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**Vale of Glamorgan LDP - Affordable
Housing Statement**

Hearing Session 26a

Representor ID - 5020

Redrow Homes

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31083/02/GW/SC

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1.0

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).

1.1

As set out during Hearing Session 6 and in our subsequent representations to the MACs of 28 October 2016, NLP does not consider that the Council's approach to affordable housing is either reasonable or robust.

1.2

NLP's key objections are that:

- a Despite requests from the Inspector (Hearing Session 6 Action Point 3) the Council is still not using realistic benchmark land values in its viability assessment.
- b The Council has refused to revise its assumptions for build costs, and abnormal costs despite clear evidence of higher costs from the development industry and evidence from agreed site specific viability assessments.
- c The Council has failed to amend its assumptions for s.106 costs despite increasing requirements in its own draft Planning Obligations SPG by 29%.
- d For the above reasons the Council's viability assessment is flawed and needs to be re-run to establish robust affordable housing requirement percentages.
- e Even if the Council's viability update were considered to be robust it does not support the geographical application of the affordable housing percentages in Policy MG4 as amended.

1.3

The above failings mean the MAC changes are not underpinned by robust evidence (Soundness Test 2) and risk undermining the delivery of market housing and affordable housing within the Vale of Glamorgan (Soundness Test 3). Further, the changes are not consistent with Planning Policy Wales (Soundness Test 1).

Benchmark Land Values relative to available transactional data

- 1.4 Action Point 3 from Hearing Session 6 specifically required the Council to amend the benchmark land values used in the viability report to reflect realistic values in the light of available evidence. The development industry set out its views on this matter at Hearing Session 6 and subsequently HBF has provided further evidence of transactional data for the Vale of Glamorgan. This evidence points to average sales price per net hectare of £1.4m to £2.1m in the Vale outside of Barry were closer to £1m per net hectare
- 1.5 The Council has continued to argue that benchmarks should be in the region of £450,000 to £700,000 per hectare. The Council's response to Action Point 3 does not specify whether this represents a gross or a net figure. However, despite the difference between net and gross, the figure proposed by the Council is still significantly below evidence from the local market. This is despite the Council itself benefiting from land sales receipts ranging from £860,000 to £1.5m per hectare on land outside of Barry. Even on brownfield sites in Barry it has achieved receipts ranging from £500,000 to £1m per hectare.
- 1.6 Instead of using local transactional data the Council points to evidence from studies used in other areas. However, in its analysis the Council discounts Cardiff and Bridgend, despite these being the local authorities that in NLP's view provide the closest comparable in terms of values, particularly given they have overlapping housing market areas. If there is agreed to be a link between house prices and residential land values then 2016 Land Registry data demonstrates that Cardiff has the closest median house price (£180,000) to the Vale of Glamorgan (£184,000).
- 1.7 Instead the Council argues that the benchmark land values used in Caerphilly, RCT and Conwy studies provide better comparables. This approach clearly lacks credibility in terms of the fundamental difference in values between the valleys areas of Caerphilly and RCT and the generally more affluent Vale of Glamorgan. Median house prices in 2016 for Caerphilly were £116,000 and RCT £97,000.
- 1.8 The benchmark land values quoted for Caerphilly and RCT were used to inform their CIL viability assessments and whilst these were accepted following Examination (despite objection from the development industry) subsequent experience has been that housing development activity has been at a low level with neither authority now having a five year housing land supply (both at 1.5 years).
- 1.9 Redrow's only approved planning application in Caerphilly since the adoption of the LDP resulted in the payment of CIL for 32 units but no affordable housing was shown to be viable within the appraisals presented with the planning application.

- 1.10 The only justification for reference to Conwy appears to be that Dr Golland undertook viability work there, using the same methodology as in the Vale of Glamorgan. No justification is provided to this reference in respect of it having any relevance in housing market terms.
- 1.11 The Council also refers to a benchmark land value of £250,000 per gross ha for strategic greenfield sites in Monmouthshire and implies that it is agreed. This is not the case as the CIL has not yet been examined and is currently subject of strong objection from the development industry. It is unclear how the Council can assert in paragraph 24 that the £250,000 greenfield benchmark is the best comparable to the Vale of Glamorgan yet acknowledge that it is half the level Caerphilly and Merthyr Tydfil used in their CIL viability assessments which were up to £500,000/ha. It is clear to anyone working within the development industry, including landowners that the Vale of Glamorgan and Monmouthshire are significantly higher value areas than either Caerphilly or Merthyr Tydfil.
- 1.12 The Council has failed to use the most robust local transactional evidence when undertaking its viability assessments. As a consequence the methodology that underpins the assessment of viable affordable housing percentages within Policy MG4 is fundamentally flawed and needs to be recalculated. NLP is concerned that a failure to accurately reflect land values will result in a repeat of the situation experienced in RCT and Caerphilly where development sites, beyond the 'best' sites allocated, have been rendered unviable, and delivery rates have fallen substantially.

Build Costs and Abnormal Costs

- 1.13 Despite evidence presented at the previous Hearing sessions and in site specific viability assessments the Council has refused to amend its assumptions regarding total build costs.
- 1.14 Based on a review of 2016 BCIS data plus the 15% adjustment proposed by the Council and a further amendment to take account of abnormals, opening up and contingency costs, NLP considers that the average 'total build costs' (excluding S106) should be in the region of £1,262/sqm.
- 1.15 Redrow Homes has submitted confidential viability reports on four sites in the Vale within the past three years. These made allowances for abnormals, opening up and contingency costs. In each case, the reports were subject of scrutiny and were agreed by the Council.
- 1.16 It is noted that the figure set out above is lower than the total combined build costs agreed with the Council in the confidential viability statements. In these instances there were specific site conditions that increased costs beyond those Redrow had originally anticipated. This demonstrates that the increases proposed by Redrow are not an attempt to cover worst case build costs but instead to have a starting figure that is a truer representation of total baseline build costs.

- 1.17 The Council's viability assessment is based upon an assumed build cost of £1,001/sqm for houses and £1,183/sqm for flats including external costs. No adjustment has been made to take account of opening up costs or contingencies. When taken across a site, the out-dated and unadjusted figure applied by AGA would result in a very significant underestimation of total build costs.
- 1.18 By understating build costs the viability assessment overstates the residual land value. The assessment should be re-run using more reasonable build costs.

Draft Planning Obligations SPG (September 2016)

- 1.19 It does not appear that the Council has updated its viability testing to take account of its own revised planning obligation proposals. The requirement per dwelling for sustainable transport, education, open space and community facilities increases from £14,844 in the 2012 SPG to £19,163 in the 2016 version. These figures exclude contributions to public art, biodiversity and the mandatory management charge levied by the Council.
- 1.20 In spite of this, the Council's analysis only allows for £10,000 per dwelling for s.106 contributions. Whilst it is acknowledged that the full requirement should not be applied in all instances there should at least be a pro-rata increase from the £10,000 per dwelling figure.
- 1.21 Whilst we note that the Planning Obligations SPG remains a draft document, it was intended to support the emerging LDP and the consultation process occurred at the same time as the "matters arising" consultation. The misalignment between the draft SPG and the Council's viability assessment is therefore of considerable concern.
- 1.22 The viability assessment is underestimating development costs and thereby overstating the residual land value that might be achieved. As a result the viability assessment should be re-calculated using a more realistic s106 cost.

The Council's affordable housing requirements are not supported by its own evidence base

- 1.23 Table 1 in the Council's response to Action Point 8 of Hearing Session 6 sets out residual land values by housing sub market area. The Council then uses this information to justify different affordable housing requirement levels for different geographical areas. NLP considers that the Council needs to re-run the viability update to reflect true build and s.106 costs. Analysis of the table then needs to be informed by a more reasonable assessment of land owner expectations of land values so that robust affordable housing requirement figures can be determined for the relevant housing market area.

Geographical assessment of affordable housing requirements

- 1.24 The Council's viability update in Table 1 of Action Point 8 sets out its analysis by housing sub-market area. NLP supports this approach as it acknowledges the very significant variation in house prices across and within the Vale of Glamorgan. Instead of translating this evidence through into policy however the Council through MAC 49 now applies differential affordable housing rates to particular settlements and a 40% requirement to everything outside of settlement boundaries.
- 1.25 This defies the housing market area approach within its own viability assessment. This is a particular concern in the Rural South and Coast area where residual land values are a fraction of those in the more affluent areas but would still be expected to provide 40% affordable housing.
- 1.26 A review of Land Registry price paid data highlights that the Vale of Glamorgan has the greatest variation in house prices of any local authority in Wales. This is an indicator of the very different HMAs that exist within a small geographical area, something that has been further underlined by NLP's analysis of the sale of semi-detached houses between January and August 2016:
- a The median price paid was £195,000, and the inter-quartile range £100,000.
 - b Within the proposed 40% affordable housing areas, the median price paid within these areas was £248,000, and the inter-quartile range was £95,400 – 67% higher than in the 30-35% affordable housing areas of Barry and the Rural South area.
 - c Within the proposed 40% affordable housing area but excluding the settlements of Cowbridge, Dinas Powys, Llandough, Penarth, Sully and Wenvoe, the median house price paid was £264,500, and the inter-quartile range £125,373 – more than double that experienced within the 30-35% affordable housing zones.
- 1.27 This indicates that residential land values will fluctuate widely, cautioning against the blanket application of a 40% affordable housing requirement across the rural Vale beyond existing settlement boundaries. Whilst a requirement for 40% affordable housing may be feasible in very limited locations, it will be prohibitive in others. The Council's approach needs to reflect these unusually high variations.
- 1.28 NLP request that MAC49 is not taken forward and as a minimum that the sub market areas should form the basis for affordable housing percentages. Consideration should also be given to whether a finer grain approach should be applied to housing market areas or at least a recognition in the LDP that the Council needs to be responsive to the complexity of its housing market area and not strictly apply higher affordable housing percentages where sales values clearly depart from the assumptions in the Council's LDP viability assessment.

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)?















- 1.29 The MAC49 policy wording states that affordable housing shall be provided on site. This contradicts the approach then set out in supporting paragraph 6.31 which clarifies that the Council's preference is for on-site provision but that where appropriate the Council may allow a proportion of the affordable housing to be delivered off site or through the provision of commuted sums to facilitate affordable housing in areas of greatest need.
- 1.30 NLP considers that the flexibility set out in the explanatory text to the policy is the correct approach and requests that the wording in the policy is adjusted to reflect this necessary flexibility. This could be achieved by the inclusion of the words '*will normally be provided on site*' in respect of affordable housing provision.



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