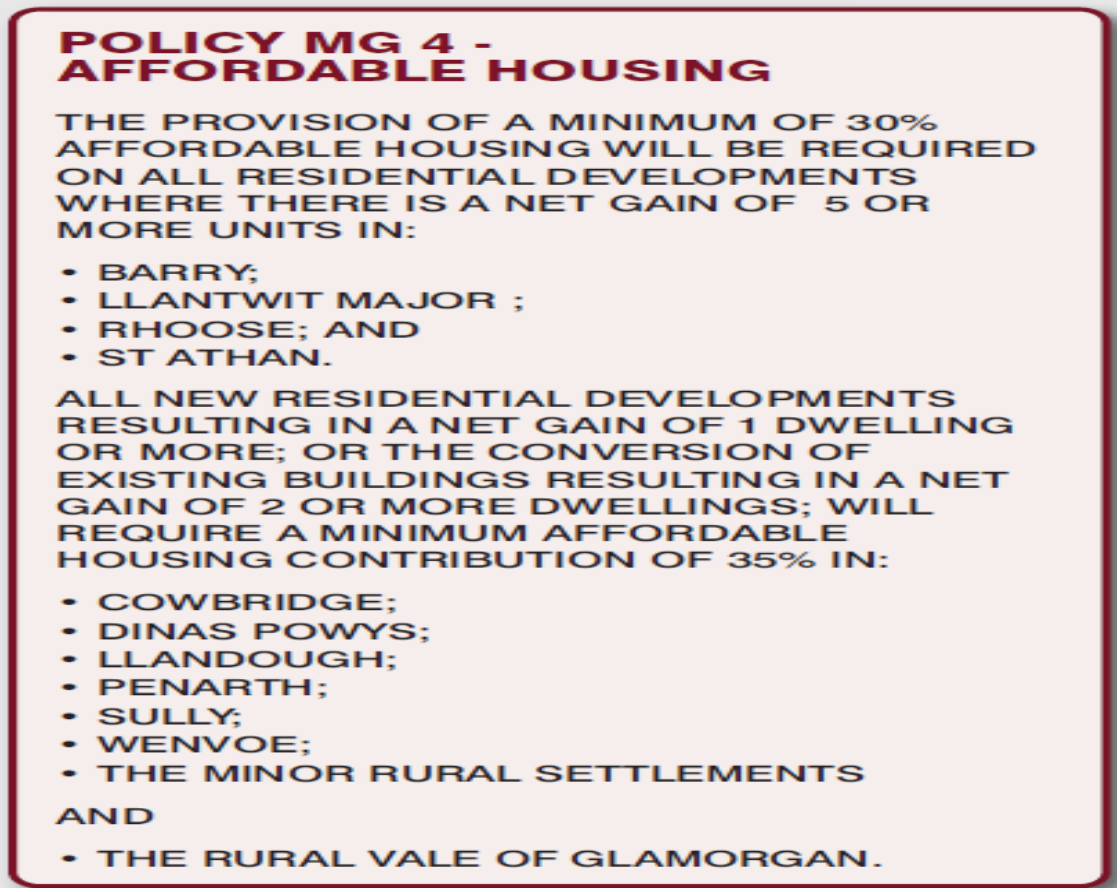
2.21 With a view towards maximising Affordable Housing delivery in the Vale, the Council commissioned further viability analysis focused in particular on small sites. This (August 2013) report (2013 SSR) concluded that:

'It is recommended that the Council proceed with a one dwelling threshold. In the weaker sub markets, notably Barry, small sites will not be required to provide affordable housing. This is, on the face this latest evidence, a good policy stance.

In the stronger sub market areas, schemes should deliver affordable housing contributions. Many sites are infill, encompassing garden or back land or lower value vacant land. These sites should deliver affordable contributions subject to the usual viability test of EUV.

Nevertheless, the viability assessment, when it is drilled down on very small schemes, shows that certain models are unlikely to yield affordable housing. Most notable here are small scale conversions (from a single dwelling to two flats). Also challenging are schemes involving demolition and replacement with a low number of new build (e.g. one to three)'

2.22 The policy (MG 4) being taken forward through the LDP is set out in the screenshot below:



**POLICY MG 4 - AFFORDABLE HOUSING**

THE PROVISION OF A MINIMUM OF 30% AFFORDABLE HOUSING WILL BE REQUIRED ON ALL RESIDENTIAL DEVELOPMENTS WHERE THERE IS A NET GAIN OF 5 OR MORE UNITS IN:

- BARRY;
- LLANTWIT MAJOR ;
- RHOOSE; AND
- ST ATHAN.

ALL NEW RESIDENTIAL DEVELOPMENTS RESULTING IN A NET GAIN OF 1 DWELLING OR MORE; OR THE CONVERSION OF EXISTING BUILDINGS RESULTING IN A NET GAIN OF 2 OR MORE DWELLINGS; WILL REQUIRE A MINIMUM AFFORDABLE HOUSING CONTRIBUTION OF 35% IN:

- COWBRIDGE;
- DINAS POWYS;
- LLANDOUGH;
- PENARTH;
- SULLY;
- WENVOE;
- THE MINOR RURAL SETTLEMENTS

AND

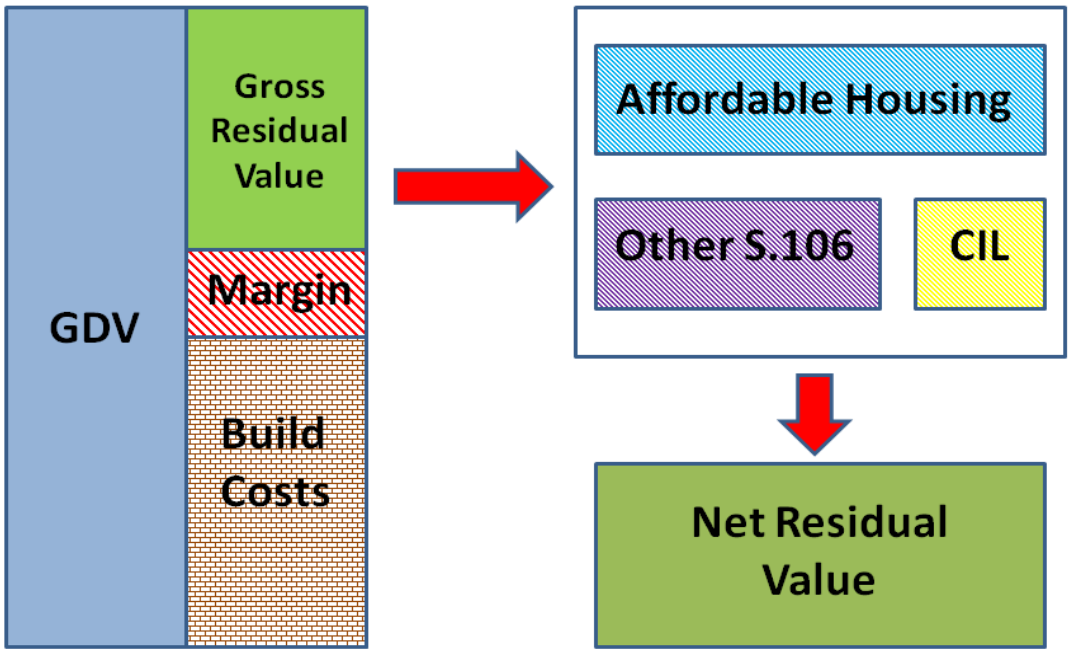
- THE RURAL VALE OF GLAMORGAN.

# 3 Guiding principles to viability assessment for policy development and site specific assessment

## Generally

3.1 It is important to understand how viability is assessed in the planning and development process. The assessment of viability is usually referred to a residual development appraisal approach. Our understanding is illustrated in the diagram below. This shows that the starting point for negotiations is the gross residual site value which is the difference between the scheme revenue and scheme costs, including a reasonable allowance for developer return.

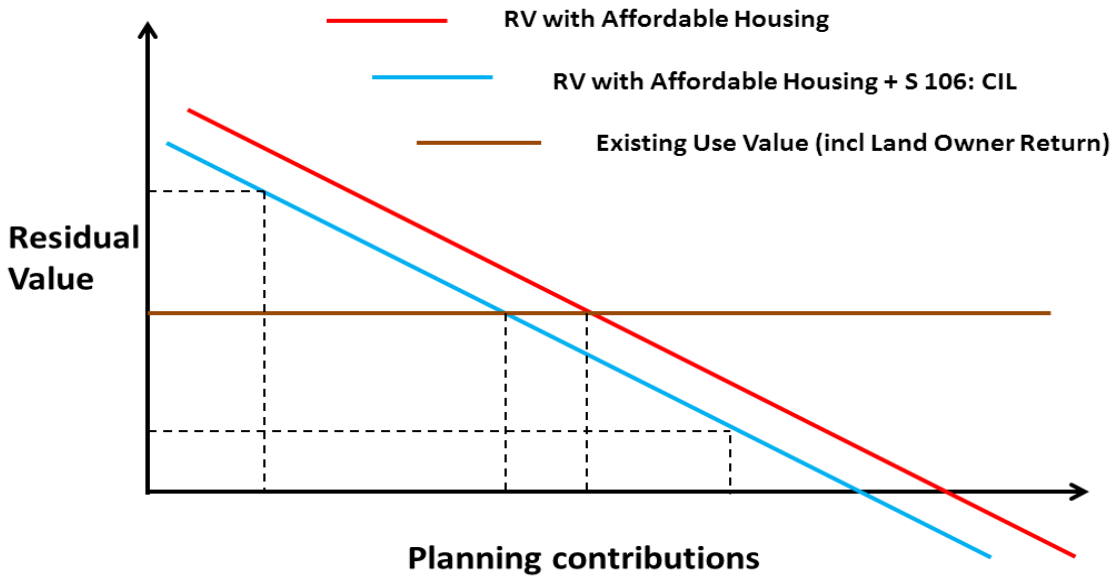
3.2 Once Section 106 contributions (including affordable housing and other obligations; CIL (Community Infrastructure Levy – if in place) have been deducted from the gross residual value, a 'net' residual value results. The question is then whether this net residual value is sufficient in terms of development value relative to the value of the site in its current use.




3.3 The diagram below shows how this operates in theory. Residual value (RV) falls as the scale of planning obligations increase. The diagram below shows this for both affordable housing (alone) and affordable housing and other planning obligations; the latter making the greater impact on viability.

3.4 The Existing Use Value (EUV) is shown as the brown line. This is independent of the scheme and will apply whatever development scheme is promoted.

3.5 The key viability question is whether the scheme (blue and red lines) generates a surplus over and above the EUV.




3.6 If the scheme does not (i.e. the red and blue lines are below the brown one) then a scheme may be considered unviable.

3.7 If the scheme (red and blue lines) generates a RV above the brown line then there is a greater chance that the site will come forward for development.

3.8 There will be several ways in which the scheme can generate a surplus over EUV. Clearly a lower planning obligation bundle will increase RV. However, changing the development mix and/or tenure could increase viability.

3.9 Market change will also have an important impact on viability and the key financial relationship between RV and EUV. Over RV and EUV will change over time. In some instances schemes will become more viable as a result of the RV changing; in other, a change in the EUV may make scheme more viable.

**Cases and precedent supporting the approach outlined above:**

3.10 In 2009, the Homes and Communities Agency published a good practice guidance manual 'Investment and Planning Obligations: Responding to the Downturn'. This defines viability as follows: "a viable development will support a residual land value at level sufficiently above the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner".

3.11 A number of planning appeal decisions provide guidance on the extent to which the residual land value should exceed existing use value to be considered viable. These include Bath Road, Bristol: APP/P0119/A/08/2069226 (August 2008) where it was found that: 'the difference between the RLV and the existing site value provides a basis for ascertaining the viability of contributing towards affordable housing'.

3.12 Also Beckenham: APP/G5180/A/08/2084559 (February 2009) which referred to EUV premium: 'without an affordable housing contribution, the scheme will only yield less than 12% above the existing use value, 8% below the generally accepted margin necessary to induce such development to proceed'.

3.13 In addition, Oxford Street, Woodstock: APP/D3125/A/09/2104658 (May 2010). This case, consistent with the previous one outlined here, focuses on the margin required for a land owner to achieve over and above the Existing Use Value in order to achieve to a change of use of the land:

3.14 'The main parties' valuations of the current existing value of the land are not dissimilar but the Appellant has sought to add a 10% premium. Though the site is owned by the Appellants it must be assumed, for valuation purposes, that the land is being acquired now. It is unreasonable to assume that an existing owner and user of the land would not require a premium over the actual value of the land to offset inconvenience and assist with relocation. The Appellants addition of the 10% premium is not unreasonable in these circumstances.'

3.15 The approach has been very much bolstered in the report by Mr Keith Holland, the Examiner appointed by the Mayor of London to evaluate the London Community Infrastructure Levy.

The planning Inspector stated in response to an alternative (and 'market value') approach being promoted by the Royal Institution of Chartered Surveyors:

'The market value approach is not formalised as RICS policy and I understand that there is considerable debate within the RICS about this matter. The EUV plus a margin approach was used not only by the GLA team but also by several chartered surveyors in viability evidence presented to the examination. Furthermore the SG at paragraph 22 refers to a number of valuation models and methodologies and states that there is no requirement for a charging authority to use one of these models. Accordingly I don't believe that the EUV approach can be accurately described as fundamentally flawed or that this examination should be adjourned to allow work based on the market approach to be done'.

# 4 Updating the High Level Testing

4.1 High Level Testing (HLT) played a key role in developing the Council's Affordable Housing policy in MG 4 'Affordable Housing'. The analysis was based on the division of the Vale into six sub markets including Barry (split into West and East).

4.2 The sub markets are set out in the table below. They are the same as those adopted in the BR.

### Table 4.1 Sub markets in the Vale of Glamorgan area

| Sub Markets | Postcode |
|---|---|
| **Rural (including Cowbridge)** | **CF7 17, CF35 5, CF35 0, CF32 0, CF72 8, CF72 9** |
| **East Vale** | **CF5 6, CF5 5, CF11 8** |
| **Penarth (including Llandough, Dinas Powys and Sully)** | **CF64 1, CF64 2, CF64 3, CF64 4, CF 65 5** |
| **Rural South & Coast (including Llantwit Major)** | **CF61 1, CF61 2, CF62 3, CF62 4** |
| **Barry West** | **CF62 5, CF62 6, CF62 7** |
| **Barry East** | **CF63 1, CF63 2, CF63 3, CF64 4, CF62 8, CF62 9** |

**Source: Vale of Glamorgan Council and Andrew Golland Associates**

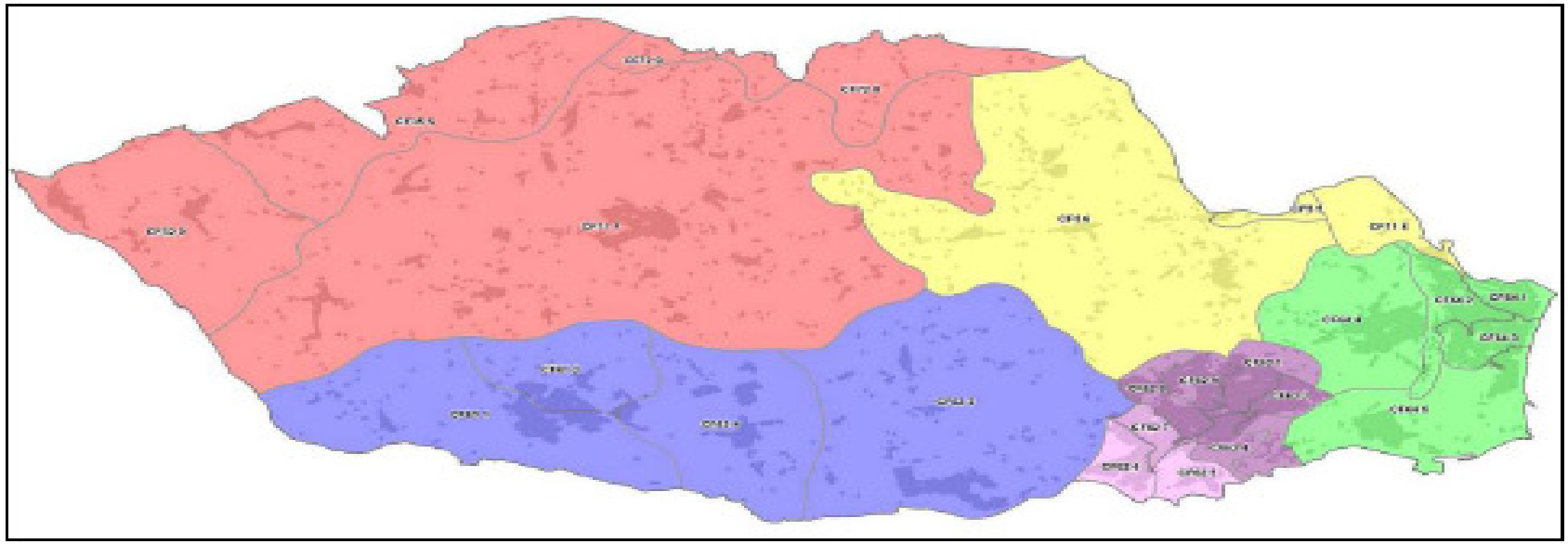
4.3 The geographical sub markets are shown in the map on the following page. The higher value areas are generally those to the north, and in

particular the Rural area including Cowbridge and the East Vale. Penarth is also relatively high value. Barry has the lowest house prices in the local authority area.

4.5 The HLT takes a one hectare notional site and tests this across a range of housing market circumstances. Critically housing mix, tenure and density are tested to see the impact on the residual value. The results are shown in Table 4.1 which has four density tests (30 dph; 40 dph; 50 dph and 75 dph)

4.6 All assumptions relating to the data used are set out in Appendix 1 of this report.

**Map: Vale of Glamorgan Housing Submarkets by Postcode**



| Sub Market Key | |
|---|---|
| Rural | Rural South & Coast |
| East Vale | Barry East |
| Penarth | Barry West |

[5] The Vale of Glamorgan Local Housing Market Assessment Update (Fordhams Research 2010)

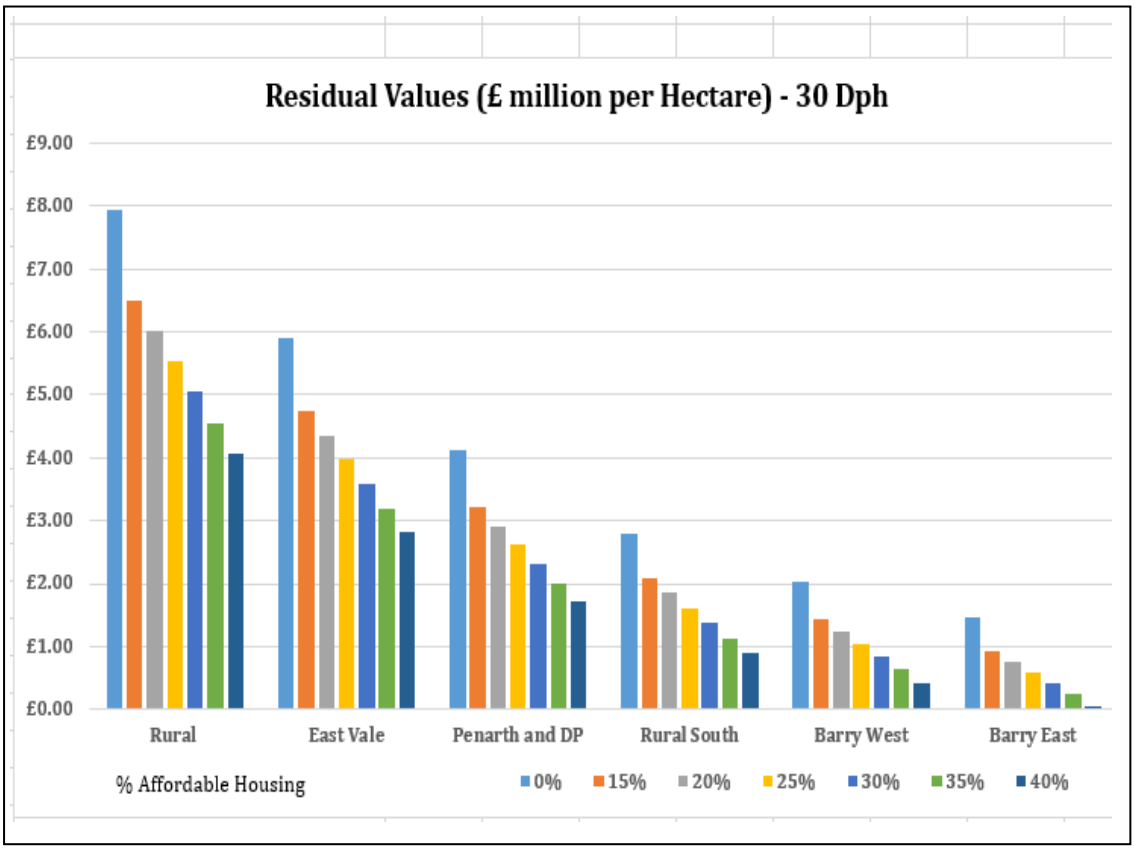
Affordable Housing Delivery Background Paper 2013

## Table 4.1 Residual values per hectare at different densities, tenure mixes and development unit mixes

| 30 DPH | 0% | 15% | 20% | 25% | 30% | 35% | 40% |
|---|---|---|---|---|---|---|---|
| **Rural** | £7.93 | £6.51 | £6.01 | £5.53 | £5.05 | £4.56 | £4.07 |
| **East Vale** | £5.90 | £4.74 | £4.36 | £3.97 | £3.58 | £3.19 | £2.81 |
| **Penarth and DP** | £4.12 | £3.21 | £2.91 | £2.61 | £2.31 | £2.00 | £1.71 |
| **Rural South** | £2.80 | £2.09 | £1.86 | £1.61 | £1.37 | £1.13 | £0.89 |
| **Barry West** | £2.04 | £1.44 | £1.23 | £1.04 | £0.83 | £0.63 | £0.43 |
| **Barry East** | £1.47 | £0.94 | £0.77 | £0.59 | £0.42 | £0.24 | £0.06 |
| | | | | | | | |
| **40 DPH** | **0%** | **15%** | **20%** | **25%** | **30%** | **35%** | **40%** |
| **Rural** | £6.58 | £5.49 | £5.08 | £4.67 | £4.27 | £3.85 | £3.45 |
| **East Vale** | £4.86 | £3.89 | £3.58 | £3.26 | £2.94 | £2.62 | £2.29 |
| **Penarth and DP** | £3.33 | £2.59 | £2.36 | £2.09 | £1.84 | £1.59 | £1.34 |
| **Rural South** | £2.06 | £1.49 | £1.29 | £1.11 | £0.92 | £0.73 | £0.54 |
| **Barry West** | £1.65 | £1.14 | £0.97 | £0.80 | £0.63 | £0.46 | £0.30 |
| **Barry East** | £1.14 | £0.69 | £0.54 | £0.39 | £0.24 | £0.09 | -£0.05 |
| | | | | | | | |
| **50 DPH** | **0%** | **15%** | **20%** | **25%** | **30%** | **35%** | **40%** |
| **Rural** | £6.39 | £5.25 | £4.87 | £4.49 | £4.11 | £3.73 | £3.34 |
| **East Vale** | £4.56 | £3.67 | £3.38 | £3.08 | £2.79 | £2.49 | £2.19 |
| **Penarth and DP** | £3.13 | £2.43 | £2.20 | £1.97 | £1.74 | £1.51 | £1.28 |
| **Rural South** | £1.82 | £1.31 | £1.14 | £0.96 | £0.79 | £0.62 | £0.45 |
| **Barry West** | £1.60 | £1.12 | £0.96 | £0.79 | £0.63 | £0.47 | £0.31 |
| **Barry East** | £1.10 | £0.68 | £0.54 | £0.41 | £0.26 | £0.11 | -£0.26 |
| | | | | | | | |
| **75 DPH** | **0%** | **15%** | **20%** | **25%** | **30%** | **35%** | **40%** |
| **Rural** | £7.44 | £6.16 | £5.73 | £5.29 | £4.86 | £4.43 | £4.00 |
| **East Vale** | £5.23 | £4.24 | £3.91 | £3.58 | £3.25 | £2.92 | £2.59 |
| **Penarth and DP** | £3.51 | £2.75 | £2.50 | £2.25 | £1.99 | £1.74 | £1.49 |
| **Rural South** | £2.07 | £1.51 | £1.31 | £1.13 | £0.94 | £0.74 | £0.56 |
| **Barry West** | £1.74 | £1.21 | £1.03 | £0.86 | £0.66 | £0.50 | £0.34 |
| **Barry East** | £1.12 | £0.67 | £0.52 | £0.37 | £0.22 | £0.06 | -£0.09 |
| | | | | | | | |

**Source: Figures calculated using the Wales DAT**

4.7 The same results are produced in Figure 4.1 below which relates to a scheme of 30 dwellings per hectare:




4.8 As with the BR, the HLT shows considerable variance between different sub market when comparing residual values. Most stark to note is that residual value at 40% Affordable Housing is over four times greater than that in Barry East even where Affordable Housing is required. These greater disparities support the case for a split target approach, although probably to a greater extent that has been adopted in the LDP.

4.9 Residual values range from buoyant to very buoyant across the Vale. At 30 dph, residual values in the Rural sub market including Cowbridge are over £4 million per hectare even at 40% Affordable Housing.

4.10 In Penarth and Dinas Powys, residual value at 40% Affordable Housing is in excess of £1.7 million making this target very achievable.

4.11 In the 30% policy areas (30 dph), namely the Rural South and Barry (West and East), residual values range from £1.37 million to £0.42 million per hectare. A residual value in excess of £300,000 in my view is viable, and is likely to be so on industrial sites in Barry itself.

4.12 Barry is an interesting case. Selling prices there have exceeded the expectations of the 2010 BR and this is reflected in higher residual values in this study. There is evidence of robust sales of new build most notably at Whitewell Road in Barry West.

4.13 However, the underlying viability of the Barry Waterfront development remains unknown as none of the developers there (Persimmon, Taylor Wimpey and Barratts) has yet to reveal their process. I understand that a 15% Affordable Housing target has been realised there. This may reflect the high clean-up costs of the area.

4.14 Generally, residual value falls as density increases. This would seem to be because the Vale is predominantly a housing market where people place a premium on larger, family housing.

4.15 Therefore the 30 dwelling per hectare test delivers probably the best option to maximise Affordable Housing delivery. For example, in the Rural South (a mid market location), residual value at 30% Affordable Housing (the policy target) is:

£1.37 million at 30 dph;
£0.92 million at 40 dph;
£0.79 million at 50 dph;

4.16 The 75 dph test shows that smaller units do cover their costs well and hence in the higher value areas residual value is highest (of all densities). However this does not follow for lower value areas, and this is specifically the case in Barry.

# 5 Benchmarks and viability tests

## Benchmarks and policy development

5.1 There is no detailed guidance setting out precisely how to set Affordable Housing targets. The 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.

5.2 The (Harman) guidance does support the approach set out in Chapter 3 of this report; i.e. an EUV 'Plus' approach and sets out reservations about the 'market value' approach adopted in the RICS Planning and Viability paper.

5.3 In the analysis carried out, it has been assumed that the developer obtains a return of equivalent 20% on gross development value for residential schemes. The question then is what assumption should be made about the level of return to the land owner.

5.4 Assistance with land value benchmarks can be drawn from wider experience. The DCLG's study on The Cumulative Impact of Policy Requirements (2011), suggested 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. Assuming a net to gross factor of around 70%, this would mean a land value benchmark on a net basis in the region of £400,000 per hectare. The HCA's Area Wide Viability Model suggests that for green field land, the benchmark tends to be in the region of 10 to 20 fold agricultural land. In the case of the Vale of Glamorgan area, this would mean a green field benchmark of between £100,000 and £200,000 per hectare.

5.5 Research from elsewhere in Wales e.g. Property Market Report) and local authority Affordable Housing Viability Studies suggests industrial land values of between £250,000 and £300,000 per hectare. This is for clean land however.

5.6 Assuming a land value benchmark of £300,000 per hectare (this was also the figure adopted at the Caerphilly examination) the following judgements can be made on viability:

5.7 Table 5.1 on the following page allows this analysis.

5.8 The table shows a colour coded approach. Green cells indicate where residual value is a factor of 10 greater than the benchmark; yellow, a factor of 5, and so on.

5.9 There are only six instances where residual value might be expected to be below a reasonably competitive land value benchmark. These occur at higher Affordable Housing targets in lower value areas;

5.10 In only one instance (Barry East at 30% Affordable Housing at 30 dph) does viability appear be a challenge to the policy position. And in this instance, the residual value is only very marginally below £300,000 per hectare, although recent developments at Pencoedtre and White Farm have delivered 30% onsite affordable housing provision.

5.11 The overall conclusion therefore is that the results present very comfortable viability buffers in virtually every case.

## Table 5.1: Viability tests

| 30 DPH | 0% | 15% | 20% | 25% | 30% | 35% | 40% |
|---|---|---|---|---|---|---|---|
| Rural | £7.93 | £6.51 | £6.01 | £5.53 | £5.05 | £4.56 | £4.07 |
| East Vale | £5.90 | £4.74 | £4.36 | £3.97 | £3.58 | £3.19 | £2.81 |
| Penarth and DP | £4.12 | £3.21 | £2.91 | £2.61 | £2.31 | £2.00 | £1.71 |
| Rural South | £2.80 | £2.09 | £1.86 | £1.61 | £1.37 | £1.13 | £0.89 |
| Barry West | £2.04 | £1.44 | £1.23 | £1.04 | £0.83 | £0.63 | £0.43 |
| Barry East | £1.47 | £0.94 | £0.77 | £0.59 | £0.42 | £0.24 | £0.06 |
| **40 DPH** | **0%** | **15%** | **20%** | **25%** | **30%** | **35%** | **40%** |
| Rural | £6.58 | £5.49 | £5.08 | £4.67 | £4.27 | £3.85 | £3.45 |
| East Vale | £4.86 | £3.89 | £3.58 | £3.26 | £2.94 | £2.62 | £2.29 |
| Penarth and DP | £3.33 | £2.59 | £2.36 | £2.09 | £1.84 | £1.59 | £1.34 |
| Rural South | £2.06 | £1.49 | £1.29 | £1.11 | £0.92 | £0.73 | £0.54 |
| Barry West | £1.65 | £1.14 | £0.97 | £0.80 | £0.63 | £0.46 | £0.30 |
| Barry East | £1.14 | £0.69 | £0.54 | £0.39 | £0.24 | £0.09 | -£0.05 |
| **50 DPH** | **0%** | **15%** | **20%** | **25%** | **30%** | **35%** | **40%** |
| Rural | £6.39 | £5.25 | £4.87 | £4.49 | £4.11 | £3.73 | £3.34 |
| East Vale | £4.56 | £3.67 | £3.38 | £3.08 | £2.79 | £2.49 | £2.19 |
| Penarth and DP | £3.13 | £2.43 | £2.20 | £1.97 | £1.74 | £1.51 | £1.28 |
| Rural South | £1.82 | £1.31 | £1.14 | £0.96 | £0.79 | £0.62 | £0.45 |
| Barry West | £1.60 | £1.12 | £0.96 | £0.79 | £0.63 | £0.47 | £0.31 |
| Barry East | £1.10 | £0.68 | £0.54 | £0.41 | £0.26 | £0.11 | -£0.26 |
| **75 DPH** | **0%** | **15%** | **20%** | **25%** | **30%** | **35%** | **40%** |
| Rural | £7.44 | £6.16 | £5.73 | £5.29 | £4.86 | £4.43 | £4.00 |
| East Vale | £5.23 | £4.24 | £3.91 | £3.58 | £3.25 | £2.92 | £2.59 |
| Penarth and DP | £3.51 | £2.75 | £2.50 | £2.25 | £1.99 | £1.74 | £1.49 |
| Rural South | £2.07 | £1.51 | £1.31 | £1.13 | £0.94 | £0.74 | £0.56 |
| Barry West | £1.74 | £1.21 | £1.03 | £0.86 | £0.66 | £0.50 | £0.34 |
| Barry East | £1.12 | £0.67 | £0.52 | £0.37 | £0.22 | £0.06 | -£0.09 |

| |
|---|
| **At least x 10 Benchmark** |
| **At least x 5 Benchmark** |
| **At least x 3 Benchmark** |
| **At least x 2 Benchmark** |
| **Between £300,000 and £500,000** |
| **Less than £300,000** |

- Developer profit margin 20% on GDV;

- Affordable Housing targets as shown;
- £10,000 per unit to cover all other planning obligations

### Effects of sprinklers

5.12 There is a strong argument for not including the effects of sprinklers in any baseline testing. However, were their impacts to be factored in, I believe they would only affect viability in Barry East. In all other locations the buffer (above £300,000 per hectare) is very significant and hence the policy should not hold sites back.

5.13 In Barry East, development mixes at 30 dph should yield residual values at or around £300,000 per hectare (once the impacts of sprinklers are taken into account (this is at 30% Affordable Housing).

5.14 At higher densities in Barry East (40 dph, 50 dph and 75 dph) 25% Affordable Housing should be deliverable once the impacts of sprinklers have been accounted for.

5.15 However, it will only need a 2% increase in house prices in Barry East before January 2016 to offset these additional costs (figure assumes atypical 3 bed terrace). At the top of the market the increase needed to offset the costs is less than 1%. Given the steadily improving market in the Vale, sprinklers are not seen to be a significant viability issue.

## 6 Conclusions

6.1 Representations to the Local Development Plan Deposit Draft have expressed concerns about the Affordable Housing target and its impact on delivery.

6.2 The analysis has looked at viability allowing a developer a competitive return and allowing the Council a strong return in terms of other (than Affordable Housing) planning contributions (circa £10,000 per unit).

6.3 Even when these relatively exacting impacts have been taken into account, there still remains very strong land owner returns. At the top of the market, these returns are probably 10 times what they otherwise would need to be, to bring land forward. In middle to lower end sub markets, the returns are probably three times what they otherwise would need to be. At the lower end returns are generally competitive to bring land forward.

6.4 The results are very encouraging because in many instances a £10,000 per unit allowance for other Section 106 contributions will not be needed. This is most likely to be the case in the rural areas where values are already very high indeed. This gives greater scope to the Council when it comes to setting CIL.

6.5 Importantly, the results provide the Council with an opportunity to look again at the LDP policy and where necessary to extend it to deliver more Affordable Housing. Current policy provides two Affordable Housing targets – at 30% and 35%. The results of this Update Study suggest that Affordable Housing would be deliverable way beyond 35%; indeed way beyond 40%.

6.6 Therefore a 'stretching' the target range is desirable. Appropriate revised targets would be:

- Rural, East Vale and Penarth: 40% Affordable Housing:
- Rural South: 35% Affordable Housing;
- Barry East and West: 30% Affordable Housing;

## Appendix 1 Key assumptions:

## Indicative new build selling prices

| Sub Markets | PCSs | Detached | | | Semis | | | Terraced | | | Flats | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 5 Bed | 4 Bed | 3 Bed | 4 Bed | 3 Bed | 2 Bed | 4 Bed | 3 Bed | 2 Bed | 3 Bed | 2 Bed | 1 Bed | Studio |
| Rural (incl Cowbridge) | CF71 7 | £677,000 | £583,000 | £470,000 | £411,000 | £358,000 | £305,000 | £351,000 | £318,000 | £278,000 | £299,000 | £263,000 | £182,000 | £131,000 |
| | CF35 5 | | | | | | | | | | | | | |
| | CF32 0 | | | | | | | | | | | | | |
| | CF72 8 | | | | | | | | | | | | | |
| | CF72 9 | | | | | | | | | | | | | |
| East Vale | CF5 6 | £560,000 | £489,000 | £391,000 | £338,000 | £297,000 | £251,000 | £292,000 | £268,000 | £233,000 | £250,000 | £224,000 | £153,000 | £109,000 |
| | CF5 5 | | | | | | | | | | | | | |
| | CF11 8 | | | | | | | | | | | | | |
| Penarth & Dinas Powys | CF64 1 | £461,000 | £403,000 | £318,000 | £286,000 | £249,000 | £212,000 | £249,000 | £228,000 | £196,000 | £221,000 | £192,000 | £134,000 | £93,000 |
| | CF64 2 | | | | | | | | | | | | | |
| | CF64 3 | | | | | | | | | | | | | |
| | CF64 4 | | | | | | | | | | | | | |
| | CF64 5 | | | | | | | | | | | | | |
| Rural South and Coast (incl Llantwit Major) | CF61 1 | £392,000 | £338,000 | £275,000 | £240,000 | £205,000 | £175,000 | £204,000 | £187,000 | £165,000 | £183,000 | £164,000 | £121,000 | £85,000 |
| | CF61 2 | | | | | | | | | | | | | |
| | CF62 3 | | | | | | | | | | | | | |
| | CF62 4 | | | | | | | | | | | | | |
| Barry West | CF62 7 | £344,000 | £297,000 | £242,000 | £224,000 | £192,000 | £165,000 | £202,000 | £185,000 | £161,000 | £180,000 | £157,000 | £115,000 | £81,000 |
| | CF62 5 | | | | | | | | | | | | | |
| | CF62 6 | | | | | | | | | | | | | |
| Barry East | CF63 1 | £313,000 | £270,000 | £220,000 | £204,000 | £174,000 | £154,000 | £184,000 | £172,000 | £149,000 | £168,000 | £144,000 | £109,000 | £77,000 |
| | CF63 2 | | | | | | | | | | | | | |
| | CF63 4 | | | | | | | | | | | | | |
| | CF63 3 | | | | | | | | | | | | | |
| | CF62 9 | | | | | | | | | | | | | |
| | CF62 8 | | | | | | | | | | | | | |

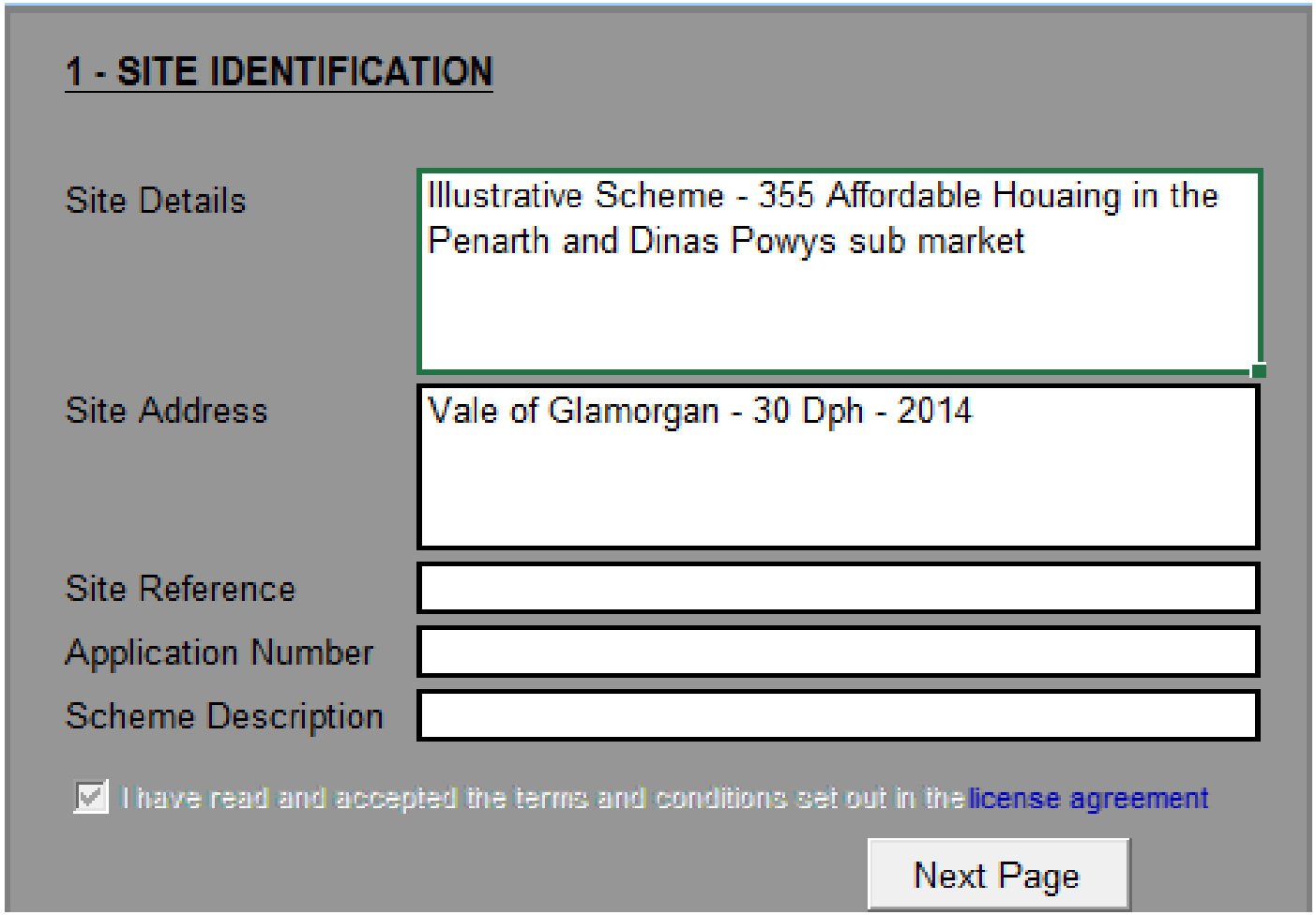
**Build costs (per sq m):**

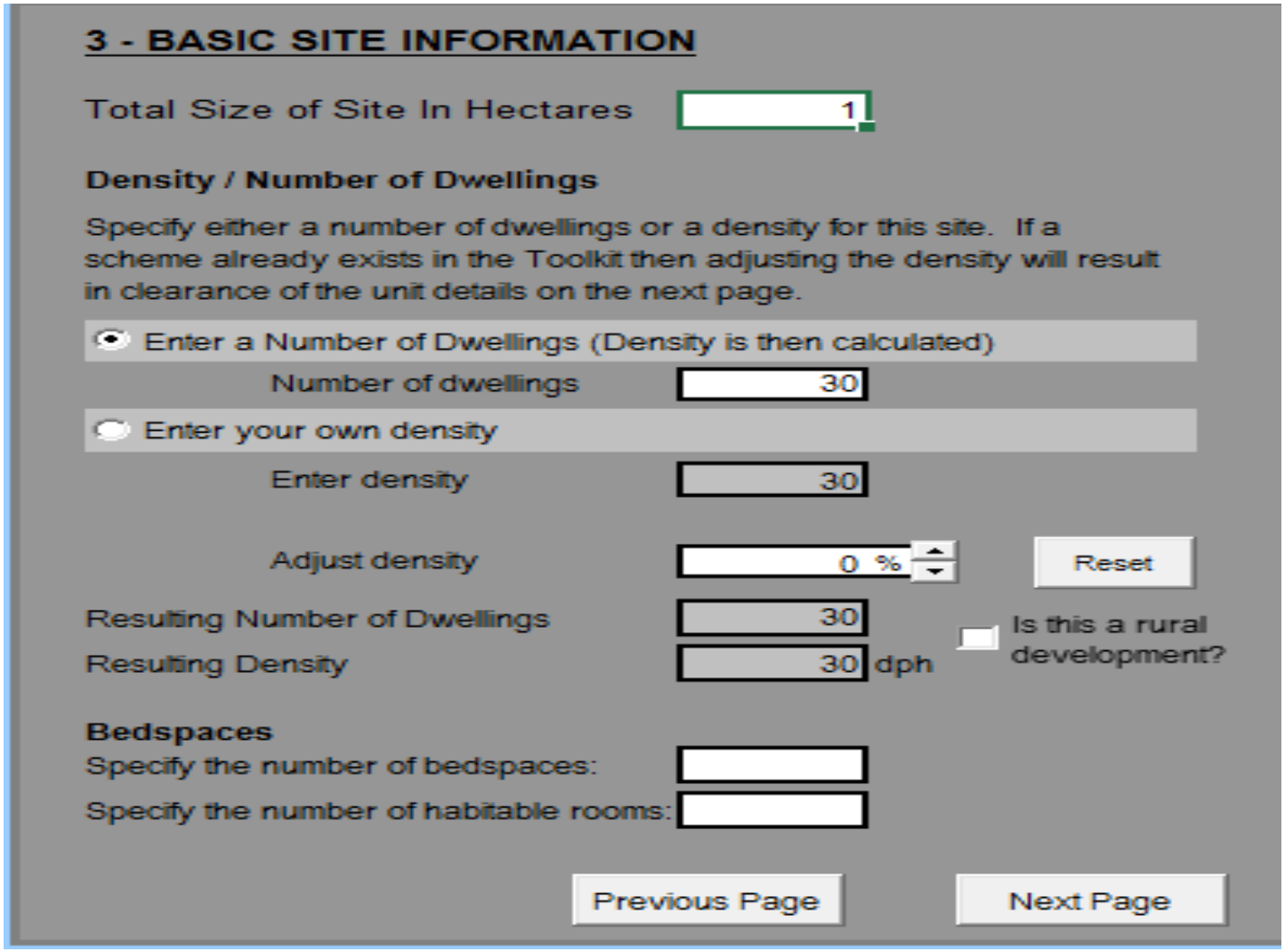
| | 2 Storey Estate Housing | Flats (Low Rise) |
|---|---|---|
| | | |
| Baseline | £916 | £1,083 |
| Externals and Infrastructure | £137 | £162 |
| | | |
| Sub Total (1) | £1,053 | £1,245 |
| | | |
| Less 5% Contractor Return | £53 | £62 |
| | | |
| Sub Total (2) | £1,001 | £1,183 |
| | | |
| Location Factor | £100 | £100 |
| | | |
| Working Cost | £1,001 | £1,183 |

## Development mix:

| Development Mix | 30 Dph | 40 Dph | 50 Dph | 75 Dph |
|---|---|---|---|---|
| | | | | |
| **Studio Flats** | | | | 5 |
| **1 Bed Flats** | | 5 | 15 | 25 |
| **2 Bed Flats** | | 10 | 20 | 40 |
| **1 Bed Terraces** | | | | 5 |
| **2 Bed Terraces** | | 20 | 25 | 15 |
| **3 Bed Terraces** | 10 | 20 | 30 | 10 |
| **4 Bed Terraces** | | 5 | | |
| **3 Bed Semis** | 10 | 10 | 5 | |
| **4 Bed Semis** | 10 | 10 | 5 | |
| **3 Bed Detached** | 20 | 10 | | |
| **4 Bed Detached** | 30 | 10 | | |
| **5 Bed Detached** | 20 | | | |
| | | | | |
| **Totals** | 100 | 100 | 100 | 100 |

**Appendix 2: Worked Example – 30 dph scheme at 35% Affordable Housing in the Penarth and Dinas Powys sub market**




3 - BASIC SITE INFORMATION
Total Size of Site In Hectares
1
Density / Number of Dwellings
Specify either a number of dwellings or a density for this site. If a scheme already exists in the Toolkit then adjusting the density will result in clearance of the unit details on the next page.
Enter a Number of Dwellings (Density is then calculated)
Number of dwellings
30
Enter your own density
Enter density
30
Adjust density
0 %
Reset
Resulting Number of Dwellings
30
Resulting Density
30 dph
Is this a rural development?
Bedspaces
Specify the number of bedspaces:
Specify the number of habitable rooms:
Previous Page
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## 4 - CHARACTERISTICS OF DEVELOPMENT

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

Clear Table — Click this button to clear table contents

Use Default Unit Types — Press this button to atomatically use the default units types and mix.

| Ref. | Description of Dwelling | No of Bed-Rooms | Dwelling Type | No of Units | Size in sq.m Affordable | Size in sq.m Market | Parking (flats only) | No. of Storeys (1-99) |
|---|---|---|---|---|---|---|---|---|
| 1 | 3 Bed Terraces | 3 | House | 3 | 80 | 78 | Surface | n/a |
| 2 | 3 Bed Semis | 3 | House | 3 | 84 | 82 | Surface | n/a |
| 3 | 4 Bed Semis | 4 | House | 3 | 98 | 104 | Surface | n/a |
| 4 | 3 Bed Detached | 3 | House | 6 | 90 | 94 | Surface | n/a |
| 5 | 4 Bed Detached | 4 | House | 9 | 110 | 120 | Surface | n/a |
| 6 | 5 Bed Detached | 5 | House | 6 | 120 | 135 | Surface | n/a |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 | | | | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 | | | | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 | | | | | | | | |
| 19 | | | | | | | | |
| 20 | | | | | | | | |
| | Total Number of units | | | 30.00 | | | | |

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

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## 5 - MARKET VALUES

This is a user entered scheme

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

Market Value price adjust (%) 100 % Reset Clear Table

| Ref. | Dwelling Type | No of Bed-Rooms | Market Value | Adjusted Market Value |
|---|---|---|---|---|
| 1 | 3 Bed Terraces | 3 | £228,000 | £228,000 |
| 2 | 3 Bed Semis | 3 | £249,000 | £249,000 |
| 3 | 4 Bed Semis | 4 | £286,000 | £286,000 |
| 4 | 3 Bed Detached | 3 | £318,000 | £318,000 |
| 5 | 4 Bed Detached | 4 | £402,000 | £402,000 |
| 6 | 5 Bed Detached | 5 | £461,000 | £461,000 |
| 7 | | | | |
| 8 | | | | |
| 9 | | | | |
| 10 | | | | |
| 11 | | | | |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | | | | |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |

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## 6 - TENURE MIX

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

(•) Input by Percentages ( ) Input by Quantity

| | | | AFFORDABLE | | | | |
|---|---|---|---|---|---|---|---|
| | | SALE | Social rent | Homebuy | Intermediate rent | Equity Share | No of Units |
| Ref. | Description | 65% | 28% | 7% | | | |
| 1 | 3 Bed Terraces | 2.0 | 0.8 | 0.2 | | | 3.0 |
| 2 | 3 Bed Semis | 2.0 | 0.8 | 0.2 | | | 3.0 |
| 3 | 4 Bed Semis | 2.0 | 0.8 | 0.2 | | | 3.0 |
| 4 | 3 Bed Detached | 3.9 | 1.7 | 0.4 | | | 6.0 |
| 5 | 4 Bed Detached | 5.9 | 2.5 | 0.6 | | | 9.0 |
| 6 | 5 Bed Detached | 3.9 | 1.7 | 0.4 | | | 6.0 |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | | | | | | | |
| 12 | | | | | | | |
| 13 | | | | | | | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| Total | | 19.5 | 8.4 | 2.1 | | | 30.0 |

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

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

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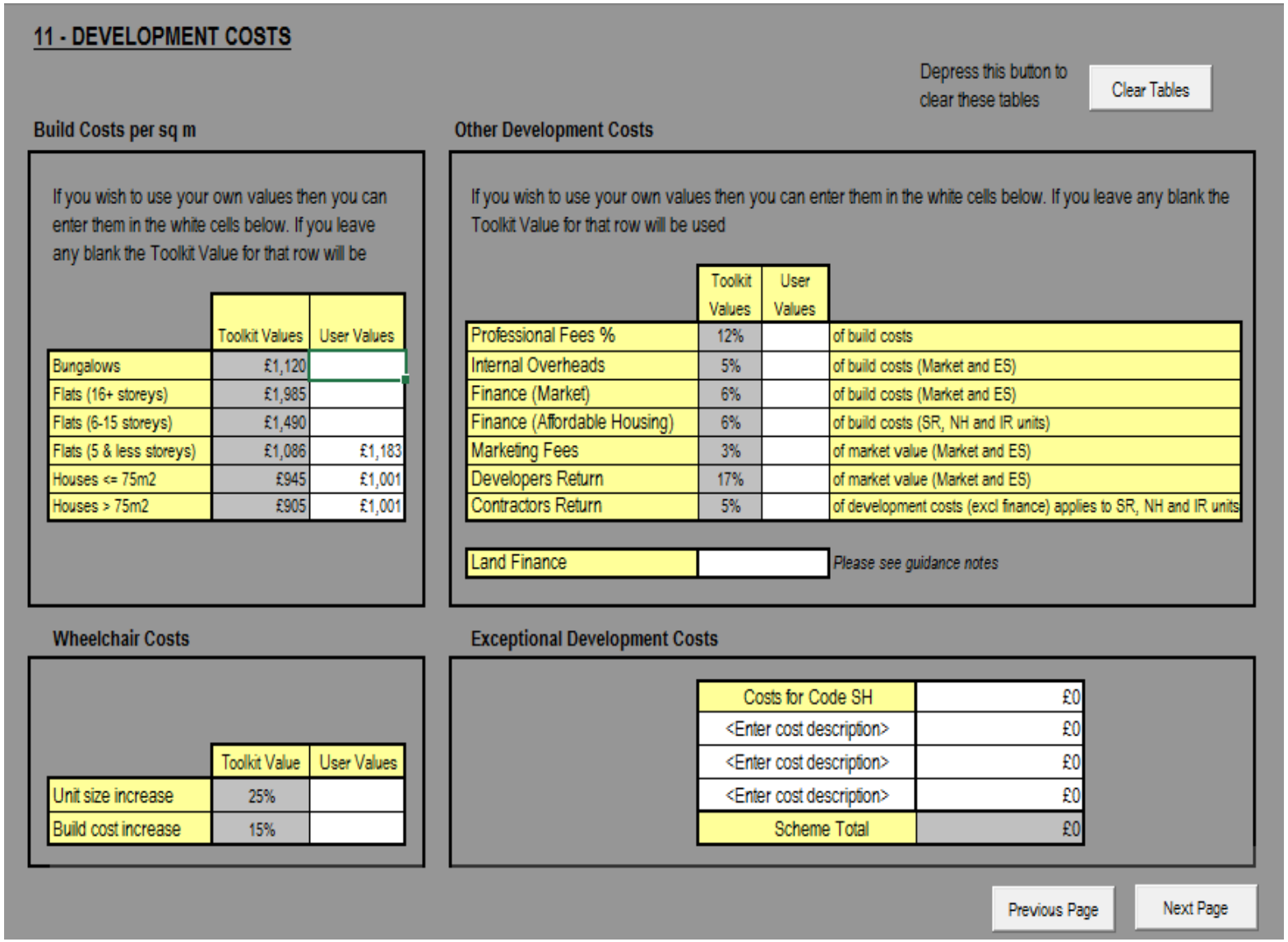

## 11 - DEVELOPMENT COSTS

Depress this button to clear these tables — Clear Tables

### Build Costs per sq m

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

| | Toolkit Values | User Values |
|---|---|---|
| Bungalows | £1,120 | |
| Flats (16+ storeys) | £1,985 | |
| Flats (6-15 storeys) | £1,490 | |
| Flats (5 & less storeys) | £1,086 | £1,183 |
| Houses <= 75m2 | £945 | £1,001 |
| Houses > 75m2 | £905 | £1,001 |

### Other Development Costs

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

| | Toolkit Values | User Values | |
|---|---|---|---|
| Professional Fees % | 12% | | of build costs |
| Internal Overheads | 5% | | of build costs (Market and ES) |
| Finance (Market) | 6% | | of build costs (Market and ES) |
| Finance (Affordable Housing) | 6% | | of build costs (SR, NH and IR units) |
| Marketing Fees | 3% | | of market value (Market and ES) |
| Developers Return | 17% | | of market value (Market and ES) |
| Contractors Return | 5% | | of development costs (excl finance) applies to SR, NH and IR units |

| | | |
|---|---|---|
| Land Finance | | *Please see guidance notes* |

### Wheelchair Costs

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

### Exceptional Development Costs

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

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## 12 - PLANNING OBLIGATIONS

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked.

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

Depress this button to clear the page [Clear Table]

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

| | |
|---|---|
| Obligations package per unit | £10,000 |

| | |
|---|---|
| Total for Scheme | £300,000 |
| Total for Scheme per hectare | £300,000 |
| Total for Scheme divided by total number of units | £10,000 |
| Total for Scheme divided by number of sale units | £15,385 |

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## 18 - KNOWN REVENUE

Enter the known payments to be made by the RSL to the developer]

| | Number Of Units | Known Revenue per unit | Revenue for the tenure | Method of Calculation | Total Revenue |
|---|---|---|---|---|---|
| Social Rent | 8.4 | £ 60,000 | | Per Unit | £ 504,000 |
| Homebuy | 2.1 | £ 127,000 | | Per Unit | £ 266,700 |
| Intermediate Rent | 0 | | | Incomplete | £ - |
| Equity Share | 0 | | | Incomplete | £ - |
| Or enter a known revenue for the scheme | | | | | £ 770,700 |

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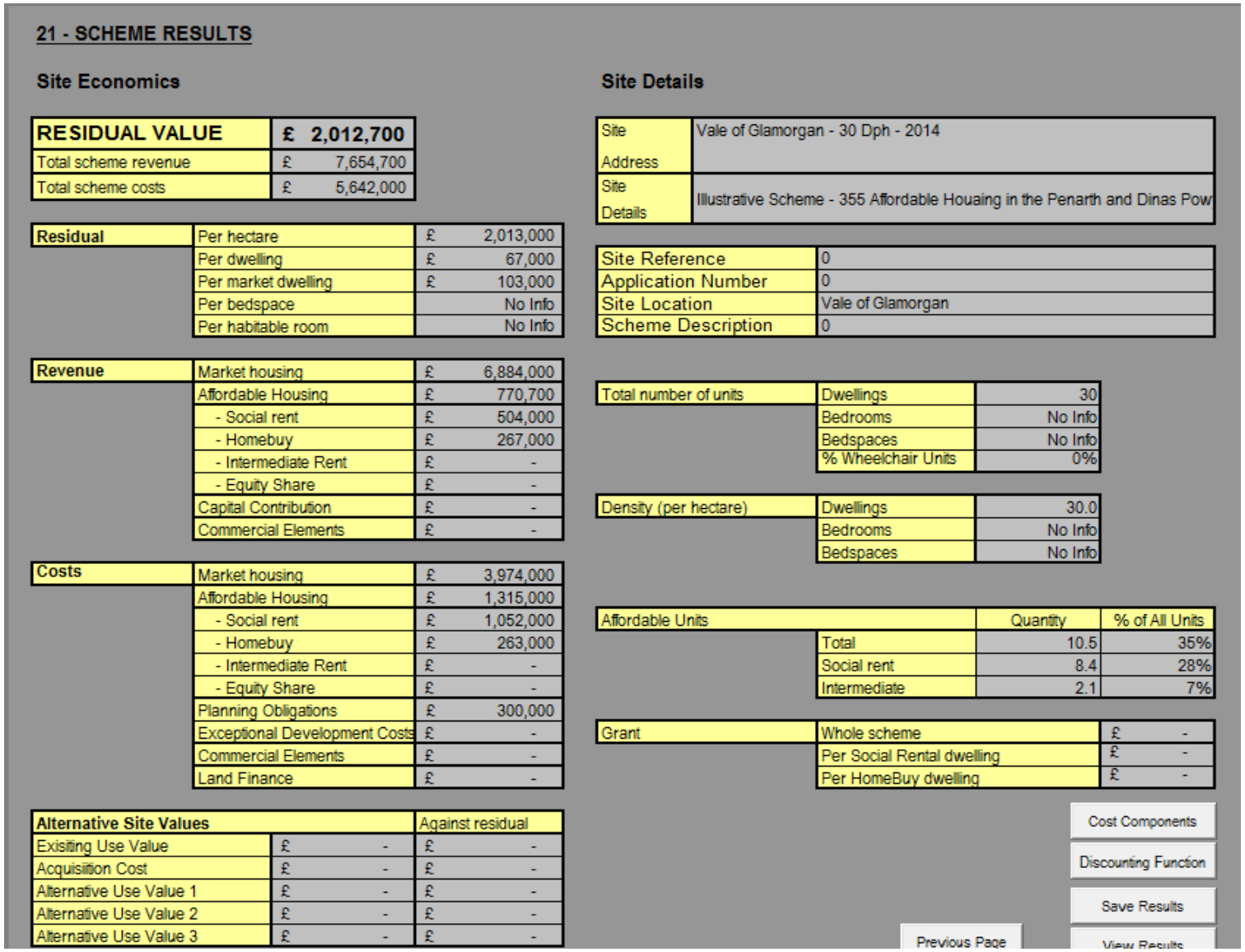

## 21 - SCHEME RESULTS

### Site Economics

| RESIDUAL VALUE | £ 2,012,700 |
|---|---|
| Total scheme revenue | £ 7,654,700 |
| Total scheme costs | £ 5,642,000 |

| Residual | | |
|---|---|---|
| | Per hectare | £ 2,013,000 |
| | Per dwelling | £ 67,000 |
| | Per market dwelling | £ 103,000 |
| | Per bedspace | No Info |
| | Per habitable room | No Info |

| Revenue | | |
|---|---|---|
| | Market housing | £ 6,884,000 |
| | Affordable Housing | £ 770,700 |
| | - Social rent | £ 504,000 |
| | - Homebuy | £ 267,000 |
| | - Intermediate Rent | £ - |
| | - Equity Share | £ - |
| | Capital Contribution | £ - |
| | Commercial Elements | £ - |

| Costs | | |
|---|---|---|
| | Market housing | £ 3,974,000 |
| | Affordable Housing | £ 1,315,000 |
| | - Social rent | £ 1,052,000 |
| | - Homebuy | £ 263,000 |
| | - Intermediate Rent | £ - |
| | - Equity Share | £ - |
| | Planning Obligations | £ 300,000 |
| | Exceptional Development Costs | £ - |
| | Commercial Elements | £ - |
| | Land Finance | £ - |

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

### Site Details

| Site Address | Vale of Glamorgan - 30 Dph - 2014 |
|---|---|
| Site Details | Illustrative Scheme - 355 Affordable Houaing in the Penarth and Dinas Pow |

| Site Reference | 0 |
|---|---|
| Application Number | 0 |
| Site Location | Vale of Glamorgan |
| Scheme Description | 0 |

| Total number of units | | |
|---|---|---|
| | Dwellings | 30 |
| | Bedrooms | No Info |
| | Bedspaces | No Info |
| | % Wheelchair Units | 0% |

| Density (per hectare) | | |
|---|---|---|
| | Dwellings | 30.0 |
| | Bedrooms | No Info |
| | Bedspaces | No Info |

| Affordable Units | | Quantity | % of All Units |
|---|---|---|---|
| | Total | 10.5 | 35% |
| | Social rent | 8.4 | 28% |
| | Intermediate | 2.1 | 7% |

| Grant | | |
|---|---|---|
| | Whole scheme | £ - |
| | Per Social Rental dwelling | £ - |
| | Per HomeBuy dwelling | £ - |

Cost Components

Discounting Function

Save Results

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View Results