

Vale of Glamorgan Council Viability Study

Final Report

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INTRODUCTION

Review of project aims

- 1.1 The Vale of Glamorgan Council appointed Three Dragons to prepare an Affordable Housing Viability Assessment (AHVA) compliant with the requirements of the Welsh Assembly Government's TAN2 which emphasises the importance of viability testing policy targets.
- 1.2 The overall aim and purpose of the study is to:
 - Advise on the most ambitious yet achievable and viable target(s) and threshold(s) for affordable housing which fully reflect the availability of a range of finance towards affordable housing and reflects priority infrastructure needs;
 - To assess the impact of the profile of sites within the Vale of Glamorgan on housing viability;
 - Advise on a robust policy position with respect to the setting of thresholds which do not impact on the delivery of housing in the Vale.
- 1.3 The study will support the Council's Local Development Plan providing a key piece of evidence on the viability of housing development by setting deliverable affordable housing targets and by assessing an appropriate threshold which should trigger affordable housing contributions. The study should be robust to the period of the LDP although recognising that the Council may wish to re-visit the findings should there be significant market change.

National Policy Context

- 1.4 This study focuses on the percentage of affordable housing sought on mixed tenure sites and the size of site from above which affordable housing is sought (the site size threshold). LPAs require AHVSs as part of their evidence base for use in preparing LDPs. The importance of gathering evidence about development economics was identified in TAN2 which states that, in relation to setting the affordable housing target:

“The target should take account of the anticipated level of finance available for affordable housing, including public subsidy, and the level of developer contribution that can realistically be sought”. (TAN 2, Para 9.1)
- 1.5 Guidance from the Welsh Assembly Government on the preparation of Affordable Housing Delivery Statements (2007 – 2011)¹ by local authorities re-iterates the importance of viability evidence in identifying targets for affordable housing delivery.

“Targets for the amount of affordable housing to be provided should reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and on the likely levels of finance available for affordable housing, including both public subsidy such as Social Housing Grant and the level of developer contribution that could reasonably be secured. A viability calculation is equally relevant in a buoyant or a depressed market. The needs of both current and future occupiers should be provided

¹ Published by the Welsh Assembly Government in February 2009

for, building on evidence in the Local Housing Market Assessment.” (Para 1.24)

- 1.6 The courts have further emphasised the importance of robust viability evidence to underpin affordable housing policies in development plans. The Court of Appeal, in July 2008, decided on a case brought against Blyth Valley Council. The court stated that:

“.....an informed assessment of the viability of any such percentage figure is a central feature of the PPS 3 policy on affordable housing. It is not peripheral, optional or cosmetic. It is patently a crucial requirement of the policy.”

- 1.7 Evidence on viability is also required to demonstrate the robustness of the site size threshold to be set out in the LDP. The threshold identifies the size of site above which the LPA can seek affordable housing. TAN2 does not provide any national guidance on appropriate thresholds and leaves this to LPAs to identify. However, TAN does comment that,

“When setting site-capacity thresholds and site specific targets local planning authorities should balance the need for affordable housing against site viability”. (TAN2 para 10.4)

Local Plan Policy

- 1.8 The Vale of Glamorgan Unitary Development Plan (UDP) (1996 to 2011) was formally adopted on 18th April 2005. Housing Policy 12 of the Plan specifically refers to Affordable Housing and states that:

‘The Council will where there is a demonstrable need, seek to negotiate with developers for the inclusion of a reasonable element of affordable housing in substantial development schemes’.

- 1.9 The UDP explains that a ‘substantial development’ is defined as a housing development of more than 50 units. The UDP states that the bulk of affordable housing provision will be made in the urban areas of the Vale and in Barry and Penarth.

- 1.10 The UDP points (Para 4.2.8) out the ability of local authorities to set affordable housing policies in line with the policies set out in TAN 2.

- 1.11 In April 2009 the Council published Supplementary Planning Guidance (SPG) entitled ‘Planning Obligations’. This stated that:

*‘In light of the evidence contained in the recent Housing Market Assessment showing a high level of need for affordable housing throughout the Vale, the Council is likely in future to seek **at least 30%** affordable housing provision on major development sites in order to meet this need. In addition, the Council may seek affordable housing provision on smaller residential developments where there is evidence of a high level of need in the vicinity.*

- 1.12 By smaller residential development was meant development of less than 50 dwellings set out in the UDP.

- 1.13 Soon after, in October 2009 the Council published an Affordable Housing Delivery Statement (AHDS). This is understood to be the key policy document in looking at the Council's policy going forward. The AHDS was subject to consultation. The Council has responded in the document to points raised by consultees.
- 1.14 The AHDS states that the findings of the recent Local Housing Market Assessment (LHMA) suggested that the Council could justifiably set a requirement of 45% affordable housing on development sites. This would be subject to viability testing.
- 1.15 The AHDS states that the Council will require affordable housing to be provided on sites capable of accommodating 10 or more units (or 0.3 Ha). In accordance with this policy, all qualifying sites will be expected to provide 30% affordable housing.
- 1.16 The AHDS states that where a developer considers that a site is affected by significant economic or other constraints that are 'sufficient to jeopardise meeting the Council's affordable housing requirements' then the developer will need to provide financial and other information to enable the Council to assess the nature, extent and impact of the constraints.
- 1.17 Some aspects of the ADHS were queried, in particular by the Home Builders Federation. The Council subsequently commissioned this piece of evidence which will aim to address these concerns in large measure.

Research undertaken

- 1.18 There were four main strands to the research undertaken to complete this study:
- Discussions with a project group of officers from the Council's Planning and Housing sections which informed the structure of the research approach;
 - Analysis of information held by the authority, including that which described the profile of land supply;
 - Use of the Welsh Development Appraisal Toolkit (DAT) to analyse scheme viability (and described in detail in subsequent chapters of this report);
 - A workshop held with developers, land owners, their agents and representatives from a selection of Registered Social Landlords active in the Vale. A full note of the workshop is shown in Appendix 1.

Structure of the report

- 1.19 The remainder of the report uses the following structure:
- Chapter 2 explains the methodology we have followed in undertaking the analysis of development economics. We explain that this is based on residual value principles;

- Chapter 3 provides analysis of residual values generated across a range of different development scenarios (including alternative percentages and mixes of affordable housing) for a notional 1 hectare site.
- Chapter 4 considers options for site size thresholds. It reviews national policy and the potential future land supply and the relative importance of small sites. The chapter considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed);
- Chapter 5 identifies a number of case study sites (generally small sites which are currently in use), that represent examples of site types found in the authority. For each site type, there is an analysis of the residual value of the sites and compares this with their existing use value.
- Chapter 6 summarises the evidence collected through the research and provides a set of policy options.

2 METHODOLOGY

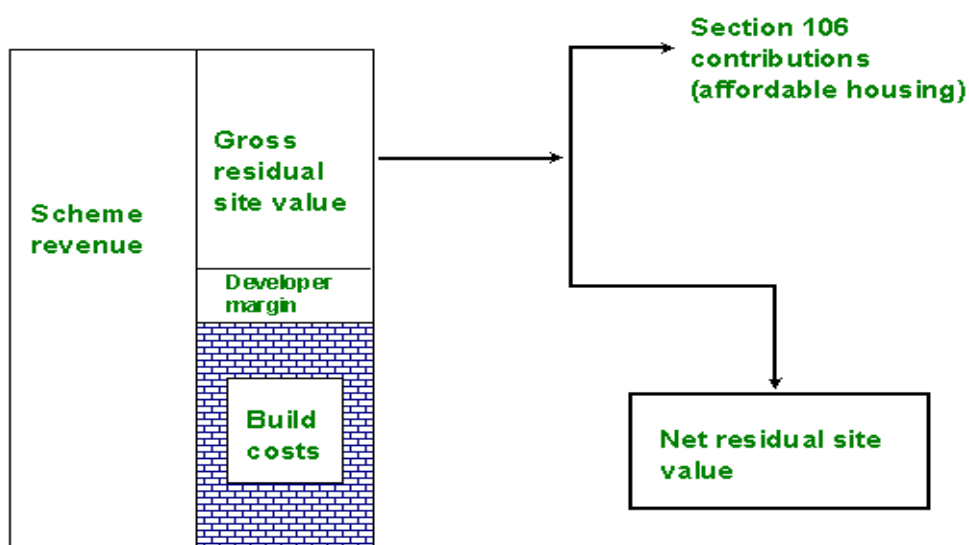
Introduction

- 2.1 In this chapter we explain the methodology we have followed in, first, identifying sub markets (which are based on areas with strong similarities in terms of house prices) and, second, undertaking the analysis of development economics. The chapter explains the concept of a residual value approach and the relationship between residual values and existing/alternative use values.

Viability – starting points

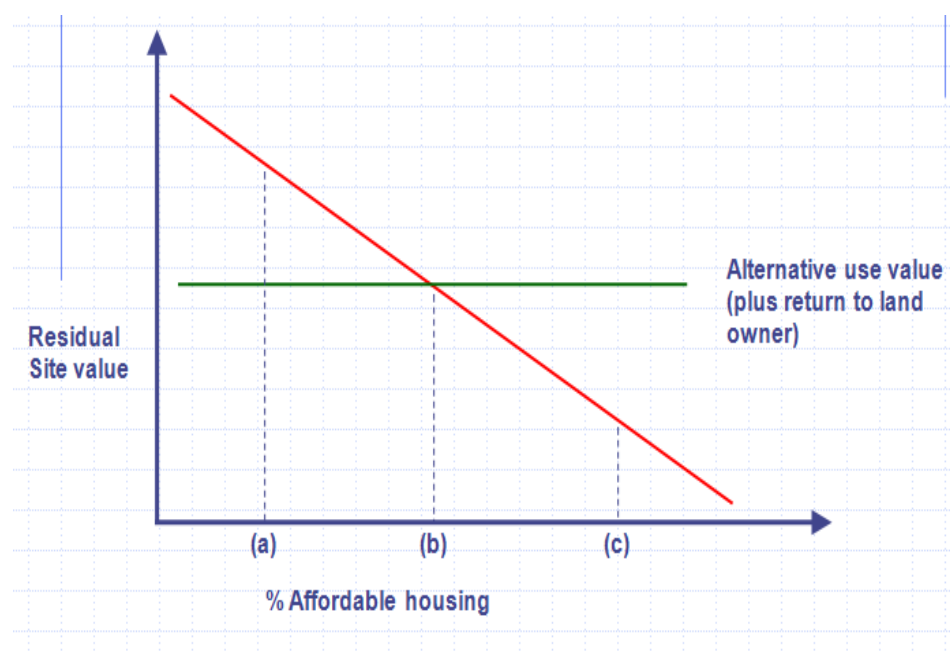
- 2.2 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates and what it costs to develop. The model can take into account the impact on scheme residual value of affordable housing and other section 106 contributions.
- 2.3 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.
- 2.4 The gross residual value is the starting point for negotiations about the level and scope of section 106 contribution. The contribution will normally be greatest in the form of affordable housing but other section 106 items will also reduce the gross residual value of the site. Once the section 106 contributions have been deducted, this leaves a net residual value.

Figure 2.1 Theory of the Section 106 Process



- 2.5 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.
- 2.6 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 of the site, or indeed a realistic alternative use value for a site (e.g. commercial) 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.
- 2.7 Figure 2.2 shows how this operates in theory. Residual value falls as the proportion of affordable housing increases. At some point (here 'b'), alternative use value (or existing use value whichever is higher) will be equal to scheme value. If there is a reasonable return to the land owner at point 'b' i.e 'b' reflects best possible current use value (alternative or existing) and there is a sufficient return, then the scheme will come forward. At point 'c', affordable housing will make the site unviable. At 'a' the scheme should be viable with affordable housing. The diagram does not assume grant. Grant should be used to 'lever out' sites from their existing or best alternative uses.

Figure 2.2 Affordable housing and alternative use value



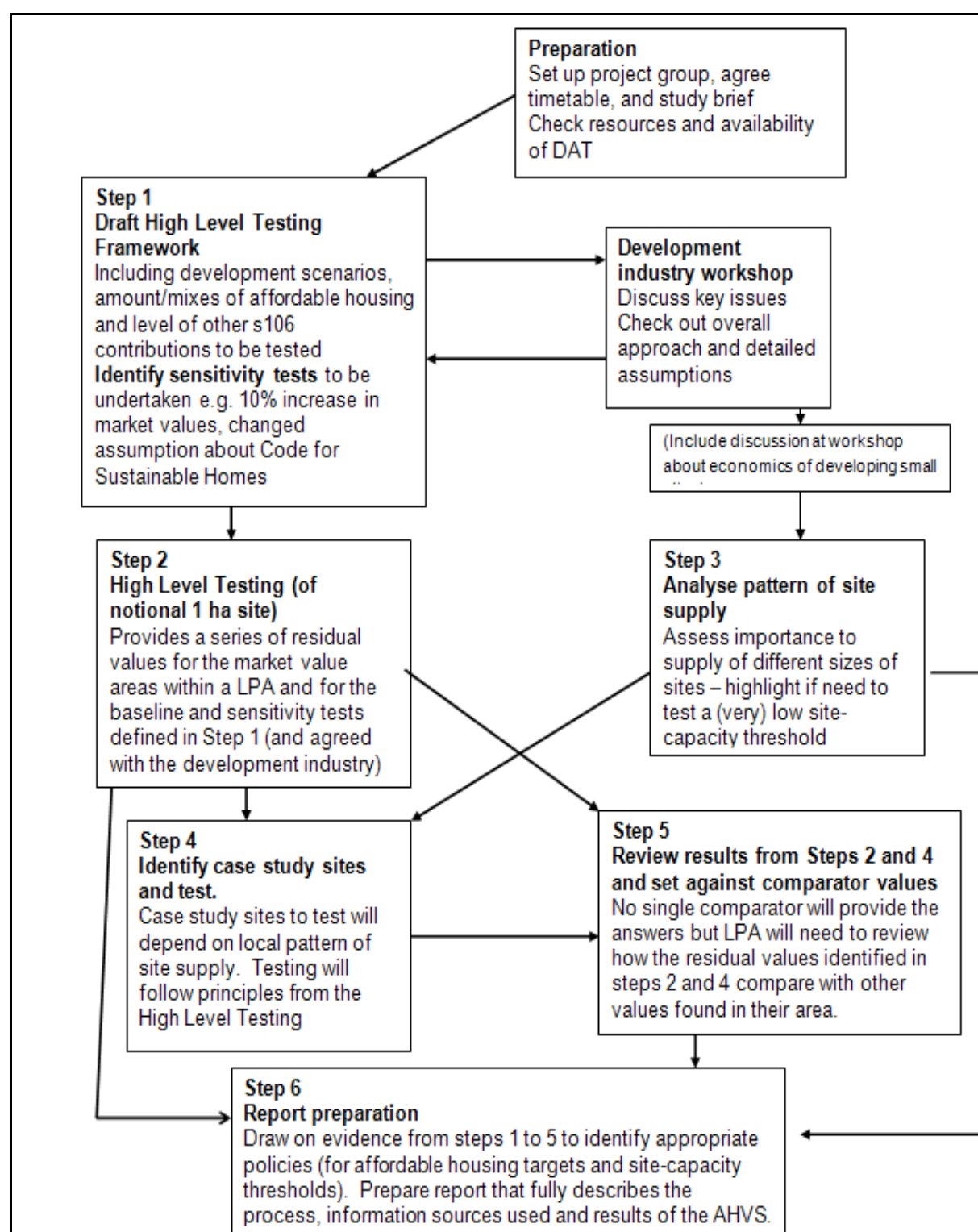
- 2.8 The analysis we have undertaken uses a Three Dragons Viability model. The model is explained in more detail in Appendix 2, which includes a description of the key assumptions used.

Good practice approach

- 2.9 We have adopted the approach promoted in SEWSPG's (South East Wales Strategic Planning Group) Good Practice Guide to carrying out affordable housing studies. The general approach has been endorsed by the development industry in Wales.

2.10 A summary of the approach is shown in Figure 2.3 below.

Figure 2.3 Good practice approach to carrying out affordable housing viability studies (SEWSPG Guide)



3 HIGH LEVEL TESTING

Introduction

- 3.1 This chapter of the report considers viability for mixed tenure residential development for a number of different proportions and types of affordable housing. The analysis is based on a notional 1 hectare site and has been undertaken for a series of market value areas that were identified as part of the analysis underpinning the development of Wales DAT (Development Appraisal Toolkit). The chapter explains this and explores the relationship between the residual value for the scenarios tested and existing/alternative use values.
- 3.2 The analysis relates to scheme residuals which we would expect to be achieved across a range of sites including brown and green field situations. Housing development on green field sites for example will not necessarily be less expensive in terms of costs than would be the case for brown field sites. For instance, where there are clearance costs required on brown field sites these are often much better located in terms of local infrastructure provision than is the case with green field sites. The site specific costs, and indeed, values, will therefore need to be assessed through the Development Appraisal Toolkit as and when these become known as sites are brought forward.

Market value areas

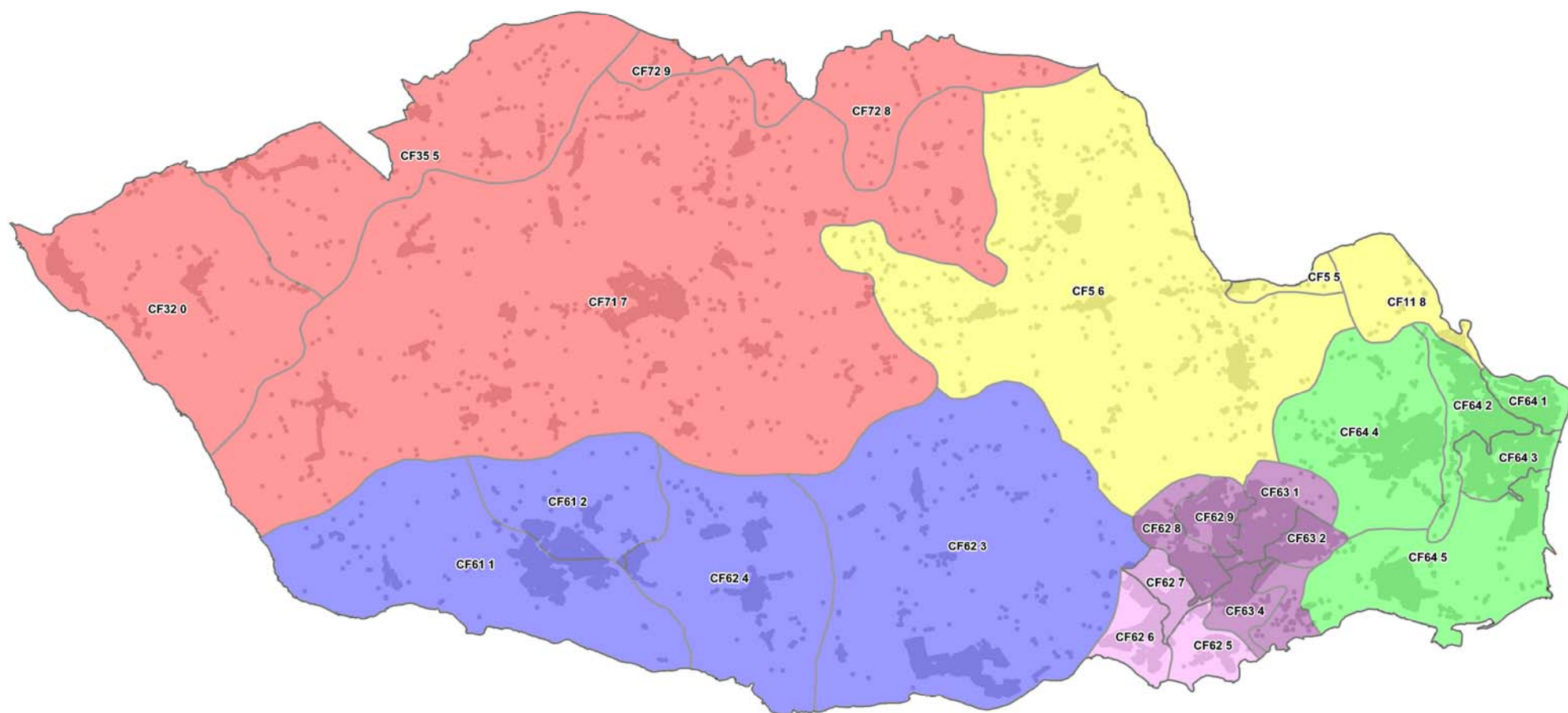
- 3.3 Variation in house prices will have a significant impact on development economics and the impact of affordable housing on scheme viability.
- 3.4 We have undertaken a full analysis of development across the housing market, using HM Land Registry data to identify market value or sub market areas in the District. The analysis applies as at February 2010.
- 3.5 The purpose of this analysis is to help establish a broad starting point for target setting in the light of the general relationships between development revenues and development costs. Table 3.1 and Map 1 below sets out the market value areas or sub markets for the Vale.

Table 3.1 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 Three Dragons

Map 1: Vale of Glamorgan Housing Submarkets by Postcode



Testing assumptions (notional one hectare site)

- 3.6 For the viability testing, we defined a number of development mix scenarios, using a range of assumptions agreed with the council and as applying in the DAT.
- 3.7 The development mixes were as follows:
- 30 dph: including 10% 3 bed terraces; 10% 3 bed semis; 10% 4 bed semis; 20% 3 bed detached; 30% 4 bed detached; 20% 5 bed detached.
 - 40 dph: including 5% 1 bed flats; 10% 2 bed flats; 20% 2 bed terraces; 20% 3 bed terraces; 5% 4 bed terraces; 10% 3 bed semis; 10% 4 bed semis; 10% 3 bed detached; 10% 4 bed detached.
 - 50 dph: including 15% 1 bed flats; 20% 2 bed flats; 25% 2 bed terraces; 30% 3 bed terraces; 5% 3 bed semis; 5% 4 bed semis.
 - 75 dph: including 5% studio flats; 25% 1 bed flats; 40% 2 bed flats; 5% 1 bed terraces; 15% 2 bed terraces; 10% 3 bed terraces.
- 3.8 We calculated residual site values for each of these (base mix) scenarios in line with a further set of tenure assumptions. These were 10%; 15%; 20%; 25%; 30%, 35% and 40%. These were tested at 65% Social Rent and 35% HomeBuy in each case, as this was the level of need identified in the LHMA. For HomeBuy, the share purchase was assumed to be 60%. For the purposes of the viability calculation, this assumes the payment from an RSL will be 60% of the open market value of the unit. This is believed to be a rate at which units will be affordable to prospective HomeBuy occupiers, although the rate may vary in practice according to local market conditions. All the assumptions were agreed with the authority.
- 3.9 We are aware that the current difficulties in obtaining mortgages for households on lower incomes is affecting the intermediate affordable housing sale market. In the short term, this may mean that the mix of affordable tenures which is provided will be different from that which we have modelled. However, the figures we have used are intended to provide information for the local authority to use in planning for the longer term and hence the balance of tenures we have modelled. This is considered to be a safe assumption based on market and economic trends over the long term and in view of the fact that, the authority will be able to consider the economics of individual schemes with a different affordable housing mix, using the DAT. or other development appraisal model if the trend continues in the short and medium term.

Other section 106 Infrastructure contributions

- 3.10 For the modelling we have undertaken (and unless shown otherwise) we have assumed that other planning obligations have a total cost of £5,000 per unit. This was a figure agreed with the Council as being a reasonable requirement on a per unit basis based on the current level of contributions. We test also at a contribution of £10,000 per unit as a higher potential level. In the event that the Vale of Glamorgan Council introduce a Community Infrastructure Levy (CIL) in the future, these

assumptions are likely to be safe in view of the DCLG assumptions that charging authorities are likely to charge between £5000 and £10,000 per unit for CIL.

- 3.11 We also consider separately the impact on viability of the Code for Sustainable Homes at code level 4.

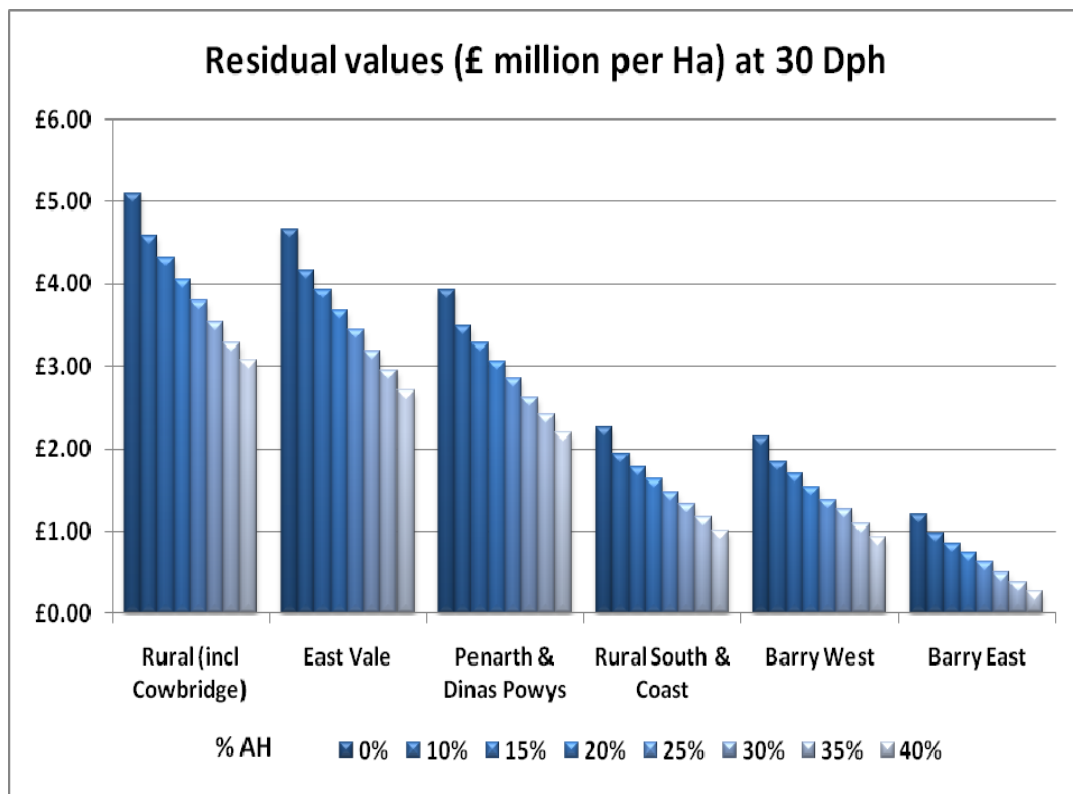
Results: residual values for a notional one hectare site

- 3.12 This section looks at a range of development mixes and densities. It shows the impacts of increasing the percentage of affordable housing on residual site values. Unless otherwise indicated, all the results are **without grant**. The full set of these results are shown in Appendix 3.

Low density housing (30 dph)

- 3.13 Figure 3.1 shows low density housing (30dph) and the residual values for each of the market value areas outlined in Section 3.

Figure 3.1 Low density housing (30 dph) – Residual value in £s million



- Figure 3.1 shows residual values on a per hectare basis for the six sub-markets. It shows that residual values are generally buoyant and that at 30 dph all residuals are positive. This means that, subject to considerations of existing use value, the Council will have a sound starting point for requiring affordable housing contributions including other Section 106 obligations.
- The chart (Figure 3.1) shows a fairly distinct split between on the one hand the Rural, East Vale and Penarth and Dinas Powys sub-markets, and, on the other, the Rural South Coast and Barry (West and East). The differences are marked. At 35% affordable housing (Figure 3.1) in Penarth (third highest value sub-market) residual value is higher than at

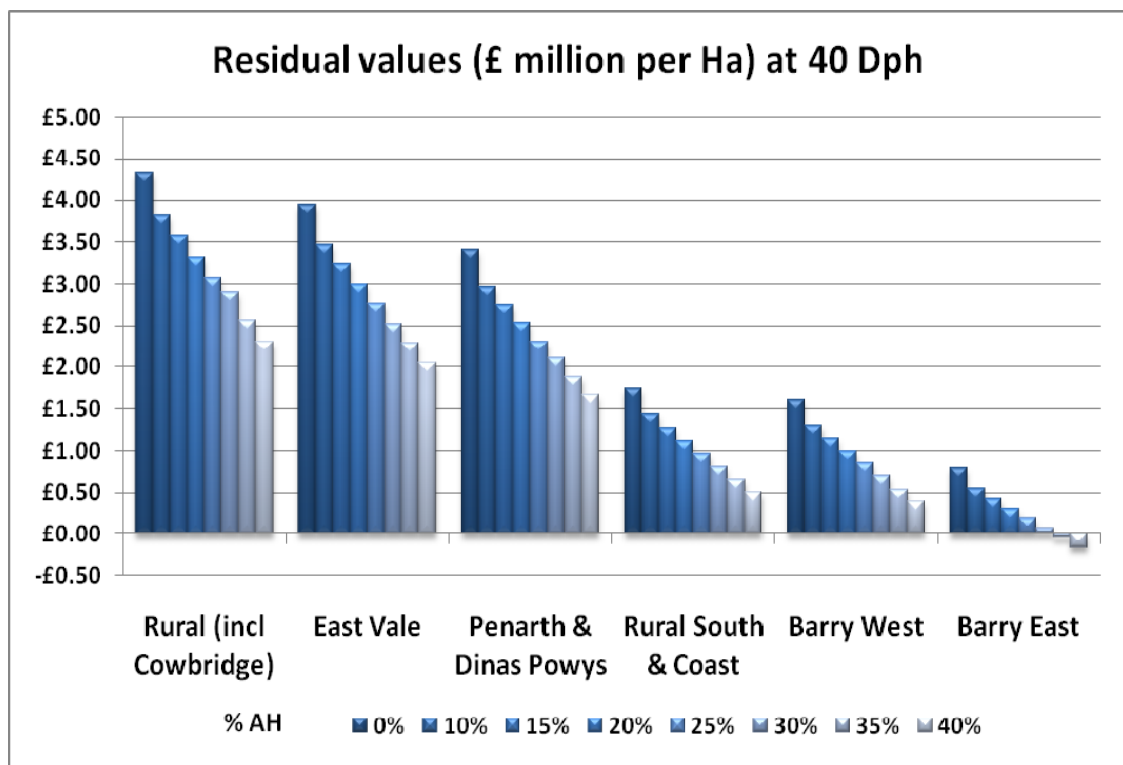
100% market housing in the next highest value sub market of the Rural South and Coast.

- The range in values has potentially important implications for policy making. The graph shows the very significant difference in residual values between areas and this difference creates a strong case for the Council to promote a split affordable housing target.

Medium density housing (40 dph)

3.14 Figure 3.2 shows medium density housing (40 dph) and the residual values for each of the market value areas.

Figure 3.2 Medium density housing (40 dph) – Residual value in £s million



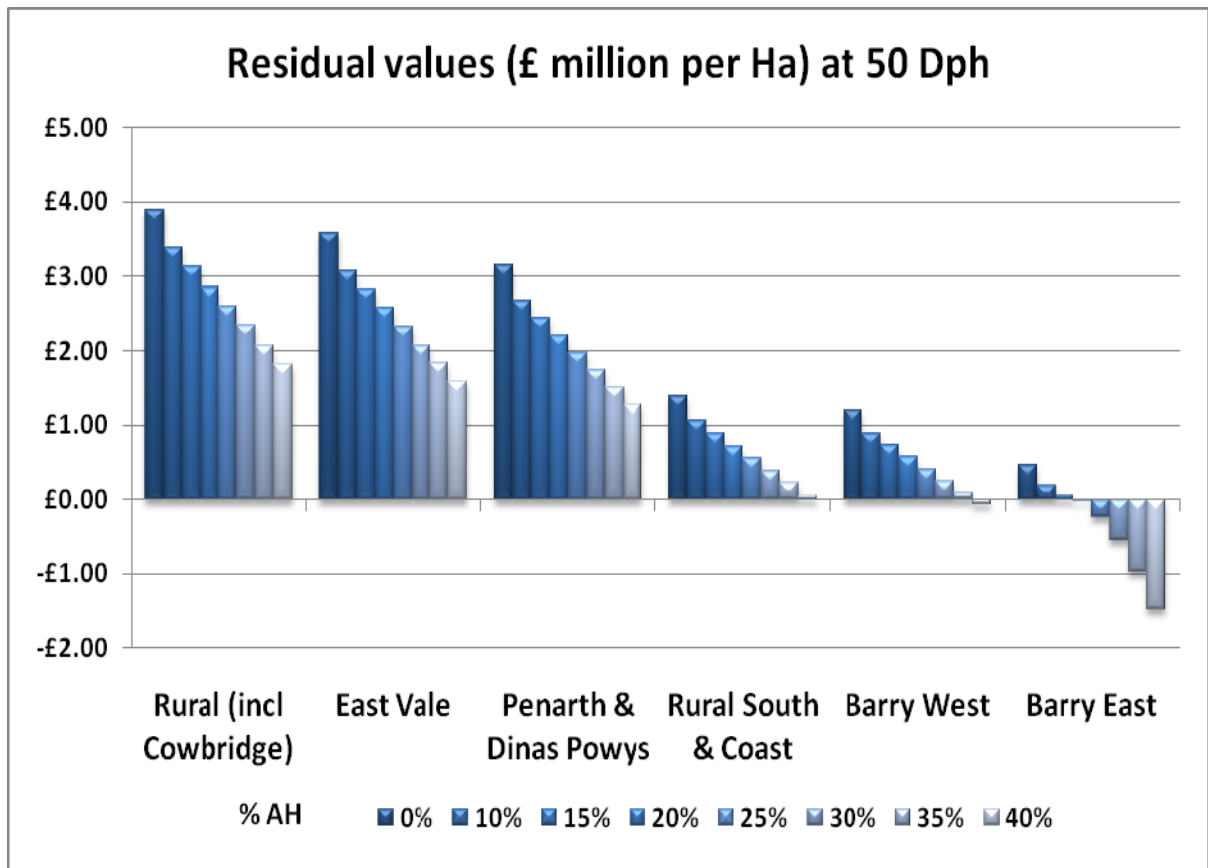
- The scenario at 40 dph generates a similar pattern of residual values as at 30 dph with the higher three sub markets generating significantly higher residual values than the three lower value sub markets.
- Residual values at 40% affordable housing in Penarth are £1.7 million per hectare, a significant value. At the same (40%) affordable housing target however in Barry West however, the residual value is £0.4 million per hectare.
- Figure 3.2 (40 dph) shows consistently lower residual values on a per hectare basis than is the case at 30 dph. This is we believe largely due to the assumptions made on development mix where the 30 dph scenario includes a high proportion of larger units which tend to 'cover' development costs better than smaller ones. We do not believe that a higher density in a location such as the Vale will systematically produce a lower residual than say at 30 dph.
- At the bottom end of the market; i.e. Barry East, residual value is negative at 35% and 40% affordable housing. This indicates a lack of

viability and a likelihood that even in the hot spots of this sub market an affordable housing contribution above 30% will be marginal.

Higher density (50 dph) scheme

3.15 Figure 3.4 shows a higher density scheme – at 50 dph, and the residual values for each of the market value areas.

Figure 3.4 Higher density housing (50 dph) – Residual value in £s million

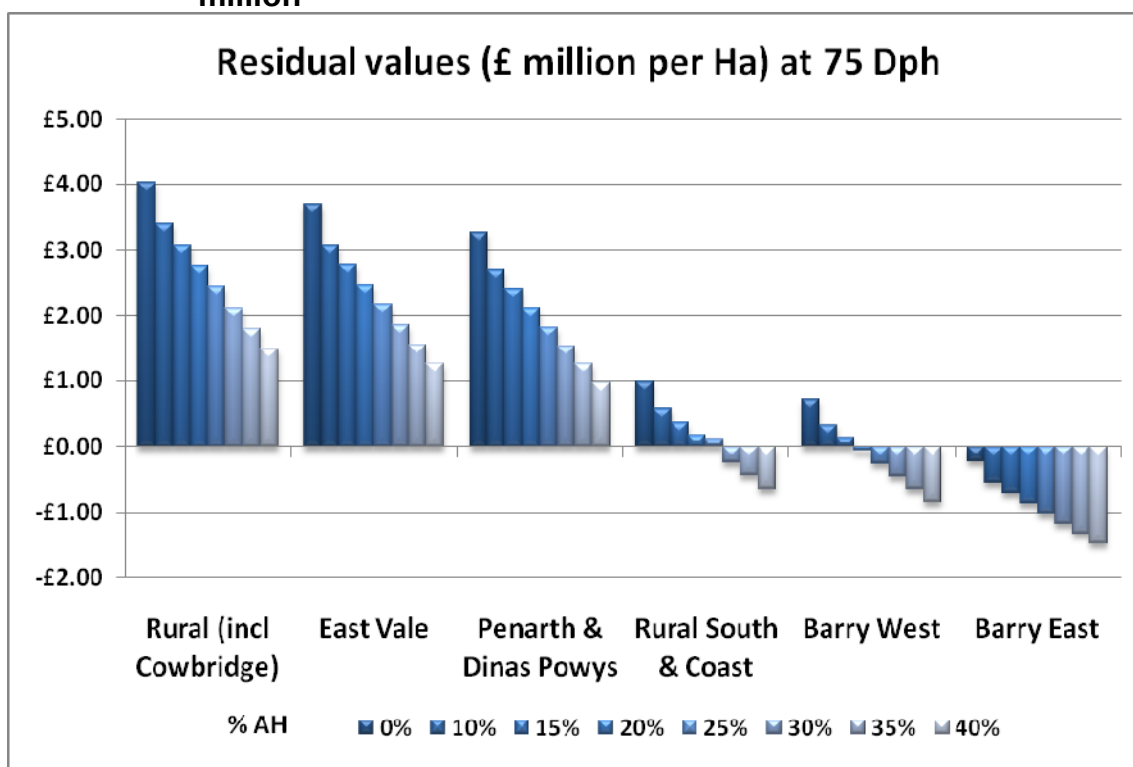


- Increasing density to 50 dph (from 40 dph) will reduce residual values in all instances (at all percentages of affordable housing and at all densities) except one. As previously we do not believe that an increase in density will deliver a lower residual in every case although the Council will need to consider the 'trade off' between density and location in maximising affordable housing contributions as sites come forward.
- At this density, it can be seen that residual values are still relatively high in the higher house price areas. In the Rural sub market, residuals at 40% affordable housing are approaching £2 million per hectare (£1.82 million per Ha). By contrast, significant negative residual values are now seen in Barry East. At 20% affordable housing residuals are negative and at 40% target, the residual is almost £1.5 million per hectare negative.
- The impact of affordable housing, where the gap between revenue and cost is marginal, as it is with smaller units (more included at 50 dph) is very significant. A mix of larger, and family type housing, is likely in many cases to generate the best returns for land owners

High density (75 dph) scheme

- 3.16 Figure 3.5 shows a higher density (75 dph) scheme. The main impact here is to decrease viability in most scenarios tested (versus the 50 dph scenario). However, in the higher value sub markets at lower and zero affordable housing, the impact is to increase residuals.
- 3.17 There is however (Figure 3.4) weak viability in Barry in particular. The analysis suggests that for this higher density development in Barry East, no affordable housing will be viable, and even that at 100% market housing, scheme residual will be negative or site value nil.

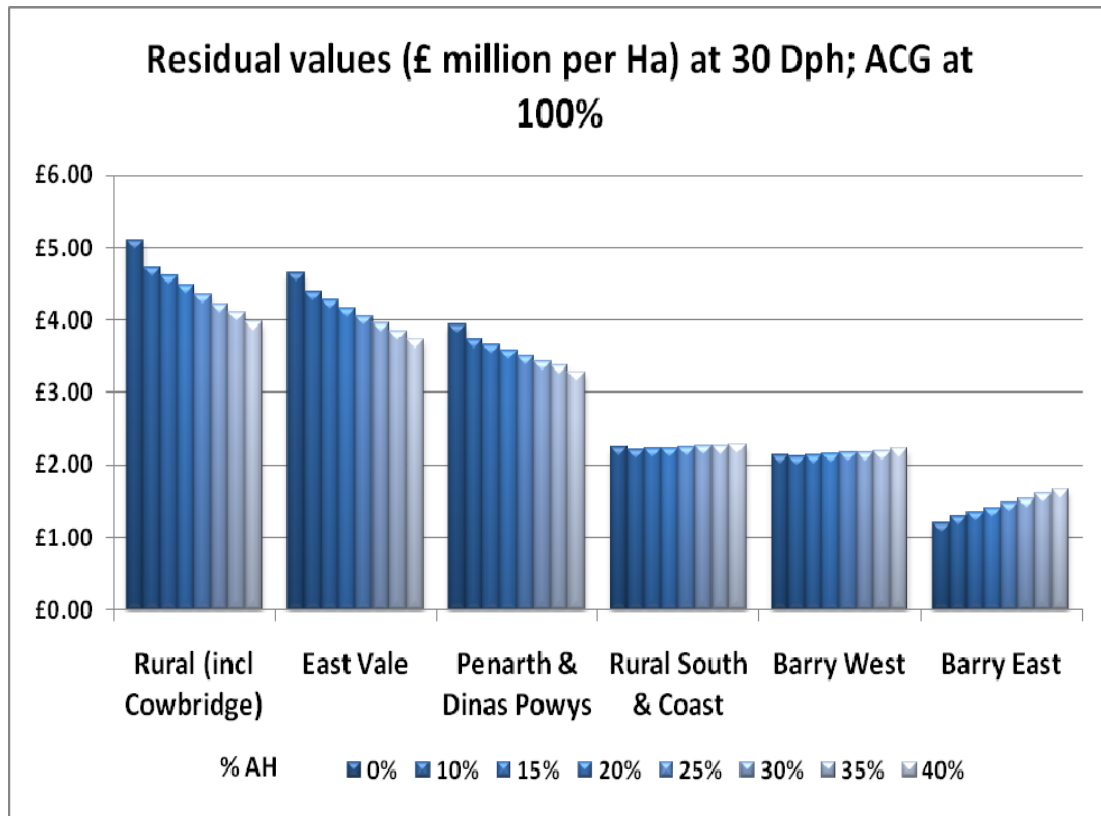
Figure 3.5 Higher density housing (75 dph) – Residual value in £s million



Impacts of potential grant funding

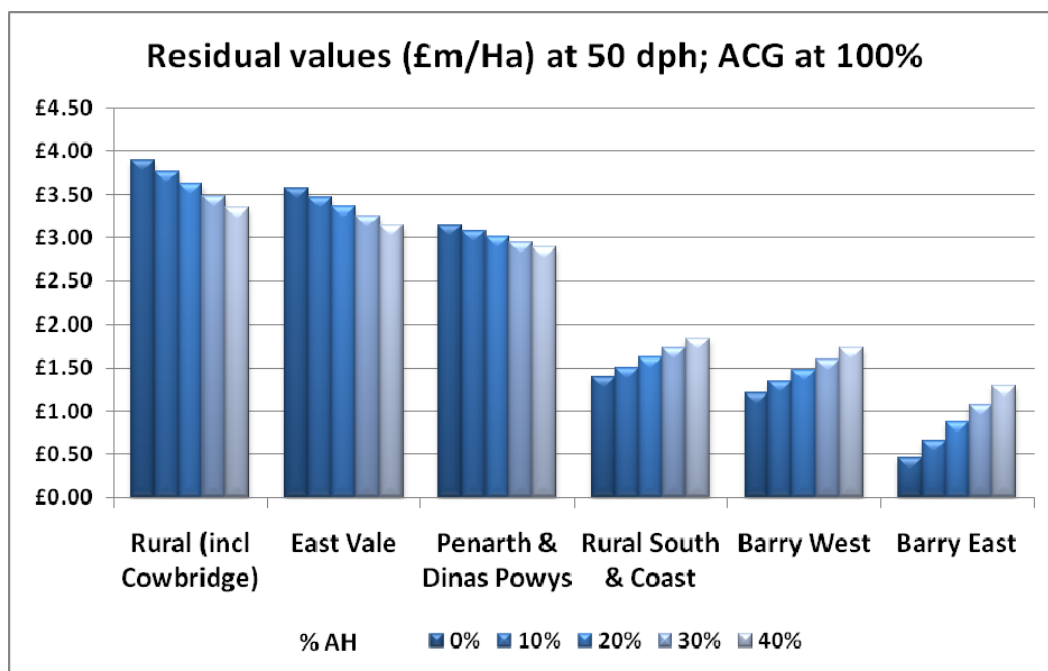
- 3.18 The availability of public subsidy, in Wales in the form of SHG (Social Housing Grant) money, can have a significant impact on scheme viability. Grant given to the affordable housing providers enables them to pay more for affordable housing units, thus increasing overall scheme revenue and therefore the residual value of a mixed tenure scheme.
- 3.19 We look here at the impact of the SHG funding regime on viability. We select here ACG (Acceptable Cost Guidance) Band Level 5, as a lower-point band range for the authority. We run the scenarios assuming SHG at 100% of ACG. Figure 3.6 shows the results for a 30 dph scheme.

Figure 3.6 Medium density housing (30 dph) – Residual value in £s million; ACG at 100%



- 3.20 Figure 3.6 shows the specific impacts of subsidy in a location such as the Vale. It shows two main impacts.
- 3.21 In the three higher value areas, residual value falls as affordable housing is increased within a scheme. In other words, the SHG subsidy scheme, whilst it significantly bolsters residual value, does not increase residual value as the affordable housing percentage increases.
- 3.22 In the three lower value sub markets, the pattern moves in the opposite direction. In other words, residual values actually rise as affordable housing is increased within a scheme. The lower the value of house prices in an area, the greater the impact of the SHG input to residual value. Residual value in Rural South and Coast at 40% affordable housing is 1% higher than at 100% market housing (nil affordable housing); in Barry East, residual value at 40% affordable housing is 40% higher than that at nil affordable housing.
- 3.23 The reason for the diverse trends is that in the higher value areas the opportunity cost of providing affordable housing supported by SHG is greater than in the lower value areas. Where house prices are low, grant supported affordable housing increases residual, where in the higher house price areas, residual value falls even when SHG support is available.
- 3.24 Figure 3.7 shows a similar pattern but at a higher density. The lower three value sub markets show a trend where residual values fall as the affordable housing target increases, whilst in the lowest three value sub markets residual values rise as affordable housing supported by grant is increased.

Figure 3.7 Medium density housing (50 dph) – Residual value in £s million; ACG at 100%

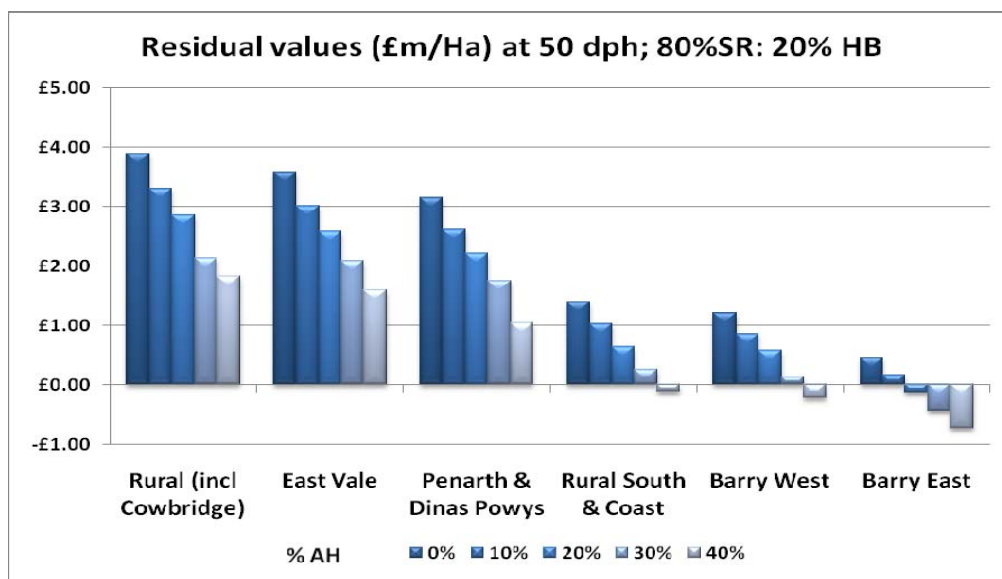


3.25 The trends are significant for policy making. Where grant can be obtained for schemes, the impact in terms of viability is significantly more 'elastic' in lower than higher value areas. This does not mean that higher value areas should not require grant, (as for example existing use values can be commensurately higher) but that the relative ability of higher value areas to cross subsidise affordable housing is greater.

Affordable element split 80% Social Rent and 20% Homebuy

3.26 The analysis carried out thus far has assumed an apportionment of 65% Social Rent and 35% Homebuy at each affordable housing target tested. We understand that the Council may consider, in consequence of its LHMA, a split of 80% Social Rent and 20% Homebuy. Figure 3.8 shows the results of this analysis.

Figure 3.8 Medium density housing (50 dph) – Residual value in £s million; Affordable element 80% Social Rent (SR) 20% Homebuy (HB)



- 3.27 The impact of the change in tenure will be felt most in the weakest sub market areas. Developing a scheme with an 80% SR: 20% HB split will reduce residual values by between 2% and 18% (rising with the overall) affordable housing target in Rural sub market. At 30% affordable, the reduction will be a relatively modest 10% reduction in residual.
- 3.28 At the other end of market scale – in Barry West for example, the range will be a reduction of 5% at 10% affordable housing to 92% at 30% affordable housing (a 40% target at an 80%:20% split will generate a negative residual).
- 3.29 Thus the Council can be more confident in going for an 80% SR: 20% HB split in the stronger sub market areas.

Impacts of achieving Code for Sustainable Homes Level 4

- 3.30 A further consideration in relation to viability is the achievement of a higher standard of build as envisaged in the Code for Sustainable Homes.
- 3.31 There are a number of problems in analysing the impacts of a higher code (we consider here Code 4) not least that there is a large range of costs which can impact on a scheme which operate within the same code.
- 3.32 The estimated costs of achieving Code Level 4 range from £2,000 to £12,000 per dwelling (Cyril Sweet, 2007 – Cost Review of the Code for Sustainable Homes). This depends on the extent to which different energy sources are adopted. We take here scenario 2 as a broad indication of costs (an additional £4,260 per end terrace) which represents 'Initial energy efficiency measures initially followed by use of small scale wind turbines and then biomass systems'. We model at £5,000 per unit; across a scheme at 40 dph this means £200,000 per hectare taken off residual value.
- 3.33 Table 3.2 shows the joint impacts of achieving Lifetime Homes Standards and Code for Sustainable Homes Level 4.

Table 3.2 Residual value (£s million per hectare) with Code for Sustainable Homes Level 4, at 50 dph (no grant)

	East Vale	Penarth	Barry West
0% AH	£3.69	£3.15	£1.25
10% AH	£3.22	£2.71	£1.05
20% AH	£2.75	£2.28	£0.74
30% AH	£2.27	£1.85	£0.45
40% AH	£1.80	£1.43	£0.15

- 3.34 Whilst residual values in the stronger market value areas will hold up, particularly at the lower percentages of affordable housing, the impact at higher percentages of affordable housing in the weaker market areas now becomes substantial. For example at 30% affordable housing, residual value falls by 45% in Barry West (against Code Level 3) whereas in East Vale the reduction in residual is only 11%.
- 3.35 It is important to state with respect to this analysis that it is only a sensitivity test, and one which increases costs whilst holding all other variables constant. In practice, it is not improbable that as the CSH requirements become mainstream, costs will reduce and future selling prices may have increased by the time the code is introduced thus allowing viability to be maintained.

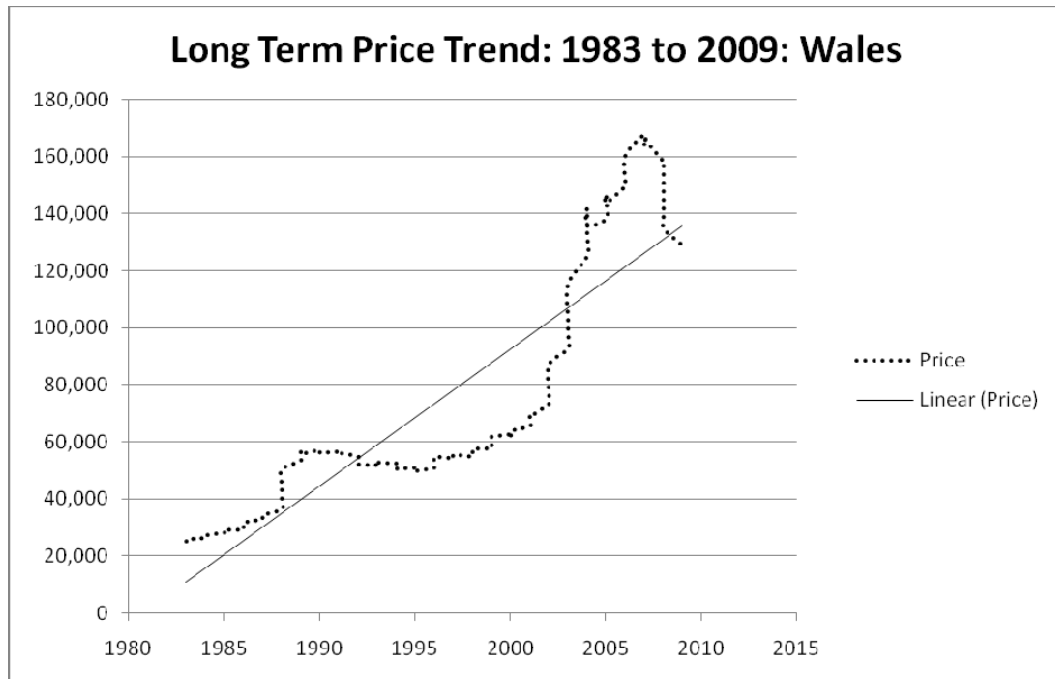
Impacts of a higher level of Section 106

- 3.36 The baseline analysis (Figures 3.1 to 3.5) assumed a Section 106 contribution (in addition to the affordable housing) of £5,000 per unit. A second test was to be applied at £10,000 per unit.
- 3.37 If this level of planning gain package was applied then the results would be the same as in Table 3.2 above. As previously, the consequence will be that residual values are hit disproportionately hard in the lower value areas.

Currency of market data

- 3.38 The analysis set out above relates to current house prices and development costs (at February 2010). In practice this situation may vary over the period of the Development Plan and therefore innumerable scenario tests are possible.
- 3.39 Figure 3.9 shows the current housing market position in relation to the long term trend. The chart shows the short term (fluctuating) trend as 'prices'. The long term trend is plotted by a straight regression linear line which minimises the variations between the range of price observations.

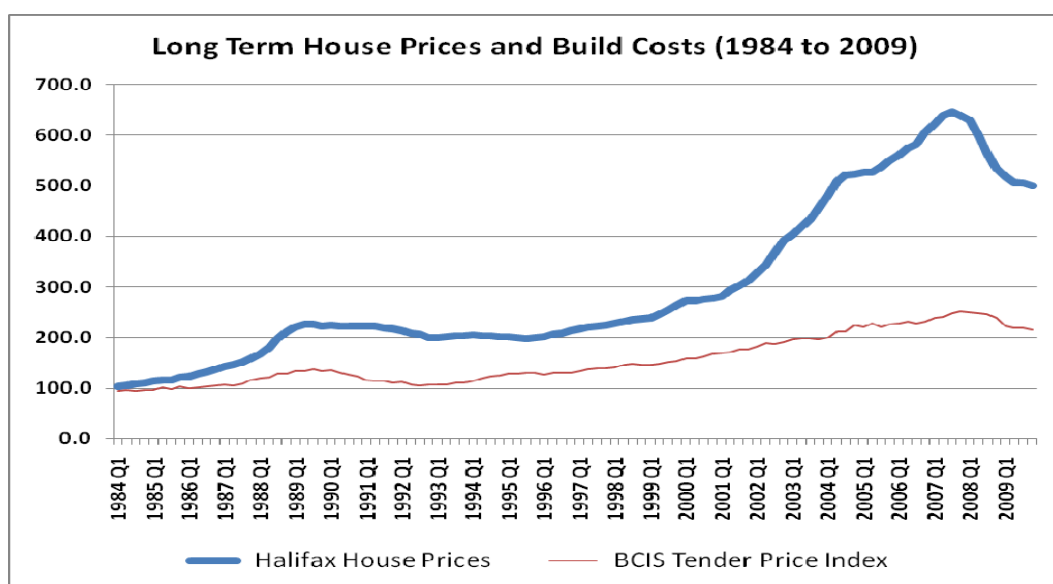
Table 3.9 Long and short term housing market trends in Wales



Source: Halifax House Price Index

- 3.40 The chart shows that as at Quarter 4 2009, the market is marginally under the longer term trend. It is very close to it. Therefore our analysis has not taken an unrealistically optimistic approach to calculating residual value. It can be seen that 2007 and 2008 were high points in the housing market in Wales.
- 3.41 Another measure is the longer term price and build cost trend. We show here both variables (for the UK) where it can be seen that over time viability of development has improved with a widening gap between prices and costs (Figure 3.10).

Figure 3.10 Long term house price and build costs trends



- 3.42 In so far therefore, that the housing market replicates in some measure its former trends, we would expect our analysis to hold for the Plan

period, although we would urge the Council to review the findings in the medium term to test whether there has been a widening or narrowing in the relationship between selling prices and development costs.

- 3.43 Short term fluctuations will need to be dealt with by the Council through the development control process, ideally using the DAT or other development appraisal models to reflect any changed circumstances.

Benchmarking results

- 3.44 There is no specific guidance on the assessment of viability which is published by national government. In Section 2, we set out that we think viability should be judged against return to developer and return to land owner.
- 3.45 One approach is to take “current” land values for different development uses as a kind of ‘going rate’ and consider residual values achieved for the various scenarios tested against these. Table 3.3 shows residential land values for selected locations across Wales.

Table 3.3 Residential land values regionally

WALES			
REGION	Small Sites (sites for less than five houses)	Bulk Land (sites in excess of two hectares)	Sites for flats or maisonettes
	£s per hectare	£s per hectare	£s per hectare
Cardiff	2,750,000	2,750,000	2,600,000
Carmarthen	900,000	900,000	850,000
Merthyr Tydfil	1,100,000	1,000,000	1,000,000
Bridgend	1,550,000	1,550,000	1,550,000
Swansea	1,400,000	1,400,000	1,800,000
Llandudno	1,000,000	850,000	1,000,000
Newport	1,900,000	1,900,000	1,400,000
Wrexham	1,000,000	850,000	1,000,000

Source: Valuation Office; Property Market Report, July 2009

- 3.46 The table indicates residential land values of around £1.5m per hectare for a location such as Bridgend which is probably the nearest comparable. This benchmark is lower than the residual at 40% affordable housing in Penarth and Dinas Powys for example, although is higher than the residual generated at 10% affordable housing in Barry West for example (40 dph scheme). It is likely that expectations for land values are lower in lower value areas such as Barry.
- 3.47 The workshop held suggested land values of around £1.3 million per hectare for the Bridgend area. This is for unserviced green field land.
- 3.48 Another benchmark which can be referred to is that of industrial land. Table 3.4 shows values of between £140,000 to £270,000 in the weaker areas with an overall average for the larger urban areas (Cardiff, Newport and Swansea as examples) of around £250,000 per hectare.

- 3.49 Residual Values at 40% affordable housing will clear this figure in Barry West

Table 3.4 Industrial land values in Wales

WALES			
	From £s per ha	To £s per ha	Typical £s per ha
Cardiff	210,000	315,000	270,000
Carmarthen	160,000	210,000	190,000
Merthyr Tydfil	135,000	200,000	160,000
Taff Ely	125,000	205,000	140,000
Swansea	190,000	245,000	235,000
Colwyn Bay/Llandudno	200,000	300,000	250,000
Newport	180,000	250,000	225,000
Deeside	200,000	300,000	250,000

Source: Valuation Office; Property Market Report, July 2009

- 3.50 The 'benchmark' of industrial land value can be important where land, currently in use as industrial land, is being brought forward for residential development or where sites may be developed either for residential or employment use.

4 LAND SUPPLY, SMALL SITES AND USE OF COMMUTED SUMS

Introduction

- 4.1 This chapter reviews the policy context and options for identifying the size of sites above which affordable housing contributions would be sought, in the national policy context.
- 4.2 The chapter provides an assessment of the profile of the likely future land supply and the relative importance of small sites. It then considers practical issues about on-site provision and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed).

Purpose of the Analysis

- 4.3 Evidence on viability is required to demonstrate the robustness of the site size threshold to be set out in the LDP. The threshold identifies the size of site above which the LPA can seek affordable housing. TAN2 does not provide any national guidance on appropriate thresholds and leaves this to LPAs to identify. However, TAN does comment that,
“When setting site-capacity thresholds and site specific targets local planning authorities should balance the need for affordable housing against site viability”. (TAN2 para 10.4)
- 4.4 By reducing site size thresholds and ‘capturing’ more sites from which affordable housing can be sought, an authority can potentially increase the amount of affordable housing delivered through the planning system.

Site supply analysis

- 4.5 We have analysed data based on granted planning permissions held on the Council’s Housing Land Availability Database, which the Council uses to monitor residential development.
- 4.6 The data relates to the total number of dwellings permitted for each scheme. The data tested includes information on past and more recently granted applications and therefore is considered representative of both historical and current development trends within the Vale. Schemes held on the database may not be started, are under construction and in some cases have been completed in part.
- 4.7 Table 4.1 sets out the overall picture in the Vale. It shows the number and percentage of dwellings falling under each site size category. Sites of one to four dwellings are the smallest sites considered; sites with capacity for more than 100 dwellings are the largest.
- 4.8 The analysis shows that a significant proportion housing supply is currently concentrated on larger sites. 31% of new dwellings arise from sites with a capacity for over 100 homes and 62% of all dwellings from sites with a capacity for more than 50 homes.
- 4.9 In this and the analysis that follows, we have excluded proposals at Barry Waterfront and at Rhoose. These sites are exceptionally large in the context of the Vale and would, if included, tend to distort the analysis.

Table 4.1: No of dwellings in different sizes of sites

Site Size	No of Dwellings	% of Total
1 to 4	629	15.20
5 to 9	258	6.24
10 to 14	215	5.20
15 to 24	288	6.96
25 to 49	171	4.13
50 to 100	1310	31.67
> 100	1266	30.60
		0
	4137	100.00

Source: Vale of Glamorgan Council

- 4.10 However, a significant number of dwellings emanate from smaller sites. Very small sites (one to four dwellings) supply 15% of all new homes and over 25% (26.6%) are on sites of less than 15 dwellings.
- 4.11 Table 4.2 shows the same analytical framework but with a focus on the two main settlements – Barry and Penarth.

Table 4.2: No of dwellings in different sizes of sites: Barry and Penarth

Site Size	No of Dwellings	% of Total
1 to 4	295	9.29
5 to 9	174	5.48
10 to 14	131	4.13
15 to 24	140	4.41
25 to 49	171	5.39
50 to 100	979	30.83
> 100	1285	40.47
	3175	100.00

Source: Vale of Glamorgan Council

- 4.12 The table shows that there is greater reliance on large sites than for the Vale as a whole. For example, over 70% of all new dwellings will be developed (2005 to 2009) on sites of more than 50 dwellings.
- 4.13 Around 20% of all new dwellings will be developed on sites of less than 15 dwellings. This is less than for the authority as a whole where the corresponding figure (Table 4.1) was 26%.

- 4.14 Table 4.3 shows the same analytical framework but with a focus on the four main towns excluding Barry and Penarth. These are Dinas Powys, Llantwit Major, Cowbridge and Rhoose.

Table 4.3: No of dwellings in different sizes of sites: Dinas Powys, Llantwit Major, Cowbridge and Rhoose.

Site Size	No of Dwellings	% of Total
1 to 4	131	26.10
5 to 9	36	7.17
10 to 14	60	11.95
15 to 24	65	12.95
25 to 49	0	0.00
50 to 100	210	41.83
> 100	0	0.00
	502	100.00

Source: Vale of Glamorgan Council

- 4.15 The table shows that there has been greater reliance on smaller sites within these towns than for the Vale as a whole and in the two major settlements of Barry and Penarth. For these four locations, approaching 50% (45%) of all dwellings granted permission are on sites of less than 15 dwellings. Nearly 60% of all dwellings on sites of less than 50 dwellings.
- 4.16 Table 4.4 shows the same framework but looking now at the remaining rural settlements (all settlements other than those included in the three categories above).

Table 4.4: No of dwellings in different sizes of sites –rural settlements

Site Size	No of Dwellings	% of Total
1 to 4	200	43.48
5 to 9	47	10.22
10 to 14	22	4.78
15 to 24	67	14.57
25 to 49	0	0.00
50 to 100	124	26.96
> 100	0	
	460	100.00

Source: Vale of Glamorgan Council

- 4.17 This table shows a greater reliance on smaller sites as previously (main towns), with almost 60% of dwellings originating on sites of less than 15 dwellings and over 40% on sites of less than five dwellings.
- 4.18 The analysis shows clearly the different picture for different size settlements with larger settlements relying more on larger sites than smaller ones. This provides the basis for differential threshold levels reflecting the ability of the current flow of planning consents to provide qualifying sites for affordable housing delivery.

Management of affordable housing

- 4.19 We discussed the suitability of different site types (including small sites) for affordable housing at the workshop with the development industry and which included representatives from developers and Registered Social Landlords (RSLs).
- 4.20 Neither small nor large sites were considered to be more economically viable to develop on a systematic basis. Small sites might not attract the economies of scale of larger schemes but, on the other hand, small sites can be relatively easy and quick to develop.

Use of commuted sums

- 4.21 As a general principle, we recognise that seeking on-site provision of affordable housing will be the first priority, in accordance with national planning guidance which encourages the promotion of mixed communities, and that provision of affordable housing on an alternative site or by way of a financial payment in lieu (or commuted sum) should only be used in exceptional circumstances.
- 4.22 Our approach is that the commuted sum should be equivalent to the 'developer/landowner contribution' if the affordable housing was provided on site. One way of calculating this is to take the difference between the residual value of 100% market housing and the residual value of the scheme with the relevant percentage and mix of affordable housing.
- 4.23 If the 'equivalence' principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution.

Potential reductions in Section 106 obligations

- 4.24 Any concerns about scheme viability (whatever size of site) should be reflected by providing grant or altering tenure mix, or by a 'reduced' affordable housing contribution whether provided on-site, off-site or as a financial contribution. Other planning obligations may also need to be reduced under some circumstances where there is planning merit and / or public interest in the site being developed

5 CASE STUDY VIABILITY ANALYSIS

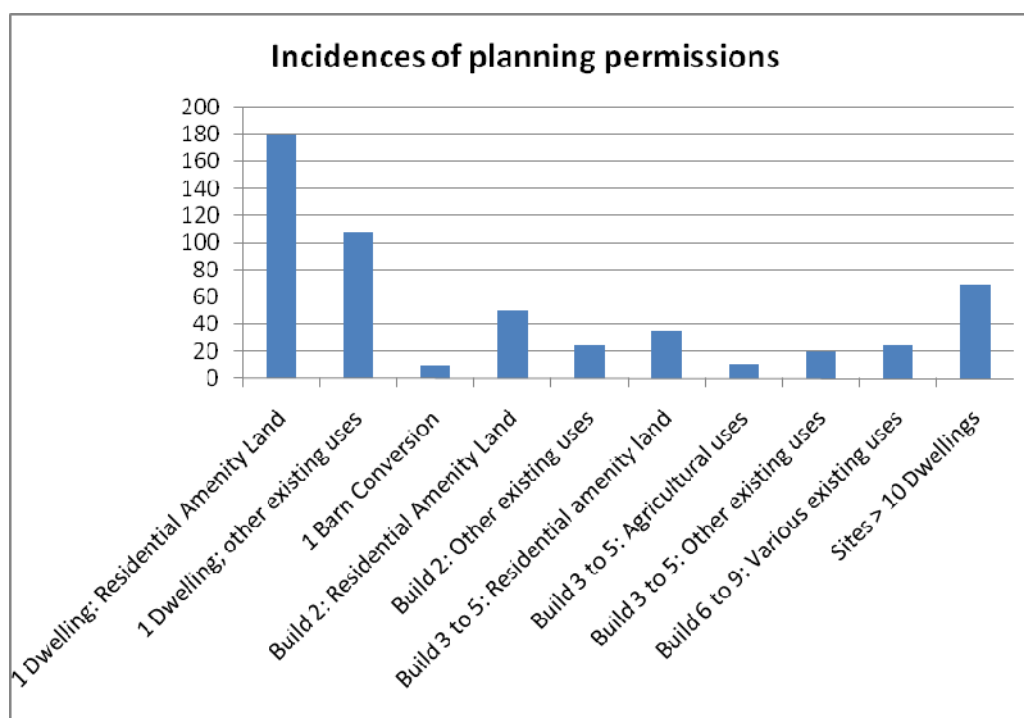
Introduction

- 5.1 The analysis in Chapter 3 provides a good indication of the likely viability of sites in the Vale of Glamorgan. The residual values can be compared with existing use values to establish whether land owners are likely to make a return over and above existing use value, taking into account a developer margin.
- 5.2 The analysis in Chapter 3 will apply for large as well as small sites (on a pro rata basis). We do not have any evidence from this or related studies to suggest that the economics change significantly between large and small sites.
- 5.3 It will be noted (Table 3.7) that small sites can achieve higher land values than larger ones, suggesting that the economics of developing smaller sites could actually be more favourable than developing larger ones.
- 5.4 In theory therefore there is no real need to review in detail viability issues for small sites. However, for the sake of further illustration, and recognising that there may be special circumstances which impact on the viability of some types of smaller sites, it was felt helpful to review the development economics of some illustrative case studies.

Case study sites

- 5.5 In this section we review a number of case study developments which are examples of small sites for residential development. This is based on information held on the Council's Housing Land Availability database. The data implicitly includes windfall developments and hence should provide a fair indication of the pattern of supply going forward.

Figure 5.1 Incidence of planning permissions



Source: Vale of Glamorgan Council

- 5.6 Figure 5.1 shows the range of scheme types within the Vale. The development of a single dwelling is a very significant source of supply in the Vale area. We understand this to be on residential or residential amenity land – gardens, back land and infill development. These sites make up 50% of all incidences of planning permission and hence are highly significant in terms of the overall picture of housing supply.
- 5.7 Schemes of one unit (in various forms) are significant in the Vale area. 56% of all incidences of planning permission involve the provision of one dwelling. We are unsure what proportion of these schemes involves the demolition of a dwelling. We estimate, from experience of similar authorities in South Wales, that ‘one for one’ schemes will not make up a significant proportion of supply.
- 5.8 Schemes of two dwellings on residential amenity land (gardens, infill plots) make up almost 10% of all incidences of planning permission and similar schemes involving the construction of three to five dwellings make up another 7% of all incidences.
- 5.9 There are a range of smaller schemes coming forward utilising sites in commercial use. These include builder’s yards and garage land. There are also a number of sites emanating from agricultural land and building (notably barn conversions). We do not believe these sites are significant in the wider picture of housing supply in the Vale although it should be stated that some types of schemes, particularly those involving conversion may prove in some instances less viable than new build. The Council will need to consider these schemes using the DAT or other development appraisal model on a site by site basis.
- 5.10 On the basis of the planning data, we have selected three case studies for further investigation. These are shown in Table 5.1

Table 5.1 Case study sites

Case Study	Number of dwellings	Type of new development	Site Size (Ha)	Resulting density
A	1	1 x 5 bed detached house	0.05	20
B	3	1 x 4 bed detached house; 2 x 3 bed terraced houses	0.1	30
C	5	1 x 4 bed detached house; 2 x 3 bed detached house; 2 x 3 bed terraced houses	0.125	40

- 5.11 For each case study we have undertaken an analysis of residual values at levels of affordable housing from 0%; 10%; 20%, 30% and 40%. We have selected Rural, Penarth & Dinas Powys, Barry West and Barry East. The results for Penarth and Dinas Powys will provide a conservative proxy for those for East Vale and the results for Barry West will provide a good proxy for those for Rural South and Coast. All the other assumptions used are the same as for the main analysis described in Chapter 3.
- 5.12 We have assumed no grant in all scenarios tested here.

Case study A – Develop one detached house on a 0.05 ha site

- 5.13 The first scenario assumes the development of one five bed detached house. The results, with the affordable housing impacts are shown in Table 5.2:

Table 5.2 Develop one five bed detached house

Case A	AH0%	AH10%	AH20%	AH30%	AH40%
Rural	£266,000	£244,000	£221,000	£199,000	£177,000
	£5.32	£4.88	£4.42	£3.98	£3.54
Penarth & Dinas Powys	£206,000	£222,000	£170,000	£153,000	£135,000
	£4.12	£4.44	£3.40	£3.06	£2.70
Barry West	£122,000	£111,000	£99,000	£88,000	£75,000
	£2.44	£2.22	£1.98	£1.76	£1.50
Barry East	£74,000	£66,000	£58,000	£50,000	£41,000
	£1.48	£1.32	£1.16	£1.00	£0.82

AH = affordable housing percentage

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

- 5.14 Table 5.2 shows residual values at the different proportions of affordable housing. Positive residual values are achieved in all four sub markets. The results show residual values on a per hectare basis above £3.5 million per hectare at 40% affordable housing in the Rural sub market. In the weakest sub market, Barry East, a residual value of £1 million per hectare is achieved at 30% affordable housing.
- 5.15 Where one dwelling of this type is built on infill or back land sites, we would expect there to be a sizeable uplift in site value in the higher value areas, although at 40% affordable housing in a location such as Barry East, the actual return to land owner may not offset any devaluation to the existing house that could occur as a result of a new dwelling being built in say a garden.
- 5.16 This type of development is unlikely to be viable where the scheme involves the demolition of an existing dwelling. Acquisition costs are likely to be too high in most cases, although it should be stated that the planning showed that in some instances the existing dwelling was derelict and hence could probably be acquired at a relatively low value.

Case study B – Develop three houses (one detached and two terraces) on a 0.075 ha site.

- 5.17 The viability of developing houses rather than one will depend on the site size and existing use value. There will be some instances where the relationship between existing use value and residual development value is favourable and

some where this may not be the case. Table 5.3 shows residual values for the development of three dwellings.

Table 5.3 Develop three dwellings

Case A	AH0%	AH10%	AH20%	AH30%	AH40%
Rural	£421,000	£373,000	£328,000	£280,000	£233,000
	£4.21	£3.73	£3.28	£2.80	£2.33
Penarth & Dinas Powys	£333,000	£292,000	£252,000	£211,000	£171,000
	£3.33	£2.92	£2.52	£2.11	£1.71
Barry West	£161,000	£133,000	£106,000	£77,000	£50,000
	£1.61	£1.33	£1.06	£0.77	£0.05
Barry East	£81,000	£59,000	£38,000	£15,000	-£6,000
	£0.81	£0.59	£0.38	£0.15	-£0.00

AH = affordable housing percentage

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

- 5.18 For infill, back land and garden plots, as in the previous case study, there will be considerable uplift in land value in the higher value areas.
- 5.19 The results show here a higher density. Generally this scenario, as a small scheme, generates lower residuals on a per hectare basis than at the 20 dph. However, substantial returns are nevertheless achieved up to 30% affordable housing with the exception of Barry East, where at 30% affordable housing the residual is £150,000 per hectare with a plot value of £15,000.
- 5.20 The residuals generated here are generally not sufficient to support an affordable housing contribution where two dwellings replace one. In Barry West for example, even where a unit for outright sale is considered, the residual is £161,000 which is unlikely in many instances to generate enough to purchase an existing property.
- 5.21 Much does depend on development mix. If we were to test for example, three detached houses, we would expect to see similar results to those in Table 5.2 on a per hectare basis.

Case study C – Develop five houses (three detached and two terraces) on a 0.125 ha site.

- 5.22 The viability of developing houses rather than one will depend on the site size and existing use value. There will be some instances where the relationship between existing use value and residual development value is favourable and some where this may not be the case. Table 5.3 shows residual values for the development of three dwellings.

Table 5.3 Develop five dwellings

Case A	AH0%	AH10%	AH20%	AH30%	AH40%
Rural	£775,000	£694,000	£611,000	£530,000	£448,000
	£6.20	£5.55	£4.89	£4.24	£3.58
Penarth & Dinas Powys	£599,000	£531,000	£461,000	£393,000	£323,000
	£4.79	£4.25	£3.69	£3.14	£2.58
Barry West	£315,000	£268,000	£219,000	£172,000	£124,000
	£1.52	£2.14	£1.75	£1.37	£0.99
Barry East	£171,000	£135,000	£97,000	£60,000	£22,000
	£1.37	£1.08	£0.77	£0.48	£0.17

AH = affordable housing percentage

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million).

- 5.23 The development of five units on the basis of this site size (equivalent density 40 dph) generates substantial residual values across most scenarios. On a per hectare basis the residuals are higher than those in Case Study B, although the interpretation of any 'general lessons' would need to be looked at in the context of development mix.
- 5.24 Where the existing use value of a site is industrial, then all sub markets with the exception of Barry East (at 40% affordable housing), should generate residual values above existing use.
- 5.25 Where five dwellings replace an existing house, then in the higher value sub markets, we believe that the Council may be able to justify affordable housing contributions up to 40%. In the lower value areas, we believe that a contribution higher than 20% is likely to be challenging.

Commentary on the results

- 5.26 This section on case studies is primarily illustrative, looking at the economics with particular reference to smaller sites and including consideration of achieved residual values for different sites and how they compare with existing use values.
- 5.27 The results for the small sites reflect in large measure, the previous analysis which considered the notional 1 hectare site. This analysis however shows more clearly the focus that is needed on location, rather than site size. Residual values on a per hectare basis do not vary significantly between the one hectare examples and the smaller sites tested here.
- 5.28 The analysis shows that the smallest development (case studies of one and three dwellings) can generate positive residual values in the higher value sub markets.

- 5.29 As previously stated with respect to the High Level Testing, scheme viability is significantly enhanced by grant and the Council will need to think about this solution, particularly with a focus on the weaker sub market areas.
- 5.30 It will be noted that we have not tested the two major sites at Barry Waterfront or at Rhose. We understand that the former will be tested via a bespoke study and the latter as and when the site is brought forward to planning.

6 MAIN FINDINGS AND CONCLUSIONS

Key findings

- 6.1 There were six housing sub markets defined within the Vale of Glamorgan Council's area. These are: Rural (including Cowbridge), East Vale, Penarth and Dinas Powys, Rural South and Coast, Barry West and Barry East. These sub markets are based on an analysis of postcode sectors and were agreed with the local authority and the developer workshop. The sub markets are closely aligned with the sub markets utilised in the Local Housing Market Assessment.
- 6.2 Market values vary significantly between these areas. These differences in market values were reflected in differences in residual values (for the different scenarios tested). We found that residual value is dependent not only on location but also on the density adopted.
- 6.3 The Vale of Glamorgan is split quite starkly in viability terms between the Rural, East Vale and Penarth (and Dinas Powys) sub markets on the one hand, and the Rural South Coast and Barry (West and East) on the other. The difference between these two main areas is very significant. A 40% affordable housing target in Penarth for example provides a higher residual value than in Barry West at 100% market housing (40 dph scheme). These very significant differences lend support to a policy response which reflects a split target operating within the Vale.
- 6.4 Residual values are very buoyant in the higher value locations. We would expect schemes coming forward in the Rural sub market to generate residual values in excess of £2 million per hectare at around 40 dph. In Barry West – the higher value area of the town, residual values at 40% affordable housing are in excess of £500,000 per hectare. This is in excess of industrial land as a potential competing use.
- 6.5 Our analysis suggests that development would appear most viable around 30 dph to 40 dph, with the optimal situation then being dependent on location. At higher densities, lower house price areas will not deliver Section 106 as well as they would do at lower density.
- 6.6 The introduction of grant significantly improves residual values across the area. It is applied most efficiently however in the lower value areas where in Barry East for example residual value is almost three times that at 100% market housing. This is in no small measure due the fact that the value of (100%) ACG is very generous at 100% relative to house prices in the weakest sub market areas. For example the (100%) ACG level (5) is £166,300 for a 3 bed terraced house whereas the open market price is only £130,000.
- 6.7 The analysis shows that SHG actually increases residual values as the proportion of affordable housing is increased in Rural South and Barry (West and East). In the three higher value locations, residual values fall as affordable housing is increased within a scheme despite there being SHG assistance.
- 6.8 Viability is highly sensitive to the relationship between existing (or, where relevant, alternative) use value. Our analysis suggests that sites will be brought forward on variety of different types of sites. The analysis suggests that many of the smaller sites will be brought forward on existing use values which are low – in particular residential and residential amenity land.

- 6.9 However, some sites will be delivered within commercial areas and on land which is in current industrial use. Existing use values here are likely to be higher.
- 6.10 Our analysis suggests that small sites are not problematic in terms of viability. Rather it is the specific location and nature of development (eg new build and/or demolition) that will be the key factor in determining viability.
- 6.11 From a housing management perspective, we did not find any in-principle objections to the on-site provision of affordable housing on small sites. There may be particular schemes where on-site provision is not the preferred option, but as a general rule, on-site provision of small numbers of affordable homes is acceptable to a housing association.
- 6.12 The analysis indicates that for the Vale of Glamorgan as a whole, large sites are significant in providing housing supply. This picture is not significantly different where Barry and Penarth, as the two key settlements are considered. As may be expected (consistent with other local authority areas), in the rural areas, there is higher reliance on small sites (less than five dwellings) to bring housing forward.
- 6.13 Where a financial payment in lieu of on-site provision of affordable housing (or commuted sum) is to be sought, it should be of “broadly equivalent value”. This approach is, on the evidence we have considered, a reasonable one to take in policy terms.
- 6.14 If this ‘equivalence’ principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution, not in response to viability issues.
- 6.15 Whilst the current market circumstances are less favourable in terms of house prices than was the case two to three years ago, development costs have also fallen to some extent, cushioning the impacts on land value.
- 6.16 Significantly, the longer term trend for house prices, and indeed the relationship between house prices and build costs, suggests that this analysis, carried out in February 2010 is ‘conservative’ in nature, not over estimating the potential for Section 106 contributions over the period of the Plan.

Conclusions and policy options

- 6.17 There is no detailed government guidance setting out how targets should be assessed, based on an assessment of viability. An assessment of viability for policy setting purposes might have reference to a range of factors including: past and recent delivery of affordable housing, residual values, the relationship between residual values and existing use values, what has been found to be robust targets in similar authorities through the Core Strategy process, the land supply equation and its relationship to be policy weight given to affordable housing delivery in the wider context of housing supply generally. To some extent land owner expectations are also significant. The experience of the consultant, working in conjunction with the local authority and through developer workshops helps to arrive at a robust policy stance.
- 6.18 From this review, we have highlighted the considerable variation in residual values achieved across the Vale and in particular the viability divide between the Rural, East Vale and Penarth (and Dinas Powys) sub markets on the one hand, and the Rural South Coast and Barry (West and East) on the other.

This pattern has important consequences for the way we have framed the options for the targets for affordable housing which we set out below:

- 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).

- 6.19 With respect to the options above, we would be clearly advocating a split target which does not fall in line with the single target (30%) adopted in the Council's SPG of April 2009. However, we believe that if practical, the Council should go for a split target reflecting the very significant differences between the sub- markets analysed in the report.
- 6.20 A 30% target in Barry in particular will be deliverable at lower densities rather than higher ones. The Council will need to adopt a more flexible approach in Barry on higher density schemes accepting that smaller units do not tend to maximise residual values.
- 6.21 That having been stated, there will be hot spots in what are apparently weaker sub markets and cold spots in what are ostensibly higher value sub markets.
- 6.22 A 30% target in Rural South and Coast and Barry may also in some instances require SHG to be applied in order to bring residual values above existing use values. This will often be the case in Barry East but may also be the case elsewhere in higher density schemes in these weaker sub markets.
- 6.23 The second option, if adopted, should allow the policy to adjust to local market drivers in a more precise way, reflecting the significantly greater potential for high value areas to make significant affordable housing and other Section 106 contributions. But the Council would then need to be clear that they can identify the areas clearly where the differential targets might operate.

Viability on individual sites

- 6.24 Our analysis has indicated that there will be site-specific circumstances where achievement of the affordable housing proportions set out above may not be possible or where development exceeds the proposed targets. This should not detract from the robustness of the overall targets but the council will need to take into account specific site viability concerns when these are justified.
- 6.25 If there is any doubt about viability on a particular site, it will be the responsibility of the developer to make a case that applying the council's affordable housing requirement for their scheme makes the scheme **not viable**. Where the council is satisfied this is the case, the council has a number of options open to it (including changing the mix of the affordable housing and supporting a bid for grant funding from the WAG/or using their own funds) before needing to consider whether a lower level of affordable housing is appropriate. In individual scheme negotiations, the council will also need to consider the balance between seeking affordable housing and its other planning obligation requirements and wider strategic planning issues.

Thresholds

- 6.26 Housing policy 12 of the adopted Local Plan requires affordable housing contributions on substantial developments which are stated to be over 50 dwellings. The Affordable Housing Delivery Statement (AHDS) sets the threshold at 10 units or more or on sites of greater 0.3 hectares. 15 or more dwellings on sites of more than 0.5 hectares.
- 6.27 The analysis of this report, taking into account the case studies and feedback from the workshop, suggests that small sites do not systematically present viability challenges in comparison to larger sites. In other words, there is no significant evidence against the Council reducing thresholds below 10 on viability grounds. We would support the Council if it chose to reduce thresholds below 10 as set out in the AHDS.
- 6.28 The analysis of development across the Vale suggests a relatively high reliance on larger sites with 62% of all units being developed on sites of more than 50 homes. This analysis excludes the two major sites at Barry Waterfront and Rhose which will, as we understand it, qualify to provide affordable housing. The Council will need to weigh up this situation, for or against a lower threshold across the Vale in the light of what is deliverable at Barry Waterfront which we understand is being independently appraised by the Council.
- 6.29 There is a good case for a split threshold should the Council decide to adopt this approach. This would recognise that the main towns (excluding Barry and Penarth) and the rural areas rely more significantly on smaller sites and hence if affordable housing is to be delivered there, then a lower threshold (less than 10 dwellings) might be appropriate. In the main towns, 26% of the supply emanates from sites of less than 5 dwellings, and in the smaller rural settlements this figure rises to 43%. On this basis, the Council may justifiably consider a nil threshold (i.e. one gross unit triggering an affordable housing contribution).
- 6.30 In conclusion, and recognising the particular challenges likely to be presented by developing in Barry town itself, we would recommend that the Council adopt the 10 threshold set out in the AHDS in Barry and Penarth and a nil threshold elsewhere in the Vale of Glamorgan area.

Commuted sums

- 6.31 Where **commuted sums** are collected a possible approach to calculating the appropriate sum sought is to base this on the equivalent amount which would be contributed by the developer/landowner were the affordable housing provided on site. This is expressed as follows:

RV 100% M = Residual value with 100% market housing
RV AH = Residual value with X% affordable housing (say 40%)
Equivalent commuted sum = RV 100% MV minus RV AH

- 6.32 Where commuted sums are collected, the council will need to have in place a strategy to ensure the money is spent effectively and in a timely manner. Options for spending will be a matter for the council to consider but could include supporting schemes which would otherwise not be viable, increasing

the amount of social rented housing in a scheme, increasing the proportion of family units in a scheme, seeking higher quality affordable housing (e.g. a higher level of the Code for Sustainable Homes).

Monitoring

- 6.33 This study is intended to be robust for the period of the LDP. The Council's affordable housing targets have been set with the longer (Plan period) term in mind.
- 6.34 It will inevitably be the case in some instances that the policy target or targets cannot be met because site circumstances vary from the norm (at local authority or sub market level). In these situations the Council has at its disposal the Development Appraisal Toolkit (DAT) which it may use to negotiate (if appropriate) a lower quantum of affordable housing than policy requires. The Council have received training in the use of the Toolkit and are hence in a position to adopt a flexible but appropriate approach where needed.
- 6.35 The Council have ensured that the Toolkit has been kept up to date since its inception for use in 2006. It is understood that the Council will continue to maintain the DAT over the period of the Plan. Doing so will allow the Council to both negotiate schemes with developers using current data as well as revisit the Plan policies at an interim point in time should this prove an appropriate step.

Appendix 1

VALE OF GLAMORGAN AFFORDABLE HOUSING VIABILITY STUDY – WORKSHOP

Workshop Notes

A workshop was held on the afternoon of 2nd December 2009 at the Council Offices in Barry. Representatives of the development industry, landowners and RSLs were in attendance. A full attendance list is given below.

Attendance:

Organisation:

Victoria Bolton	Newydd Housing Association	VB
Paul Wyatt	Wales & West Housing Association	PW
Dafydd Cantwell	Hendre Ltd	DC
Richard Price	Home Builders Federation	RP
Matthew Shellum	McCarthy & Stone Retirement Lifestyle	MS
John Mathews	Lovell	JM
Jon Harvey	Persimmon	JH
Richard Keogh	Persimmon	RK
Richard Cresswell	Taylor Wimpey	RC
Gareth Williams	Home Builders Federation	GW
Emma Harvey	Vale of Glamorgan Council	EH
Mike Ingram	Vale of Glamorgan Council	MI
Andrew Wallace	Vale of Glamorgan Council	AW
Lucy Turner	Vale of Glamorgan Council	LT
John Raine	Vale of Glamorgan Council	JR
Victoria Abraham	Vale of Glamorgan Council	VA
Andrew Golland	Three Dragons	AG

Three Dragons and The Vale of Glamorgan CBC would like to thank all those in attendance for their inputs to the study.

At the workshop Three Dragons gave a presentation summarising the methodology and outlining the process of higher level and detailed testing which would be carried out to determine viability targets.

It was agreed that the Powerpoint presentation (attached) would be made available to all Workshop participants in conjunction with these feedback notes.

1 Introduction

Three Dragons has been commissioned to carry out an Affordable Housing Viability Appraisal in accordance with the requirements of TAN2 in order to establish a robust evidence base to support emerging policy requirements as set out in the LDF. There are two parts to the commission:

- i) An Affordable Housing Viability Study to guide the setting of new affordable housing targets and thresholds for the Local Development Plan;
- ii) A Financial Appraisal Toolkit to assist negotiations on specific sites.

EH outlined the purpose of the meeting was to discuss strategic policy and the overall methodology. The purpose of the study was to support the evidence for realistic and accurate policies which reflect the conditions of the general areas to reflect brownfield / greenfield sites.

2 Basis for interpreting viability

AG outlined the methodology of the viability model which is based upon scheme revenue versus development Costs (including developer margin and S106 agreements). The model works on assumptions of what a reasonable return to the land owner e.g. – 30% returns for brownfield land.

Most were agreed in principle to the over-riding method for assessing viability proposed by Three Dragons. This measures viability by reference to residual scheme value less the existing or alternative use value of a site.

However, it was suggested that an alternative measure of viability should look at the ratio of the site value to gross development value (GDV). RC noted 18 – 20% of GDV as a guide. AG stated that Three Dragons would not normally look at viability in this way although the analysis will comment on the ration where feasible.

JM suggested that investment value might require a greater than 30% return above existing use value, but also noted that a GDV down to 18% uplift could be workable in some instances.

It was noted that Denbighshire's assessment used industrial land values and that this created methodological problems. AG clarified this study is similar to the Sewspg methodology. AG also noted the point in time in which the assessment is undertaken is important.

3 Overall methodology

Three Dragons explained that the approach to the study will be two stage with the first stage focusing on testing a notional one hectare site, assuming different development mixes and different percentages of affordable housing, with the second stage looking at a range of generic site types, ranging from large green field through to small and large brown field sites.

Participants at the workshops generally supported the approach set out (see also Powerpoint which explains the approach diagrammatically). Three Dragons replied that this was an approach which has been accepted elsewhere at Core Strategy Exam and is also adopted in the SEWSPEG Good Practice Guide.

Data sources (e.g. HMLR for house prices and BCIS for build costs) were explained to participants. The need for best primary data sources based on a large sample was understood and agreed.

AG requested details of typical sites which could be tested within the study.

4 Sub markets and market values

A key part of the study will involve the analysis of viability at a sub market level. Sub markets will be defined primarily by house prices. The Powerpoint presentation

shows a table of areas. Participants were invited to submit comments on submarkets by email to the Council.

It was explained by Three Dragons that prices were derived from three years worth of HM Land Registry data and then adjusted to today's values. AG clarified that the prices are indicative of new build for December 2009.

AG explained the intention of the submarket area analysis could be to provide different area policy recommendations to the Council which reflect any house price differences.

It was noted that the HBF might be able to provide price data from their database.

Some questioned the market prices for the Barry area – EH explained western areas of Barry would increase the average market figure. EH also noted that 70% of the population in the Vale of Glamorgan is within the Barry waterfront strip. It was then discussed that Barry could be an interesting case of high need and possibly low viability.

There was general expectation that there would be a different policy approach due to the nature of the housing market in the Vale. VB suggested the sub market areas should reflect the LHMA study. AG stated this would be an LPA policy judgement. Whilst some welcomed the Barry and Penarth policy and there was general acceptance of the submarket area prices, others stated they would provide further comment after reviewing the data with their colleagues.

All – please note – prices and market areas are included in the Powerpoint Presentation.

5 Land values

The 'typical Vale land owner' was initially discussed – seen as prosperous land owners or farmers with high expectations. The Vale is also seen as an area with relatively high demand.

Delegates were asked what they thought current land values were. As follows:
For good, serviced greenfield site: £1m – 1.25 / acre (circa £2.8 million per hectare)

Unserviced greenfield: between £500,000 - £600,000 (circa £1.3 million per hectare)

Concern was raised regarding District Valuer (DV) studies' where land values can be up to 6 months old and based upon questionable assumptions.

It was noted that agricultural land values are increasing at present – previously around £2K per acre but increasing to £5 to 7K per acre. Some suggested this, together with demanding affordable housing / S106 agreements, could lead to developers postponing development for a few years.

6 Density and development mix

AG set out the suggested range of schemes which the DAT will test. These ranged from 30, 35, 40, 50, 75, and 100 dph.

PW noted that flatted developments are not required in terms of need. GW agreed that the proposed mixes seem to cover the ranges but noted that the market is not currently at the higher end. RC noted that flatted developments are not popular with large house builders currently, but agreed there is some potential for flatted developments in the future.

There was some discussion around the usefulness of the 35 dph mix and AG suggested the tested ranges could be changed to 30 – 40 – 50

A revised development mix: density table is included with the Powerpoint Presentation.

7 Thresholds and the viability of smaller sites

AG set out the policy position within TAN 2 (citing Para 10.4). AG noted that the evidence produced could indicate there is a need for a zero threshold across the Vale.

JH noted that at lower thresholds, commuted sums are sometimes seen as the best way of dealing with viability issues (comment not specifically directed towards the Vale). RP suggested commuted sums for sites under 10 units.

GW raised concerns over small site provisions. He noted that the thresholds depend upon the sources of supply and questioned the approach used within the Poole and Bournemouth study.

Viability of small sites was discussed. Issues particularly cited were developments in gardens and redevelopment of sites involving demolition. AG suggested that it is the existing use type which is the issue, not site size.

Small site contributions were discussed. Such contributions could be ring fenced to a particular community. RC and JH questioned whether it is fair to tax land owners of smaller sites. RC raised concerns that a 50% requirement on small sites might stifle development. GW suggested a small site allowance to address this.

JM noted there is a three unit contribution threshold in Neath Port Talbot and discussed the importance of contributions on brownfield sites in relation to regeneration.

AW stated there was a need to test a 0% threshold to ensure the process stands up to scrutiny and the test of soundness at EiP. AG stated one of the purposes of holding the meeting and testing such thresholds was ascertain where the limit is.

RP noted the inspector's comments at the Merthyr Tydfil LDP EiP which indicated the local authority needs proof that it has explored all viable options – inspector said one extra house is preferable to no affordable housing provision.

8 Calculation of commuted sums

AG stated that any commuted sum should be the difference between the residual value of a scheme with 100% market housing and one with a mix of market and affordable housing.

MS stated that if there is payment on commencement of development, the overall costs of development increase. EH stated this is up to developers to negotiate.

PW and AH argued commuted sums needed to be reviewed. PW also questioned whether schemes including 100% affordable housing should have to pay Section 106 costs.

AG questioned whether there is a management issue on small sites. RSLs did not think generally there were, but SM confirmed that on-site affordable housing provision can be an issue for specialised/sheltered housing.

9 Development costs

Three Dragons presented the proposed page that will be used for the testing framework. This is included in the Powerpoint presentation. It was explained that the base build costs per square metre will be calculated from the BCIS data source. AG clarified costs based on 3rd quarter 2009 BCIS England and Wales figures adjusted for the Vale. The other development costs (professional fees, internal overheads, profit margins, etc) are however those which Three Dragons intend to use for base viability testing.

It was stated that Three Dragons will test the analysis at a 17% return rate on gross development value for the market element of a scheme and at 6% for the affordable element of a scheme – unless developers can provide evidence to the contrary. It was stated that 17% is not enough in the current market, but may be correct long term.

MS suggested increasing the return on GDV to 20%. JM noted that higher density sites might need a higher margin due to cash flow and time required to sell.

Given feedback, Three Dragons will test at 17% on GDV as the baseline, and with a test at 20% on GDV as an alternative scenario. Feedback please.

EH noted that housing sites will be phased throughout the plan period and a long term policy stance is required to avoid peaks and troughs.

There was discussion surrounding current and future costs with no consensus on the direction of the market. It was noted that smaller developers may find it harder to raise capital. RP noted that substantial returns are required to get finance.

Code for Sustainable Home (CSH) costs were discussed. It was suggested Code 3 costs are currently reflected in the BCIS build costs as these reflect RSL schemes and it is understood that recent RSL schemes will be built to Code 3 Level.

RP stated the costs of the CSH from research undertaken for the DCLG by the UK Zero Carbon Hub. For energy only these were:

Code 3 – minimum £6k per plot

Code 4 – £10k per plot

Code 5 – £25K per plot

AG stated Code 4 would be required by next year and RP noted Code 3 + 6 credits were introduced on 1st September 2009. It was also noted that building regulations may be devolved by 2011.

It was accepted that this is a difficult area and is somewhat a moving 'feast'. Three Dragons point out that the viability of development cannot be measured by costs alone, since future revenue could balance future costs.

It is suggested that the study assumes additional costs of both £5,000 per unit and £10,000 per unit to achieve Code Level 4 – and test both scenarios.

10 Section 106 costs (in addition to affordable housing)

VA outlined the background to the S106 Planning Obligations SPG which requires £10,000 per unit on the assumption there is no provision within the proposal on site or any local provision.

The average provision is around £3,000 per unit with small / medium sized sites having lower contributions.

RC noted that in effect larger sites may subsidise the smaller proposals. EH made the point that 7,500 units are required over the plan period and it is anticipated that the majority of this figure will be met on sites of 10 or more units.

PW questioned whether other planning obligations are likely to be sort in addition to affordable housing units which VA confirmed.

On the basis of the above discussion, Three Dragons suggest two tests within the study:

£5,000 per unit (baseline)

£10,000 per unit (higher level test)

Please can delegates feed back on this, thanks.

11 Affordable housing tests and issues

AG suggested a range of policy scenarios which should be tested and questioned whether they were reasonable for the LDP plan period and the various areas of the Vale.

These were: 10%, 15%, 20%, 25%, 30%, 35% and 40% based on 65% Social Rent and 35% Homebuy.

MI noted that RSLs tried to sell 70/30% split Homebuy packages, which didn't have much success in previous years. MI also questioned other types of affordable housing types which have been tried.

PW noted that within a package deal there can be no certainty of a grant with DC noting grant levels within the Vale have historically been low. VB also noted that WAG frequently review affordable housing grant provisions. JH commented that assuming all affordable housing is provided by RSLs this is not the case as it can be dealt with through 106 provisions.

Different affordable housing delivery approaches were then discussed. VB noted RSLs operate differently in England where they bid against each other for sites with no geographical boundaries. Where as in Wales there are zones limiting their activities. However, the partnership approach promoted by WAG can make grants go further as RSLs are not bidding against each other.

It was noted that all sites up until now have had grant bench marking.

Comments please to

Andrew Golland draig@btopenworld.com

Key data assumptions

Market areas and prices:

Sub Markets	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
Rural (incl Cowbridge)	£510,000	£440,000	£355,000	£310,000	£270,000	£230,000	£265,000	£240,000	£210,000	£205,000	£180,000	£125,000
East Vale	£480,000	£420,000	£335,000	£290,000	£255,000	£215,000	£250,000	£230,000	£200,000	£195,000	£175,000	£120,000
Penarth & Dinas Powys	£435,000	£380,000	£300,000	£270,000	£235,000	£200,000	£235,000	£215,000	£185,000	£190,000	£170,000	£115,000
Rural South and Coast (incl Llantwit Major)	£335,000	£290,000	£235,000	£205,000	£175,000	£150,000	£175,000	£160,000	£140,000	£135,000	£120,000	£85,000
Barry West	£330,000	£285,000	£230,000	£200,000	£170,000	£145,000	£170,000	£155,000	£135,000	£130,000	£115,000	£80,000
Barry East	£270,000	£235,000	£190,000	£165,000	£145,000	£120,000	£140,000	£130,000	£115,000	£110,000	£95,000	£70,000

The development mixes were as follows:

- 30 dph: including 10% 3 bed terraces; 10% 3 bed semis; 10% 4 bed semis; 20% 3 bed detached; 30% 4 bed detached; 20% 5 bed detached.
- 40 dph: including 5% 1 bed flats; 10% 2 bed flats; 20% 2 bed terraces; 20% 3 bed terraces; 5% 4 bed terraces; 10% 3 bed semis; 10% 4 bed semis; 10% 3 bed detached; 10% 4 bed detached.

- 50 dph: including 15% 1 bed flats; 20% 2 bed flats; 25% 2 bed terraces; 30% 3 bed terraces; 5% 3 bed semis; 5% 4 bed semis.
- 75 dph: including 5% studio flats; 25% 1 bed flats; 40% 2 bed flats; 5% 1 bed terraces; 15% 2 bed terraces; 10% 3 bed terraces.

Affordable housing targets:

10%;
15%;
20%;
25%;
30%;
35%;
40%;

Affordable housing split: 65% to 35% Social Rent to Shared Ownership

Development costs

Based on RICS BCIS database:

Costs as set out below:

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	£1,140
Houses <= 75m2	£945	£915
Houses > 75m2	£905	£800

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	
<Enter cost description>	£0
<Enter cost description>	£0
<Enter cost description>	£0
Scheme Total	£0

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Appendix 3 Results – Residual values in £s million per hectare (no grant)

30 Dph								
	0%	10%	15%	20%	25%	30%	35%	40%
Rural (incl Cowbridge)	£5.10	£4.58	£4.32	£4.06	£3.80	£3.54	£3.28	£3.07
East Vale	£4.66	£4.17	£3.92	£3.68	£3.44	£3.19	£2.95	£2.70
Penarth & Dinas Powys	£3.93	£3.49	£3.28	£3.06	£2.85	£2.62	£2.41	£2.19
Rural South & Coast	£2.25	£1.94	£1.78	£1.63	£1.47	£1.32	£1.16	£1.01
Barry West	£2.14	£1.84	£1.69	£1.54	£1.38	£1.27	£1.08	£0.93
Barry East	£1.20	£0.97	£0.85	£0.73	£0.62	£0.50	£0.38	£0.27
40 Dph								
	0%	10%	15%	20%	25%	30%	35%	40%
Rural (incl Cowbridge)	£4.32	£3.82	£3.57	£3.32	£3.07	£2.90	£2.56	£2.31
East Vale	£3.94	£3.47	£3.23	£3.00	£2.76	£2.52	£2.29	£2.05
Penarth & Dinas Powys	£3.40	£2.96	£2.75	£2.53	£2.31	£2.10	£1.88	£1.66
Rural South & Coast	£1.74	£1.43	£1.27	£1.12	£0.96	£0.81	£0.65	£0.50
Barry West	£1.60	£1.30	£1.15	£0.99	£0.85	£0.70	£0.54	£0.40
Barry East	£0.79	£0.55	£0.43	£0.31	£0.19	£0.07	£0.05	£0.17
50 Dph								
	0%	10%	15%	20%	25%	30%	35%	40%
Rural (incl Cowbridge)	£3.89	£3.38	£3.12	£2.85	£2.60	£2.34	£2.08	£1.82
East Vale	£3.57	£3.07	£2.83	£2.58	£2.33	£2.08	£1.84	£1.59
Penarth & Dinas Powys	£3.14	£2.67	£2.44	£2.21	£1.98	£1.75	£1.52	£1.28
Rural South & Coast	£1.39	£1.06	£0.89	£0.72	£0.56	£0.39	£0.22	£0.05
Barry West	£1.21	£0.89	£0.73	£0.57	£0.41	£0.25	£0.09	£0.07
Barry East	£0.46	£0.19	£0.06	£0.02	£0.23	£0.55	£0.97	£1.48
75 Dph								
	0%	10%	15%	20%	25%	30%	35%	40%
Rural (incl Cowbridge)	£4.01	£3.39	£3.07	£2.76	£2.44	£2.12	£1.81	£1.49
East Vale	£3.68	£3.07	£2.77	£2.47	£2.17	£1.86	£1.56	£1.26
Penarth & Dinas Powys	£3.26	£2.69	£2.40	£2.11	£1.82	£1.54	£1.25	£0.96
Rural South & Coast	£0.98	£0.57	£0.37	£0.17	£0.11	£0.24	£0.44	£0.64
Barry West	£0.71	£0.32	£0.13	£0.06	£0.26	£0.45	£0.64	£0.84
Barry East	£0.22	£0.54	£0.70	£0.86	£1.02	£1.18	£1.33	£1.49

Worked Example – 50 dph scheme at 25% Affordable Housing in the West Barry sub market

1 - SITE IDENTIFICATION

Site Details	
Site Address	Example scheme - 50 Dph - West Barry at 25% Affordable Housing
Site Reference	
Application Number	
Scheme Description	

☒ I have read and accepted the terms and conditions set out in the [license agreement](#)

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2 - SITE LOCATION

Please select the local authority, ACG band and market area from the drop down lists. If you subsequently change one of the three components in this sheet – remember to check that the other two components are still correct.

Local Authority	Vale of Glamorgan
ACG Band	5
House Price Area	Barry West

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3 - BASIC SITE INFORMATION

Total Size of Site In Hectares

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

☐ Enter your own density

Enter density

Adjust density %

Reset

Resulting Number of Dwellings

Resulting Density dph

Bedspaces

Specify the number of bedspaces:

Specify the number of habitable rooms:

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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

Release the button to enter your own unit descriptions 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								
2	1 Bed Flat	1	Flat	7.5	48	50	none	2
3	2 Bed Flat	2	Flat	10	60	55	none	2
4								
5	2 Bed Terrace/Town House	2	House	12.5	73	55	Surface	n/a
6	3 Bed Terrace/Town House	3	House	15	80	80	Surface	n/a
7								
8								
9	3 Bed Semi Detached	3	House	2.5	80	75	Surface	n/a
10	4 Bed Semi Detached	4	House	2.5	100	105	Surface	n/a
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total Number of units				50.00				

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

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5 - MARKET VALUES

DAT default values may be used

: Enter Defaults Vale of Glamorgan: Barry West

Market Value price adjust (%) 100 %

Reset

Clear Table

Ref.	Dwelling Type	No of Bed-Rooms	Market Value	Adjusted Market Value
1				
2	1 Bed Flat	1	£80,000	£80,000
3	2 Bed Flat	2	£115,000	£115,000
4				
5	2 Bed Terrace/Town House	2	£135,000	£135,000
6	3 Bed Terrace/Town House	3	£155,000	£155,000
7				
8				
9	3 Bed Semi Detached	3	£170,000	£170,000
10	4 Bed Semi Detached	4	£200,000	£200,000
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

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6 - TENURE MIX

Entering units by quantity is not possible as a default mix has been selected. Please enter the percentage distribution of units across the tenures.

☒ Input by Percentages

☐ Input by Quantity

Ref.	Description	SALE	AFFORDABLE			No of Units
			Social rent	Homebuy	Intermediate rent	
1		75%	16%	9%		
2	1 Bed Flat	5.6	1.2	0.7		7.5
3	2 Bed Flat	7.5	1.6	0.9		10.0
4						
5	2 Bed Terrace/Town House	9.4	2.0	1.1		12.5
6	3 Bed Terrace/Town House	11.3	2.4	1.3		15.0
7						
8						
9	3 Bed Semi Detached	1.9	0.4	0.2		2.5
10	4 Bed Semi Detached	1.9	0.4	0.2		2.5
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
Total		37.5	8.1	4.4		50.0

Percentage purchased by purchaser for Homebuy Default: 70% User: 60%

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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9 - SOCIAL AND INTERMEDIATE RENT

Press the Clear Tables button below to remove any user values from the tables

Clear Tables

☐ Show default rent values

Ref.	Description	UnitType
1		
2	1 Bed Flat	Flat
3	2 Bed Flat	Flat
4		
5	2 Bed Terrace/Town House	House
6	3 Bed Terrace/Town House	House
7		
8		
9	3 Bed Semi Detached	House
10	4 Bed Semi Detached	House
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

Social Rent

You can either use the DAT default rents or enter your own value in the white cells in the relevant column

Social Rent Values (per week)		
No. of units	Benchmark Rents	User Rents
1.2	£59	£ 55
1.6	£61	£ 57
2.0	£69	£ 58
2.4	£74	£ 60
0.4	£74	£ 61
0.4	£79	£ 62

Intermediate Rent

You can either enter a percentage of the DAT default market rents to generate your Intermediate Rents or enter your own value in the white cells in the relevant column

Intermediate Rent Values (per week)			
No. of units	Market Rent	Adjust 100%	User Rents

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10 - SOCIAL RENT AND INTERMEDIATE RENT - CAPITALISED NET RENT FACTORS

These values are used to calculate capitalised value when no grant is available.

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

Click this button to clear the table contents

Clear Tables

Social Rent		Toolkit Values	User Values
Costs per annum	Management / maintenance costs	£950	per annum
	Voids / bad debts	3.00%	of gross rent
	Repairs reserve	£ 700	per annum
Capitalisation		6.25%	of net rent

Intermediate Rent		Toolkit Values	User Values
Costs per annum	Management / maintenance costs	£ 700	per annum
	Voids / bad debts	4.00%	of gross rent
	Letting fee	1.00%	of gross rent
Capitalisation		6.25%	of net rent

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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 used

	Toolkit Values	User Values
Bungalows	£1,120	
Flats (16+ storeys)	£1,985	
Flats (6-15 storeys)	£1,490	
Flats (5 & less storeys)	£1,086	£1,140
Houses <= 75m2	£945	£915
Houses > 75m2	£905	£800

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)
	Enter Total?	User Total	Sale	Affordable				
				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 £5,000

Total for Scheme	£250,000
Total for Scheme per hectare	£250,000
Total for Scheme divided by total number of units	£5,000
Total for Scheme divided by number of sale units	£6,667

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14 - CAPITAL VALUE OF AFFORDABLE HOUSING

Please select the method by which the capital value of the scheme is generated

- ☐ Capital value is based on ACG - Grant is available
- ☐ Capital value is based on ACG - Grant is not available
- ☒ Capital value is based on income to the housing association - grant may be available
- ☐ Capital payment is agreed between the housing association and the developer

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21 - SCHEME RESULTS

Site Economics

RESIDUAL VALUE	£ 455,000
Total scheme revenue	£ 5,535,000
Total scheme costs	£ 5,080,000

Residual	Per hectare	£ 455,000
	Per dwelling	£ 9,000
	Per market dwelling	£ 12,000
	Per bedspace	No Info
	Per habitable room	No Info

Revenue	Market housing	£ 5,016,000
	Affordable Housing	£ 519,000
	- Social rent	£ 168,000
	- Homebuy	£ 351,000
	- Intermediate Rent	£ -
	- Equity Share	£ -
	Capital Contribution	£ -
	Commercial Elements	£ -

Costs	Market housing	£ 3,794,000
	Affordable Housing	£ 1,004,000
	- Social rent	£ 653,000
	- Homebuy	£ 351,000
	- Intermediate Rent	£ -
	- Equity Share	£ -
	Planning Obligations	£ 250,000
	Exceptional Development Costs	£ -
	Commercial Elements	£ -
	Land Finance	£ -

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

Site Details

Site	Example scheme - 50 Dph - West Barry at 25% Affordable Housing
Address	
Site Details	0

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

Total number of units	Dwellings	50
	Bedrooms	No Info
	Bedspaces	No Info
	% Wheelchair Units	0%

Density (per hectare)	Dwellings	50.0
	Bedrooms	No Info
	Bedspaces	No Info

Affordable Units	Quantity	% of All Units
Total	12.5	25%
Social rent	8.1	16%
Intermediate	4.4	9%

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

Cost Components

Discounting Function

Save Results

View Results

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