

Additional Hearing Session 26a: Affordable Housing

Representor ID - 31 - HBF Wales

2. Affordable Housing Provision

a. Is the approach to affordable housing reasonable in light of the available evidence, with particular regard to viability assumptions relating to: benchmark land values relative to available transactional data; contingency, site opening up costs, abnormals; and S.106 costs (with particular regard to the differences between the requirements that informed the evidence submitted at Hearing 6 and the requirements of the most up to date Planning Obligations SPG).

No. The HBF do not consider that the Councils position on viability and affordable housing is based on current available evidence, this view is expanded on below.

Benchmark land values

The HBF believe that the evidence it submitted to date clearly shows that although the Council have conceded that the Benchmark land value (BLV) which they used in their original viability work was too low, the new figures they have used are still below the current value at which land sold for housing in the Vale of Glamorgan achieves. The HBF consider that firstly the Council in their response to Action point 3 of session 6 have not accepted the principle that up to date local transactional evidence of land sales should be taken account of contrary to national guidance, this is highlighted by them not even taking account of the sites that the Council its self have sold for housing.

Paragraph 2.2.1 of Planning Policy Wales (Edition 9, November 2016) states that “deliverability and financial viability are key considerations and costs such as infrastructure and affordable housing must be considered during preparation of the plan”, with the accompanying footnote 8 stating that “Two useful sources of guidance on viability are the ‘Viability Testing Local Plans’ (the Harman Report) (2012) and the ‘RICS Financial Viability in Planning Guidance (2012).” Both documents advocate using market evidence and transactional data in determining benchmark land values over and above a simple Current Use Value (CUV) with an uplift

Secondly the information provided by the HBF to allow a comparison of recent sales prices was not used by the Council in responding to the Action point, as the Council stated that we did not provide any evidence. The HBF have subsequently, as part of our response to the MAC’s consultation, provided additional up to date evidence of recent land purchase

prices across the Borough which identify a much higher BLV than the Council have used. The HBF request that the impact of this additional transactional data needs to be considered in relation to the viability of sites to ensure that the proposed LDP policies do not slow down or stop future housing sites coming forward and putting at risk the plans delivery of its housing target.

The HBF also note that the Council in trying to justify its approach refers to other LDPs throughout Wales which have considered and accepted an uplift over and above current use value as a basis for deriving benchmark land value, citing examples at Caerphilly, RCT and Monmouthshire. Firstly, the development industry consistently did not support that approach in those LDP Examinations. Secondly, Caerphilly and RCT were amongst the first LDPs to be adopted in Wales and were not subject to as much scrutiny as the more recent LDPs. Thirdly, all of the above authorities have a failing housing land supply, with Caerphilly and RCT (at 1.5 years) amongst the worst in Wales and Monmouthshire at 4.1 years (which has triggered an early review of the plan), therefore fundamental concerns remain over this methodology.

Contingency, site opening up costs, abnormals:

None of the above additional cost associated with housing development have been accepted by the Council, and it is important to say that these cost are different and separate to one another. Yet the evidence submitted by the HBF to the MAC's would suggest that other viability assessments do include them, including those referred to in the Councils own evidence. HBF consider that its members experiences show that all housing development is subject to a level of unknown costs, accordingly any viability assessments should accept that they are an integral part of the development process and include an additional allowance for them. The HBF do not consider that the 15% above BCIS costs currently proposed by the Council allows sufficient additional allowance.

We note reference by the Councils to the Monmouthshire (Three Dragons July 2014) CIL Viability Study in Action point 5 of session 6 which includes a screen shot of part of the document, however the screen shot does not include the next section of the document which includes additional cost for opening up costs (see screen shot below):

	£879 flats	until Jan 2016
Base residual s106	£1,000 per dwelling	To cover play only, based on the MCC Interim Policy Guidance costs of public open space and children's' play.

- 2.8 In addition to these costs, an additional allowance has been made for development on the larger sites to reflect additional costs for site specific infrastructure (opening up costs). As discussed at the development industry workshop, this is £100,000 per hectare. This in addition to the 15% allowance for external works.

We also note reference by the Council to the CIL Cardiff Viability Study (PBA August 2014) in Action point 5 of session 6 which includes a screen shot of part of the document, again the screen shot does not include the next two sections of the document which includes additional cost for contingency and opening up costs (see screen shot below):

- 5.3.20 Owing to the vintage of BCIS cost data, an additional cost allowance is added for increasingly stringent Building Regulations in Wales Part L (Conservation of fuel and power). Based on information from the Welsh Government Consultation Document (July 2012) and the accompanying cost benefit analysis by the Building Research Establishment Ltd (BRE), it is identified that the latest move from 40% to 8% reduction in emissions plus costs of sprinkler system coming into force in 2016, add an additional £3075 for a house and £879 for a flat (further details on costs are contained in the BRE cost benefit analysis).
- 5.3.21 Volume and regional housebuilders are able to operate within this figure comfortably, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller developers are unable to attain these economies, so their construction costs may be higher; however, this can be compensated for

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Economic Viability Study
City of Cardiff Council



by lower overheads, and this often enables smaller developers to acquire sites in competition. We have opted on the side of caution in our assumptions, with the addition of a 5% contingency.

Externals

- 5.3.22 In addition to the build cost, which relate just the building cost of the dwelling we also make an allowance for **externals**. Plot externals relate to costs for internal access roads, hard and soft landscaping. This will vary from site to site, but we have allowed for this at the following rate:

- 10% - Build Cost

Site opening costs

- 5.3.23 Developing Greenfield, brownfield and mixed sites represent different risk and costs. These costs can vary significantly depending on the site's specific characteristics. To reflect additional costs associated with the tested site typologies, the following assumptions apply:

- For brownfield site development for residential purposes, we have increased the build costs (for demolition and remediation) as follows:
 - Brownfield £200,000 per net ha
 - Large brownfield £150,000 per net ha
- On Greenfield sites we make an allowance for opening up works such as utilities, land preparation and spine roads. There will be different levels of development costs according to the type and characteristics of each site. As these are generic appraisals we have taken an average figure based on size of site. Opening up costs vary but generally increase as schemes get bigger. We therefore assume an opening cost of:
 - Greenfield £5k per unit
 - Large greenfield £10k per unit

Further an update to the PB document in 2016 included the following amendment: (see screen shot below)

Site opening up costs

- 3.4.2 In the August 2014 report, PBA applied opening up costs at £5,000 for typologies identified as 'greenfield' and £10,000 for typologies identified as 'large greenfield'. A representation referenced one of the larger tested typologies to incur opening up costs at approximately £14,000 per unit. PBA acknowledge that strategic sites may have higher opening up costs, and therefore have re-run the viability with opening up cost adjusted to reflect the size of the scheme as shown in **Table 3.7**.

Table 3.7: Site opening up costs as applied in the updated viability assessments

Size of site	Costs per unit
Sites up to 200 units	£5,000
Sites between 200 and 500 units	£10,000
Sites over 500 units	£14,000

The HBF therefore consider that the Vale have not provided enough evidence in their Action point response to justify not include an allowance for site opening up costs or a 5% allowance for contingency as required by RICS Guidance FINANCIAL VIABILITY IN PLANNING 2012 and used by the other Viability Reports they use in their own evidence.

S.106 costs

The HBF contend that the Draft Planning Obligations SPG submitted by the Council to the inquiry clearly identifies that S106 contributions for Housing site which come forward following the adoption of the Plan could be more than double that of the £10,000 / dwelling, currently allowed for in the viability study. The HBF would therefore request that the viability report should be reconsidered taking account of this higher level of S106 contribution.

A table identifying these cost was provided on page 3 of HBF's response (HBF additional comments on the LDP Action Points and subsequent Council responses) to the MAC's.

b. Is the Plan sufficiently explicit that negotiation on a site by site basis will be acceptable in instances where it can be satisfactorily demonstrated that the affordable housing requirements adversely affect development viability?

No. The current wording on this issue within the policy states 'THE PROVISION OF AFFORDABLE HOUSING WILL BE NEGOTIATED ON A SITE-BY-SITE BASIS' TAKING INTO ACCOUNT THE EVIDENCED VIABILITY OF THE DEVELOPMENTH' The HBF would request that the words 'or percentage requirement' should be added after the word 'provision'.

Further the text within paragraph 6.33 deals with developments where a viability issue has been identified, yet still states in such a circumstance the council 'may' negotiate the affordable housing. The HBF request the removal of the word 'may' as by this stage in the

process the Developer will have complied with the Councils Policy and SPG and will have submitted a viability assessment which proves that the development is not viable with the level of affordable required, so the Council should not have a choice as to whether or not to negotiate, therefore the word 'may' is not required. The Policy does not expressly and clearly state that should viability evidence demonstrate that affordable housing requirements adversely affect the viability of a development, then affordable housing requirements will be reduced in accordance with the findings of the viability exercise.

c. Is Policy MG4 sufficiently clear regarding the requirement for on-site provision of affordable housing, with specific reference to the changes proposed through MAC49 (Policy wording and paragraph 6.31)?

No. The proposed amended wording to policy MG4 only allows for offsite contribution only on sites of less than 10 units and not larger sites, however, there appears to be no rationale or evidence for such an approach.

Further the proposed amended wording to Policy MG4 which requires the affordable housing requirement on sites of more than 10 homes to be rounded up to the nearest whole number. This would result in an over provision of affordable housing and therefore does not meet the tests set out in Regulation 122 of The Community Infrastructure Levy Regulations 2010 (as amended).

Accordingly the HBF request that the amended text in Policy MG4 and paragraph 6.31 be revised, firstly, to remove the reference to rounding up and to replace it with text that enables part affordable housing provision to be delivered via financial contributions equivalent to that part of the affordable home in lieu of on-site provision, and secondly to clarify the policy wording so that off-site provision or commuted sums in lieu of on-site provision is acceptable on all sites, regardless of size.

The HBF finally note that there appears to still be a contradiction in the wording of the policy which say 'shall be provided' and the wording in the supporting paragraph 6.31 which says 'Council's preference'. The Policy and supporting text should be consistent with each other.

d. Is the requirement for affordable housing to meet DQR Standards consistent with national policy/ locally justified (paragraph 5.51)?

No. The HBF has already stated in its submitted evidence to both the inquiry and the MAC's that such a requirement is not supported by National Policy. The current requirement for DQR is a condition of Social Housing Grant awarded by WG. The HBF note that the Council in their evidence (para.11 Action point 12 session 6) state that all scheme in the Vale have delivered affordable housing to DQR standard, however having

checked with the developers of various sites this is not the case as many of them have been delivered to WHQS [Welsh Housing Quality Standards]. It is worth noting that this is a lower standard which has been accepted by the RSL's who have taken on the ownership/management of the new affordable properties. Further the HBF would clarify that any new affordable homes delivered to DQR have only been the social rented element of the scheme and the requirement for DQR has not been applied to the low cost home ownership properties.

The HBF cannot see any evidence submitted by the Vale Council to suggest or justify that there is a local justification for requiring all affordable homes to be built to DQR standard.