Nottingham Core
Viability Update Study

An Assessment for Broxtowe BC, Gedling BC and Nottingham CC

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1 Introduction: aims and background

Review of project aims

1.1 The Nottingham Core authorities (specifically, Broxtowe BC, Gedling BC and Nottingham City) appointed Three Dragons to undertake affordable housing viability studies (AHVSs) in 2009. Dr Andrew Golland was instrumental in the analysis and reporting. The study briefs explained that the AHVS would be used by the Council to inform the development of Core Strategy housing policies and other Local Development Documents under preparation.

1.2 There have been a number of changes since the publication of the Viability reports. The National Planning Policy Framework has been introduced. This does not necessarily give a different focus to viability, but alongside this has come some impetus from central government to local authorities to be flexible when negotiating Section 106 matters.

1.3 The national housing market has seen, since 2009, a general decline, but in isolated instances, prices have moved ahead.

1.4 The brief for this study was to:

- Refresh the Affordable Housing Viability Studies of 2009;
- Updating of all inputs/base assumptions including build/ land values/developer margin etc to inform residual value calculations;
- Re-run the baseline scenarios taking account of the introduction of different forms of intermediate affordable housing;
- Comment on the likely implications for CIL (The Community Infrastructure Levy) of viability considerations.

1.5 In achieving these objectives, it is very important to establish an approach that is simple, clear and can be explained to a planning Inspector at examination in such a way that the varying policy and site specific viability tests can be shown to have been met.

2 Review of policy and practice

Overview

2.1 Since the AHVS (2009) a number of policy changes have taken place nationally. In conjunction, at the local level, the Council have developed their Core Strategy.

The changes nationally can be summarised:

- Replacement of PPS3 Housing with the National Planning Policy Framework;
- Development of policy around the Community Infrastructure Levy
- Greater emphasis on intermediate affordable housing, rather than Social Rent.
- The introduction of Affordable Rent

2.2 In conjunction, guidance has been produced, most notably the RICS Planning and Viability report and the Harman guidance on viability generally.

National policy

2.3 There is little systematic analysis of the change in policy thrust between PPS3 and the NPPF. There are however subtle important differences between the two policy documents in terms of viability and there could be argued to be a shift in favour of the development industry and land owners at the expense of council policy.

2.4 Whereas the emphasis in PPS3 (Companion Guide) was on:

"Effective use of planning obligations to deliver affordable housing requires good negotiation skills, ambitious but realistic affordable housing targets and thresholds given site viability, funding 'cascade' agreements in case grant is not provided, and use of an agreement that secures standards."

The NPPF is much more focused on ensuring that developers and land owners achieve 'competitive' returns (Para 173 and 174).

2.5 Paragraph 173 of the NPPF states that 'Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable'.

2.6 The NPPF states further that (paragraph 174), Local planning authorities should set out their policy on local standards in their Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle.

2.7 Thus, it might be argued that to some extent policy is now more developer-friendly than was the case under the previous political situation.

2.8 This conclusion can be supported by looking at the range of policy exhortations to local authorities to be prepared to re-negotiate Section 106 agreements where development have stalled. A DCLG paper has just been released along similar lines.........................

https://www.gov.uk/government/publications/section-106-affordable-housing-requirements-review-and-appeal

2.9 The national housing strategy 'Laying the Foundations: A Housing Strategy for England (2011)' seeks to achieve a thriving, active but stable housing market that offers choice, flexibility and affordable housing critical to economic and social wellbeing. It builds upon the Government's reforms of how to supply and fund affordable housing. Specifically, the new Affordable Rent product gives social landlords the flexibility to charge rents of up to 80 per cent of local market levels, on both new properties and a proportion of re-lets, as part of an agreement to build new homes. The Strategy seeks to increase housing supply and achieve stable growth.

National debate on viability

2.10 There has been increased debate on viability.

2.11 The Royal Institution of Chartered Surveyors (RICS) issued guidance on Planning and Viability. This puts forward the idea of 'market value' as a benchmark for assessing viability. Although this 'market value' has to take into account policy, it is very unclear as to how in practice, using this guidance moves us forward in terms of either policy setting or site specific negotiations.

2.12 Most problematic is the fact that the RICS chose totally to ignore case law precedent when drawing up their guidance. Most of the case law is based on an 'EUV Plus' approach where viability is assessed by reference to Existing Use Value, plus a competitive land owner return. This approach is specifically rejected by the RICS.

2.13 Further then is the Harman Report which provides advice on policy development and viability assessment. This is in many ways not that helpful, as approaches are multi-faceted and lacking in a definition of viability. It does however provide a useful broader context setting viability into the wider debate about land supply. It also stresses the need to focus on existing use value as a viability benchmark.

Local policy development in the Nottingham Core area

2.14 The AHVSs of 2009 provided a series of options and policies. These are shown in Table 2.1 below:

Table 2.1 Options and policies

Council	Option 1	Option 2	Option 3	Policy
Broxtowe	25% across Borough but with	30% Beeston; 10% Elsewhere	30% Beeston; 20% Kimberley;	30% across
	subsidy at lower end		10% Elsewhere	Borough
Gedling	Retain LP target but with	30% with the exception of:	Gedling Rural at 40%	Split: 30%; 20%
	subsidy at lower end	10% in lower value areas	Arnold Mapperley & Calverton	and 10%
		up to Calverton)	10% Elsewhere	
Nottingham	20% across City but with	Nottingham Prime 40%		20% across
City	subsidy at lower end	Southern Suburban 40%		City
		Suburban Nottingham 30%		
		Elsewhere 10%		

2.15 The table shows the options that were set out in the viability studies. In each case a split target approach was suggested. The 2009 analysis looked at the profile of site supply in each case and suggested that if the local authorities wished to reduce the threshold to one this would not, by virtue of site size alone, create a viability challenge.

2.16 The current policies are shown in the table. As follows:

Broxtowe: a 30% affordable housing target applying to sites of 25 dwellings or more (an existing Local Plan policy);

Gedling: a split target approach, ranging from a 10% affordable housing requirement in the lower value areas to a 30% target in the higher value areas. These targets apply on schemes of 15 or more dwellings;

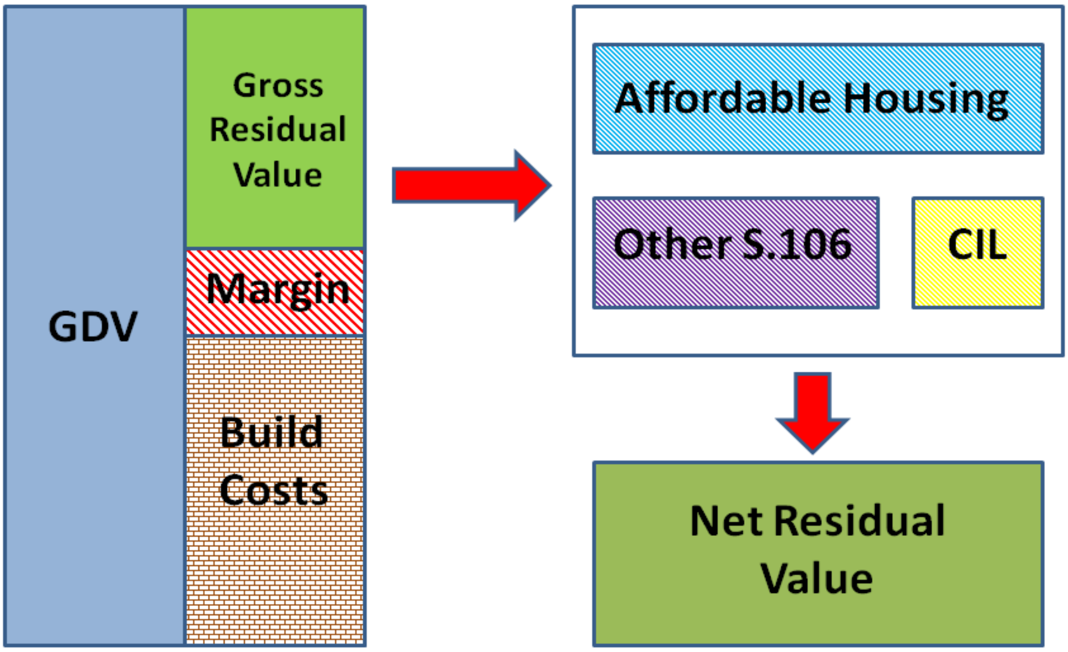
Nottingham City: a target of 20% on all sites with 15 or more dwellings.

3 Approach to viability assessment

Overview

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

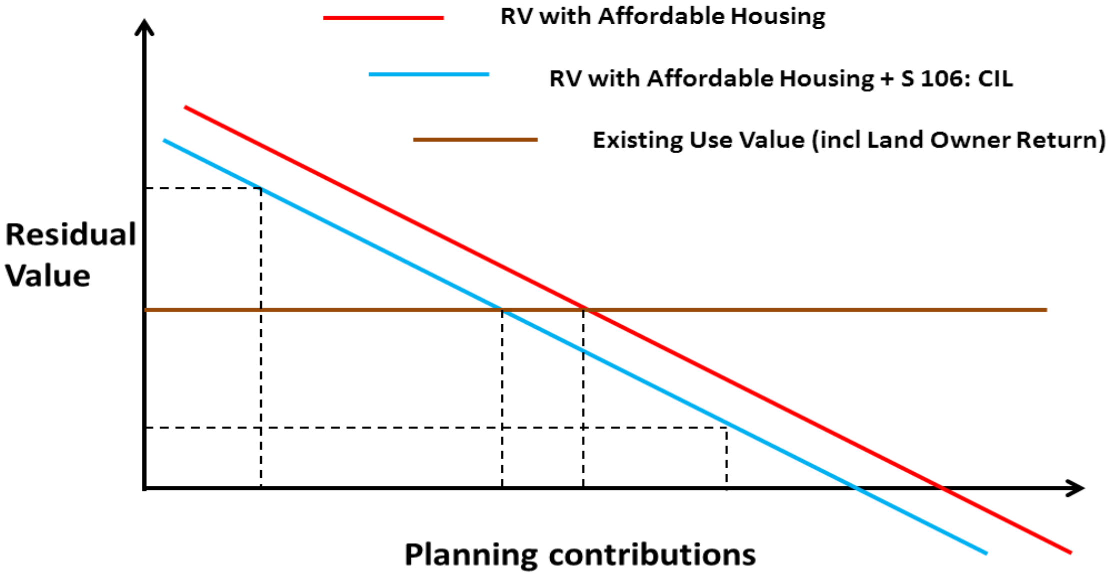
3.2 Once Section 106 contributions (including affordable housing and other obligations; CIL (Community Infrastructure Levy – if in place) have been deducted from the gross residual value, a 'net' residual value results. The question is then whether this net residual value is sufficient in terms of development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



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

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

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



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

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

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

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

Cases and precedent supporting the approach outlined above:

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

3.11 A number of planning appeal decisions provide guidance on the extent to which the residual land value should exceed existing use value to be considered viable:

Barnet & Chase Farm: APP/Q5300/A/07/2043798/NWF

3.12 Here it is stated that: 'the appropriate test is that the value generated by the scheme should exceed the value of the site in its current use. The logic is that, if the converse were the case, then sites would not come forward for development'.

Bath Road, Bristol: APP/P0119/A/08/2069226

3.13 The key quotation from this case is that: 'the difference between the RLV and the existing site value provides a basis for ascertaining the viability of contributing towards affordable housing'.

Beckenham: APP/G5180/A/08/2084559

3.14 The statement on the definition of viability is here less clear cut, although the approach to defining viability is nevertheless implicit in the statement: 'without an affordable housing contribution, the scheme will only yield less than 12% above the existing use value, 8% below the generally accepted margin necessary to induce such development to proceed'.

Oxford Street, Woodstock: APP/D3125/A/09/2104658.

3.15 This case, consistent with the previous one outlined here, focuses on the margin required for a land owner to achieve over and above the Existing Use Value in order to achieve to a change of use of the land:

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

3.17 The approach has been very much bolstered in the report by Mr Keith Holland, the Examiner appointed by the Mayor of London to evaluate the London Community Infrastructure Levy. The planning Inspector stated in response to an alternative (and 'market value') approach being promoted by the Royal Institution of Chartered Surveyors.

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

3.19 There are a number of cases where the (RV versus EUV) approach set out above has been followed, along with guidance on reasonable land owner premiums.

4 Viability Testing: Update

Introduction

4.1 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 sub markets that have been identified. The approach is an update of the 2009 analysis.

Headline changes

4.2 The key variables to look at in terms of viability impacts are house prices and development costs.

4.3 In these respects, house prices have fallen by around 5% across Nottinghamshire in the period since the baseline AHVSs (December 2008) and July 2013 (the latest month for which Land Registry figures are currently available). In Nottingham City, the fall is lower, at around 4%.

4.4 Construction costs have however also fallen, giving some balancing impact to viability.

4.5 This study takes a higher profit margin than the baseline AHVSs: at 17% on gross development value. The 2009 studies adopted a margin of 15%. A 17% margin, in conjunction with a 5% overhead on build costs, gives a blended return of around 20% on GDV, which is seen in the industry as being an acceptable rate of return in the current economic situation.

Market value areas

4.6 Variations in house prices have a significant impact on development economics and the impact of affordable housing on scheme viability.

4.7 In 2009 there was an analysis undertaken of house prices and sub markets in the Nottingham Core area using HM Land Registry data. The sub markets for Broxtowe, Gedling and Nottingham City are set out in Appendix 1 'Testing Framework' along with the respective indicative updated new build house prices for the area.

Testing assumptions (notional one hectare site)

4.8 An approach to the development densities and mix has been adopted using a range of assumptions recently agreed in Nottinghamshire with the Home Builders Federation and other market players. Densities have been tested at 30 dph, 50 dph and 80 dph to understand the spread of residual values across a range of densities.

	Dwellings per Hectare				
	20	30	40	50	80
1 Bed Flats			5	10	20
2 Bed Flats		10	15	20	30
2 Bed Terraces	10	10	15	20	30
3 Bed Terraces	20	15	15	15	20
3 Bed Semis	25	20	20	15	
3 Bed Detached	20	25	20	15	
4 Bed Detached	20	15	10	5	
5 Bed Detached	5	5			

4.9 Affordable housing policy has been tested at 10%; 20% and 30% AH.

Other s106 contributions and CIL

4.10 For the 2009 study, there was an allowance of £7,000 per unit made for other (than affordable housing) contributions. This was agreed as part and parcel of the wider testing for the Nottingham Core group of local authorities. This would equate to a CIL charge for residential development of around £90 per square metre (based on a unit size of around 80 sq m).

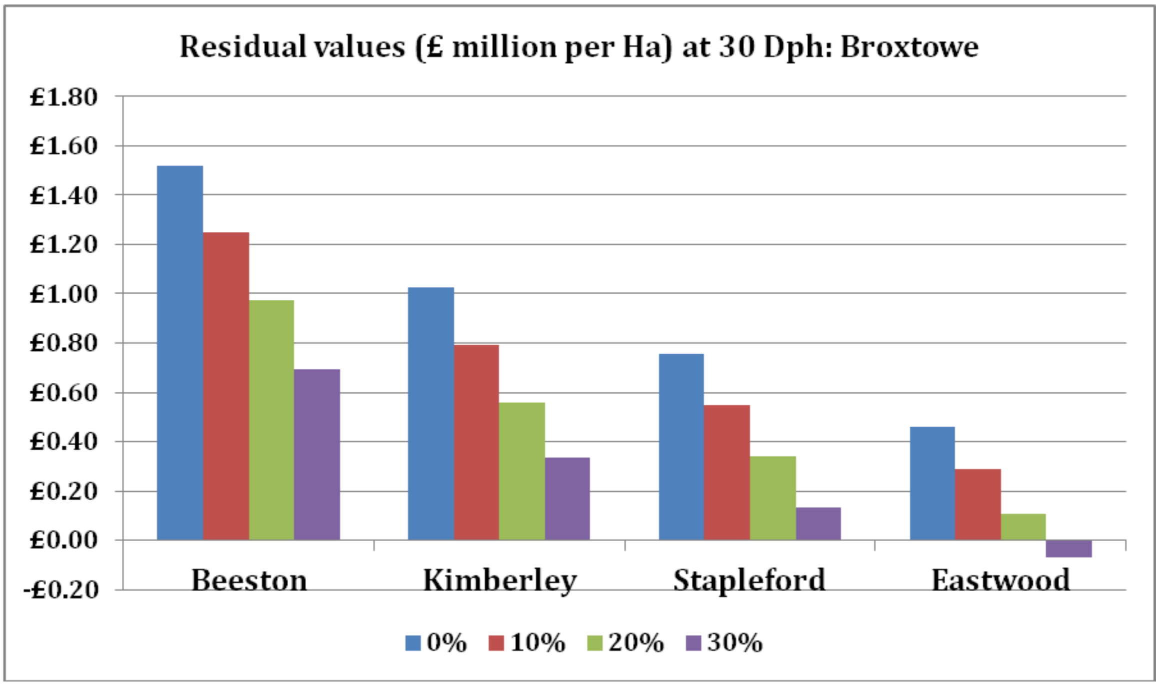
4.11 For this update study, analysis has been run at £5,000 per unit. This figure is less than that in the 2009 AHVS but is more for example, than is proposed in the Gedling BC Draft Charging CIL Schedule (amount to around £3,500 per unit).

Baseline results: residual values for a notional one hectare site

4.12 As in the baseline report of 2009, a range of scheme types have been looked at. The analysis which follows, shows the impacts of increasing the percentage of affordable housing on residual site values. The full set of results is shown in Appendix 2.

4.13 Figure 4.1 shows low density housing (30 dph) and the residual values for each of the market value areas outlined previously for Broxtowe.

Figure 4.1 Low density housing (30 dph) – Residual value in £s million - Broxtowe



4.14 The chart above (Figure 4.1) shows a range of residual values (RVs) across the Broxtowe Borough area. The range is wide. At 30% affordable housing residual value (RV) is around £700,000 per hectare in Beeston. This is higher than for a scheme of nil affordable housing in Eastwood.

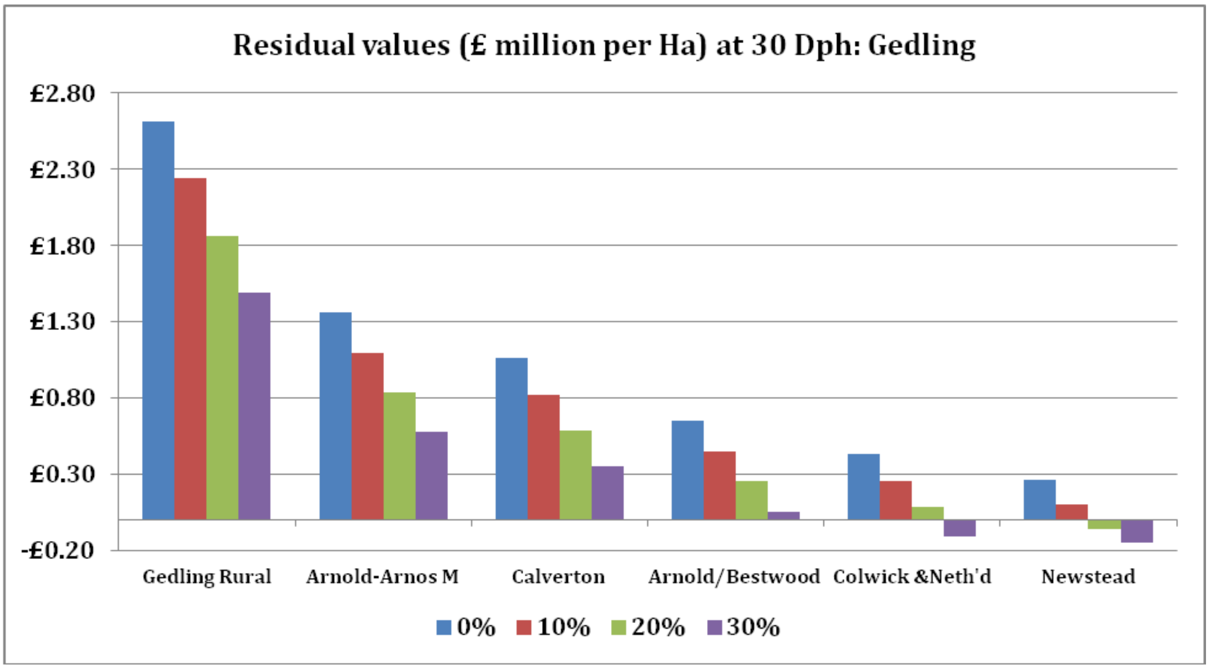
4.15 Schemes in Beeston are likely to generate robust residual values up to and beyond 30% affordable housing. The middle market locations such as Kimberley and Stapleford are however much more marginal at 30% affordable housing. Developments in Eastwood look routinely unviable beyond 10% affordable housing.

4.16 At the current (30%) policy position, the following residuals result:

- Beeston - £0.69 million per hectare RV;
- Kimberley - £0.33 million per hectare RV;
- Stapleford - £0.14 million per hectare RV;
- Eastwood – minus £0.07 million per hectare;

4.17 Figure 4.2 shows low density housing (30 dph) and the residual values for each of the market value areas outlined previously for Gedling Borough

Figure 4.2 Low density housing (30 dph) – Residual value in £s million – Gedling



4.18 As with Browtowe, the chart (Figure 4.2) shows a wide range of residual values (RVs) across the Gedling area. In the case of Gedling the range is even wider. This reflects in large measure a wider urban-rural split. At 30% afordable housing residual value (RV) is around £1.5 million per hectare in Gedling Rural. This is almost six time as high as residual value in Newstead with nil affordable housing.

4.19 These differences have been reflected a differentiated target approach that the Council has already adopted in policy.

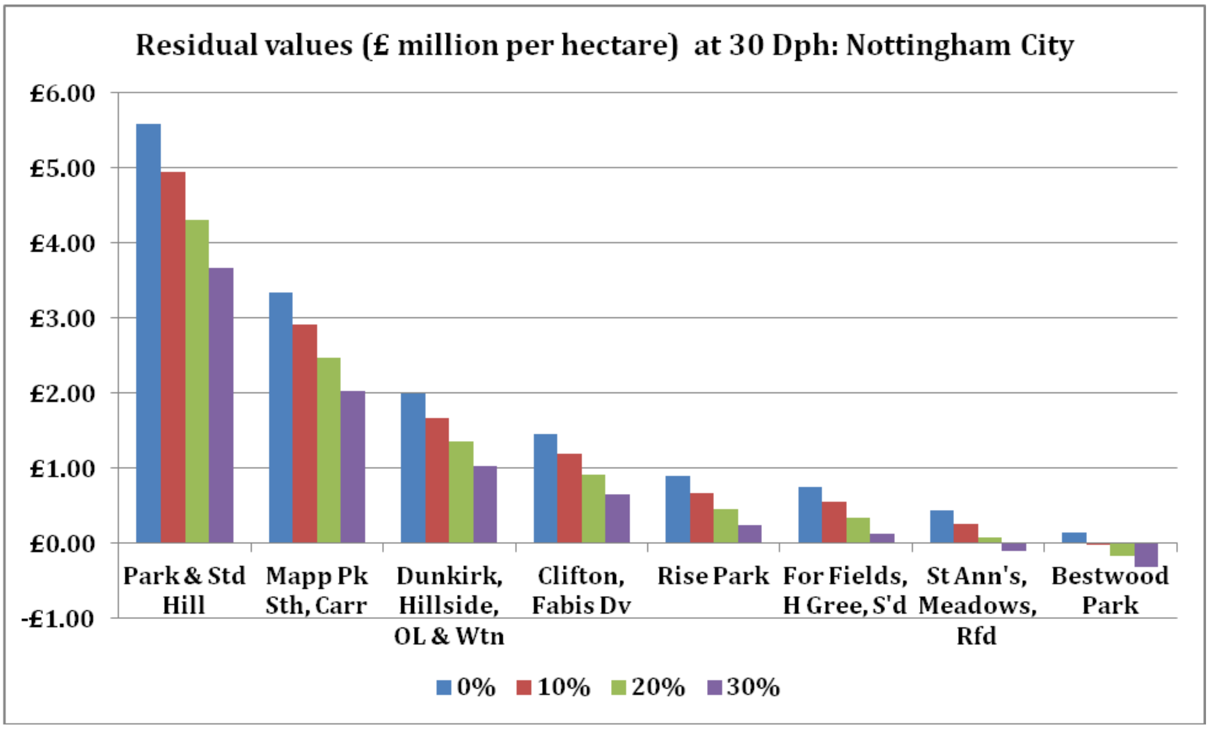
4.20 At the current policy targets, the following residuals result:

- Gedling Rural - £1.49 million per hectare RV (30%);
- Arnold-Arnos Mapperley - £0.58 million per hectare RV (30%);
- Calverton - £0.35 million per hectare RV (20%);
- Arnold-Bestwood – £0.25 million per hectare (20%);
- Colwick and Netherfield - £0.25 million per hectare (10%)
- Newstead - £0.10 million per hectare (10%).

4.21 The Newstead residual looks marginal even at 10% affordable.

4.22 Figure 4.3 shows low density housing (30 dph) and the residual values for each of the market value areas outlined previously for the Nottingham City area.

Figure 4.3 Low density housing (30 dph) – Residual value in £s million – Nottingham City



4.23 The viability picture in Nottingham City is identifiable with huge variance. This was also the case in 2009, at the baseline viability study.

4.24 The variance is massive. At the top end of the market, schemes with 30% affordable housing generate up to £3.5 million per hectare, whereas at the bottom end, development looks barely viable even without affordable housing.

4.25 Significant areas of the City look marginal in terms of development including affordable housing. The following summary provides residual values at the policy position of 20% affordable housing.

4.26 At the current policy target, the following residuals result:

- The Park and Standard Hill - £4.3 million per hectare RV;
- Mapperley Park - £2.5 million per hectare RV;
- Dunkirk, Hillside, Old Lenton - £1.4 million per hectare RV;
- Clifton – £0.9 million per hectare RV;
- Rise Park - £0.5 million per hectare RV;

- Forest Fields et al - £0.33 million per hectare RV;
- St Ann's, Meadows - £0.1 million per hectare RV;
- Bestwood Park – minus £0.2million per hectare RV;

4.27 The lower residual values (in the range £250,000 to £500,000 per hectare) may not be problematic for green field sites, but on inner city land, where existing use values are likely to be higher, a 20% target will in most instances I feel generate viability challenges.

4.28 At the other end of the scale, in locations such as the Park and Mapperley Park, a 20% target looks far too low and arguably a target well above 30% affordable housing might be sought.

Development at higher densities

4.29 Viability has been tested at higher density, notably 50 dwellings per hectare and 80 dwellings per hectare (Appendix 2). The purpose of this is to see what impact increasing density may have on viability. This test was also carried out in the 2009 study.

4.30 In moving from 30 dwellings per hectare to 50 dwellings per hectare, the following conclusions result:

Broxtowe:

- In Broxtowe, residual values fall in every instance. Most significantly, residual values are now negative above 10% affordable housing (as the lower % test) in Stapleford.
- This means that in Broxtowe, a 30% affordable housing target is routinely too high in the majority of sub markets (this is likely however to be the exception rather than the norm).

Gedling:

- The vast majority of tests at 50 dph show a lower residual value than at 30 dph. As with Broxtowe, this means that viability is in decline as density increases. As previously discussed, this relates to the fact that higher density generates a higher percentage of smaller units and because sales values for these are low in the Nottingham Core area, these units fail to cover build costs. The more loss making units there are, the greater the need for larger ones which generate positive residual values.
- The only exceptional cases in Gedling relate to the Gedling Rural sub market where, up to 20% affordable housing, residual values are higher at 50 dph, than 30 dph.

- The important effects are on the lower value sub markets. Development at 50 dph will not generate sufficient residual value to meet the current policy targets.

Nottingham City:

- The impact of increasing density here is similar to that experienced elsewhere, although in the City, residual values are now very buoyant in higher value areas, whereas in the lower value locations, residuals have collapsed. There is thus polarising effect where density is increased.
- Importantly, at 50 dph, development looks unlikely to take place at the affordable housing target in at least (the bottom) half of the sub markets. At the top end, residual values are now at almost £5 million per hectare at 30% affordable housing.

4.31 The table (4.1) below shows in general a worsening picture of viability for a higher density scheme. A scheme of 80 dwellings per hectare is assumed to have mostly smaller housing (terraced) and flats.

Table 4.1 Residual values at 80 Dph

80 Dph				
BROXTOWE	0%	10%	20%	30%
Beeston	£1.21	£0.74	£0.28	-£0.20
Kimberley	£0.33	-£0.05	-£0.43	-£0.82
Stapleford	-£0.14	-£0.47	-£0.81	-£1.15
Eastwood	-£0.68	-£0.97	-£1.26	-£1.55
GEDLING	0%	10%	20%	30%
Gedling Rural	£3.22	£2.57	£1.93	£1.28
Arnold-Arnos Mapp	£0.95	£0.50	£0.05	-£0.39
Calverton	£0.40	£0.00	-£0.40	-£0.79
Arnold/Bestwood	-£0.35	-£0.68	-£1.01	-£1.34
Colwick &Neth'd	-£0.74	-£1.04	-£1.33	-£1.63
Newstead	-£1.04	-£1.31	-£1.58	-£1.85
NOTTINGHAM CITY	0%	10%	20%	30%
Park & Std Hill	£8.60	£7.48	£6.35	£5.23
Mapp Pk Sth, Carr	£4.53	£3.76	£3.00	£2.24
Dunkirk, Hillside, OL & Wtn	£2.06	£1.51	£0.96	£0.42
Clifton, Fabis Dv	£1.10	£0.64	£0.18	-£0.28
Rise Park	£0.11	-£0.26	-£0.64	-£1.01
For Fields, H Gree, S'd	-£0.16	-£0.51	-£0.86	-£1.21
St Ann's, Meadows, Rfd	-£0.74	-£1.04	-£1.33	-£1.63
Bestwood Park	-£1.28	-£1.52	-£1.77	-£2.03

4.32 The following conclusions result:

- For Broxtowe, schemes in all sub markets look unviable at 30% affordable housing. There are actually only positive residual values generated in a limited number (5 from 20) tests.
- For Gedling, the varied affordable housing target approach would need to be scaled back, arguably with the (3) lower value sub markets being exempted from an affordable housing contribution. This does not mean that the current policy position is wrong, simply that the Council will need to be flexible when doing affordable housing negotiations.
- In Nottingham City's higher value locations, residual values soar towards £8 million per hectare in the higher value sub markets. At 30% affordable housing, residual value at 30% affordable housing is over £5 million per hectare.
- Conversely, higher density schemes in the majority of the lower value sub markets are non viable even at nil affordable housing. This reflects in practice a downturn in the market for inner city flats. Given the fact that the analysis in 2009 showed similar conclusions it is perhaps surprising that the market remained buoyant for so long.

Impacts of potential grant funding

4.33 As previously, it is important to comment on grant. This analysis, as was the case with the previous work, assumes that the affordable housing revenue (what the housing association is deemed to be able to pay to the developer for the affordable units), does not include grant.

4.34 In practice, the Councils will need, when negotiating sites, to ensure that developers provide full information on deals done with housing associations. In most cases, it is likely that payment will exceed those assumed to be made as part and parcel of this analysis.

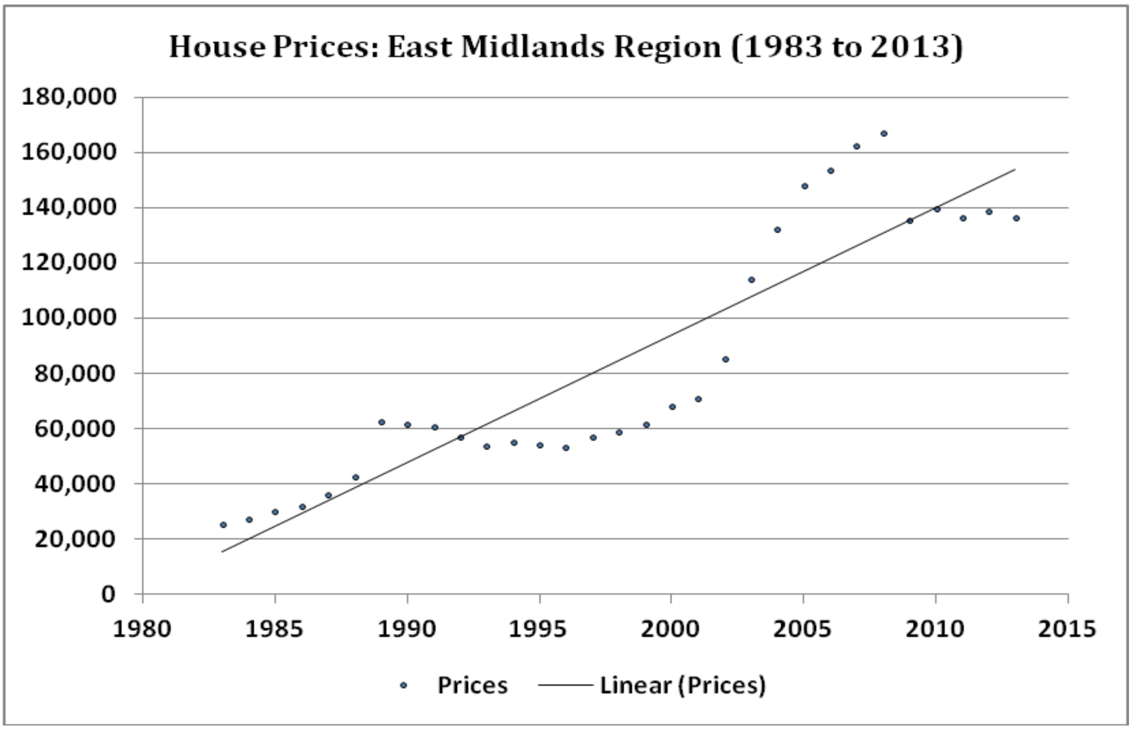
4.35 As commented on in the previous report, the introduction of grant has a greater proportionate impact in the weaker sub markets.

Currency of results

4.36 It is important to set the results of the update analysis in the context of the Plan period as a whole. In this respect it is helpful to look at the current position of the housing market in the light of longer terms trends.

4.37 Figure 4.4 shows the short term (fluctuating line) house price trend versus the long term 'straight line' trend.

Figure 4.4 House price trends



Source: Halifax House Price Index

4.38 The key point to note is that at the beginning of 2013 (last data set from Halifax is Q2 2012) prices (the dotted line) are still below the long term trend.

4.39 This means that in terms of this report, the policy conclusions will have been relatively cautiously drawn, since we are below the long terms housing market position. The Council may wish to review the policy position at a future point where the housing market returns to its long term equilibrium.

5 Small sites and the implications for thresholds

Background

5.1 The 2009 Viability Report ('baseline') found that there was a significant need for affordable housing in the three local authority areas and it was appropriate for the Council to give consideration to a lower threshold than the indicative national minimum (15 dwellings) set out in PPS3 at the time.

5.2 In the case of all three authorities it was pointed out that setting a threshold at a particular level was not a viability driven issue, but one which related to the profile of site supply and the nature of sites coming forward.

The evidence base and specific policy responses

5.3 In the case of Broxtowe, the report stated:

'The supply of sites which has been coming through in recent years would indicate the need for a threshold below 15 dwellings generally in order to maximise delivery of affordable housing and to start to meet the high level of need identified in the SHMA. It would seem that the Council has two main options (if it wants to consider a threshold below 15 dwellings). The first option would be a threshold of 0 and which would mean all sites would contribute to affordable housing'.

And:

'On the basis of the information currently available, we consider that a threshold of 5 dwellings is probably the better option; it is a compromise between maximising the supply of affordable housing and practical considerations in dealing with a far larger number of applications from which affordable housing would need to be sought'

5.4 The Broxtowe Council have a policy threshold of 25 units currently although this is being reviewed going forward.

5.5 Gedling's AHVS stated that in relation to thresholds:

'The supply of sites which has been coming through in recent years does not, in our view, indicate the need for a threshold below 15 dwellings generally but does indicate that a reduction from the current Local Plan position of 1 hectare is required and that the use of 15 dwellings is appropriate'.

5.6 The Council's policy now requires affordable housing contributions on sites of 15 or more dwellings.

5.7 The Nottingham City AHVS stated that:

'Overall we did not find that land supply in the city relies heavily on small sites and do not believe that there is a strong case to support a lower threshold than the indicative national minimum (15 dwellings) set out in PPS3.

However, the evidence we collected indicates that market value areas vary in the extent to which they rely on small sites. This suggests that there could be a case for the use of thresholds below 15 dwellings in specific areas. More depth analysis is needed to clarify this and to support the introduction of a lower threshold than 15 dwellings in specific areas'.

5.8 The Council's policy requires affordable housing contributions on sites of 15 dwellings or more.

5.9 The three authorities have broadly followed the advice provided in the AHVSs, although the adopted Local Plan threshold in Broxtowe at 25 units is well above the national guidance in PPS3 and really should be judged against a policy shift across the country towards significantly lower thresholds. This makes sense in the light of drastic cuts to grant funding for affordable housing.

Lessons from elsewhere

5.10 There are a number of local authorities from whom The Nottingham Core local authorities can draw experience of thresholds and indeed commuted sums where these are taken. Policies range widely although there is generally an impetus to reduce thresholds as much as possible in order to increase affordable housing delivery.

5.11 It has come as a surprise to many authorities to find that their largest developments are also located in the weakest housing markets and as a result, the only way to generate affordable housing is to reduce the threshold.

5.12 Generally those authorities opting for a low threshold have done so with caution in so far as commuted sums are concerned. Very few have (in the case of England) been prepared to levy sums that could be described as 'NPPF compliant'. By this is meant, the sum asked for off site provision, is not equivalent to that on site.

5.13 Feedback in other studies suggests that local authorities are more wary with small land owners and builders. This is in large measure, since this group are not as aware of the Section 106 process and its ethos as the volume house builders who are geared up to negotiating sites with land owners.

5.14 Other feedback suggests that absolute returns on small sites, where an affordable housing contribution is impacted, don't deliver a 'make it worthwhile' solution.

5.15 Several local authorities have adopted a sliding scale approach to affordable housing delivery. This is where targets are higher on large sites and lower on smaller sites. This is by recommendation of certain consultants (their adopted position). AGA's own position here is that sliding scale targets are wrong in principle since they fail to maximise delivery on smaller sites where the numbers stack up very well. The approach does however gain some merit in easing in an affordable housing policy in areas where it has traditionally not been used.

Recommendations

5.16 Affordable housing delivery is critical and it does not make sense to exempt a scheme of a certain size when it is location that drives viability not site size.

5.17 That stated, it would make sense for each of the authorities to carry out updated analysis on small sites, thresholds and possibly commuted sums. Understanding the relationship between the profile of sites coming forward will inform a more robust policy with respect to thresholds.

5.18 The development of policies aimed to maximise affordable housing supply are quite challenging, particularly where the aim is to set a single dwelling or low threshold. Making a case for a lower threshold is however a very worthwhile exercise even if detailed analysis is needed to support it.

5.19 It is suggested that the Councils look in more detail at their thresholds with a view to maximising affordable housing.

Thresholds and CIL

5.20 When setting a CIL, the Councils will need to consider the viability impact of the affordable housing threshold.

5.21 Should the affordable housing threshold be maintained at 15 units for example, then this creates a very clear viability division between smaller and larger sites in so far as CIL is concerned.

5.22 In these respects, clearly a higher CIL can be charged on smaller sites (which might be exempted from an affordable housing contribution) than on larger sites (who do attract an affordable housing contribution).

5.23 My recommendation is that the Councils consider location as the driver of viability and set affordable housing targets and the CIL charging schedule accordingly.

6 Main Findings and Conclusions

Overview

6.1 This study has updated the three Councils' Affordable Housing Viability Study of 2009 and has looked forward over the Plan period. The study has taken into account changes in house prices and build costs as the key viability variables. It has also taken account of changes in national and local planning policy.

6.2 Key policy changes include the implementation of the NPPF, the Council's Core Strategy and policies relating to affordable housing delivery.

6.3 The housing market in Nottinghamshire has held up relatively well in relation to the national housing market. Development costs have fallen marginally in line with house prices. With updating of the development mix and taking on board updated information on affordable housing payments, this means that viability has held up and there are still some very strong residual values in some sub markets. In some locations, an affordable housing target of 40% or even higher would be likely to be viable if the analysis here is projected to a higher percentage of affordable units.

6.4 Generally the key issue is the policy approach taken where residual values vary vastly. Gedling approach this by way of varied targets and this can reduce the time spent on negotiations where a single district wide target might otherwise not.

6.5 This is key in helping the Council to formulate its affordable housing policies following feedback on the Core Strategy.

Targets

6.6 In terms of appropriate targets, the recommendations should not differ significantly from the 2009 AHVSs. In summary were as shown in Table 6.1 below, along with the policy recommendations:

Table 6.1 Summary of options and policy choices

Council	Option 1	Option 2	Option 3	Policy
Broxtowe	25% across Borough but with	30% Beeston; 10% Elsewhere	30% Beeston; 20% Kimberley;	30% across
	subsidy at lower end		10% Elsewhere	Borough
Gedling	Retain LP target but with	30% with the exception of:	Gedling Rural at 40%	Split: 30%; 20%
	subsidy at lower end	10% in lower value areas	Arnold Mapperley & Calverton	and 10%
		up to Calverton)	10% Elsewhere	
Nottingham	20% across City but with	Nottingham Prime 40%		20% across
City	subsidy at lower end	Southern Suburban 40%		City
		Suburban Nottingham 30%		
		Elsewhere 10%		

6.7 In terms of this update analysis, the affordable housing policy position being taken forward by Gedling looks appropriate and viable. There may be instances where schemes are marginal at the lower end, but generally the targets look supportable.

6.8 In the case of Broxtowe, a 30% target across the Borough looks difficult to achieve at the lower end of the market. My analysis shows that in Stapleford and Eastwood residual values are almost negative or negative at 30% affordable housing.

6.9 Similarly in Nottingham City, residual values are very varied, and taking a flexible approach to ensuring appropriate levels of affordable housing provision will be an important policy consideration.

Thresholds

6.10 The need to reduce thresholds is apparent when looking at viability across the board and indeed the (downward) trend towards lower trigger points for affordable housing requirements.

6.11 It is emphasised that setting thresholds is not a viability driven issue. Large sites are sometimes unviable and small ones often are. Thresholds need to be set with the profile of site supply in mind. Those locations where large sites abound may not require a lower threshold.

6.12 However, the location of a large site may mean that it is not viable, and never will be (whether parcelled up or otherwise) to deliver affordable housing. Under these circumstances, it may be best to re-visit the policy with respect to the allocation of sites in order to maximise affordable housing and other Section 106 contributions.

6.13 It is recommended that all three authorities have another, more detailed look at this issue. Certainly the threshold in Broxtowe looks dated and should be reduced to at least catch some of the smaller sites in the higher value locations such as Beeston.

Appendix 1 Testing Framework

1 Baseline model

Nottingham Core Toolkit

2 Site size base

Standard one hectare site.

3 Market areas

BROXTOWE										
NEW BUILD INDICATIVE	Detached			Semis	Terraces		Flats		Bungalows	
	5 Bed	4 Bed	3 Bed	3 Bed	3 Bed	2 Bed	2 Bed	1 Bed	3 Bed	2 Bed
1) Beeston	£304,000	£ 265,000	£ 225,000	£173,000	£ 169,000	£ 147,000	£141,000	£98,000	£ 208,000	£187,000
2) Kimberley	£273,000	£ 237,000	£ 201,000	£155,000	£ 151,000	£ 132,000	£125,000	£87,000	£ 186,000	£167,000
3) Stapleford	£253,000	£ 219,000	£ 186,000	£143,000	£ 140,000	£ 122,000	£118,000	£83,000	£172,000	£155,000
4) Eastwood	£232,000	£ 201,000	£ 172,000	£132,000	£ 129,000	£ 112,000	£108,000	£76,000	£ 159,000	£143,000

GEDLING										
NEW BUILD INDICATIVE	Detached			Semis	Terraces		Flats		Bungalows	
	5 Bed	4 Bed	3 Bed	3 Bed	3 Bed	2 Bed	2 Bed	1 Bed	3 Bed	2 Bed
1) South Gedling rural North Gedling rural	£379,000	£ 329,000	£ 280,000	£215,000	£ 210,000	£ 183,000	£177,000	£124,000	£259,000	£233,000
2) Arnold - Arnos/Mapperley	£293,000	£ 255,000	£ 217,000	£166,000	£ 163,000	£ 142,000	£137,000	£95,000	£200,000	£180,000
3) Calverton	£273,000	£ 238,000	£ 201,000	£155,000	£ 151,000	£ 132,000	£127,000	£89,000	£186,000	£167,000
4) Arnold/Bestwood Carlton	£244,000	£ 213,000	£ 180,000	£140,000	£ 136,000	£ 118,000	£114,000	£80,000	£168,000	£150,000
5) Colwick & Netherfield Bestwood St.albans	£230,000	£ 200,000	£ 170,000	£131,000	£ 128,000	£ 111,000	£107,000	£75,000	£157,000	£141,000
6) Newstead	£218,000	£ 190,000	£ 162,000	£124,000	£ 122,000	£ 105,000	£102,000	£71,000	£149,000	£134,000

NOTTINGHAM CITY										
NEW BUILD INDICATIVE	Detached			Semis	Terraces		Flats		Bungalows	
	5 Bed	4 Bed	3 Bed	3 Bed	3 Bed	2 Bed	2 Bed	1 Bed	3 Bed	2 Bed
1) Park and Standard Hill	£580,000	£ 505,000	£ 430,000	£331,000	£ 323,000	£ 281,000	£271,000	£190,000	£397,000	£357,000
2) Mapperley Park South, Carrington, Sh	£428,000	£ 372,000	£ 317,000	£244,000	£ 238,000	£ 207,000	£200,000	£139,000	£293,000	£263,000
3) Dunkirk,Hillside and Old Lenton Wollaton Wilford and Silverdale	£337,000	£ 293,000	£ 248,000	£192,000	£ 187,000	£ 162,000	£156,000	£109,000	£230,000	£207,000
4) CliftonVillage, Fabis Drive	£299,000	£ 261,000	£ 222,000	£171,000	£ 167,000	£ 145,000	£139,000	£97,000	£204,000	£184,000
5) Rise Park	£262,000	£ 228,000	£ 194,000	£149,000	£ 146,000	£ 127,000	£122,000	£85,000	£179,000	£162,000
6) Forest Fields Chalfont Drive - Aspley Lane Broxtowe, Aspley, Bells Lane, etc Hyson Green & Bobbers Mill Sherwood Bakersfield	£252,000	£ 218,000	£ 187,000	£143,000	£ 140,000	£ 122,000	£116,000	£82,000	£172,000	£155,000
7) St Ann's Meadows Lenton Abbey Radford Sneinton Bulwell Bestwood Estate Clifton	£232,000	£ 202,000	£ 171,000	£132,000	£ 129,000	£ 111,000	£108,000	£76,000	£158,000	£143,000
8) Bestwood Park	£212,000	£ 184,000	£ 157,000	£120,000	£ 116,000	£ 102,000	£99,000	£68,000	£144,000	£130,000

4

4 Density and mix

	Dwellings per Hectare				
	20	30	40	50	80
1 Bed Flats			5	5	20
2 Bed Flats		5	5	10	30
2 Bed Terraces	10	10	15	20	30
3 Bed Terraces	15	15	15	20	20
3 Bed Semis	20	20	20	20	
3 Bed Detached	20	20	20	15	
4 Bed Detached	20	15	10	10	
5 Bed Detached	5	5	5		
3 Bed Bungalow	10	10	5		
	100	100	100	100	100

5 Affordable housing targets

	10%	15%	20%	25%	30%
Broxtowe	8%:2%	12%:3%	16%:4%	20%:5%	24%:6%
Gedling & NCC	7%:3%	10%:5%	14%:6%	17%:8%	21%:9%

6 Affordable Housing Revenue

Social Rent – run at £60,000 per unit on average.

Affordable Rent – run at 50% of market value

7 Other Section 106: CIL obligations

Run at £5,000 per unit (2009 AHVS ran with £7,000 per unit). Gedling mid market CIL is £45 per square metre. At say 80 sq m per dwelling = £3,600 per unit.

8 Development costs

10 - DEVELOPMENT COSTS

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

Build Costs per sq m

You can enter your own values in the white cells below.
Where cells are left blank, the Toolkit value for that row will be used

	Toolkit Values	User Values
Bungalows	£885	
Flats (6+ storeys)	£1,320	
Flats (5 & less storeys	£950	£1,112
Houses <= 75m2	£875	£913
Houses > 75m2	£760	£901

Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items.
Where cells are left blank. the Toolkit value for that row will be used.

	Toolkit Values	User Values	
Professional Fees %	12.00%		of build costs
Internal Overheads	5.00%		of build costs (Market and Discount Market units)
Interest Rate (Market)	7.00%		of build Costs (Market, Discount Market and Low Cost Sale units)
Interest Rate (Affordable Housing)	7.00%		of build costs (SR, HB, IR units)
Marketing Fees	3.00%		of market value (Market and Discount Market units)
Developers Return	15.00%	17.00%	of market value (Market and Discount Market units)
Contractors Return	6.00%		of development costs (SR, HB, IR and LCS units)
Land financing costs	£ -		*Please see the Guidance Notes for use of this value*

Exceptional Development Costs

You may enter SCHEME totals for exceptional costs. The first row is for Sustainable Homes costs. The other three rows are for user defined costs. You can enter the name of the cost in the left hand cells and SCHEME value in the right hand cell.

Sustainable Homes Standard	
Market Housing	Affordable Housing
None	None

Costs incurred for Sustainable Homes Levels None and	£ -
<Enter Costs Description>	£ -
<Enter Costs Description>	£ -
<Enter Costs Description>	£ -

Scheme Total	
per dwelling	#VALUE!
per hectare	#DIV/0!

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9 Unit Sizes (m2)

	Affordable	Market
1 Bed Flats	46	45
2 Bed Flats	67	65
2 Bed Terr	68	67
3 Bed Terr	80	78
3 Bed Semis	84	82
3 Bed Detached	90	94
4 Bed Detached	110	120
5 Bed Detached	120	135

Appendix 2 Testing Results

Residual values at 30 Dph:

30 Dph				
BROXTOWE	**0%**	**10%**	**20%**	**30%**
Beeston	**£1.52**	**£1.25**	**£0.97**	**£0.69**
Kimberley	**£1.03**	**£0.79**	**£0.56**	**£0.33**
Stapleford	**£0.76**	**£0.55**	**£0.34**	**£0.14**
Eastwood	**£0.46**	**£0.29**	**£0.11**	**-£0.07**
GEDLING	**0%**	**10%**	**20%**	**30%**
Gedling Rural	**£2.61**	**£2.24**	**£1.86**	**£1.49**
Arnold-Arnos M	**£1.36**	**£1.10**	**£0.84**	**£0.58**
Calverton	**£1.06**	**£0.82**	**£0.59**	**£0.35**
Arnold/Bestwood	**£0.65**	**£0.45**	**£0.25**	**£0.05**
Colwick &Neth'd	**£0.43**	**£0.25**	**£0.08**	**-£0.11**
Newstead	**£0.26**	**£0.10**	**-£0.06**	**-£0.15**
NOTTINGHAM CITY	**0%**	**10%**	**20%**	**30%**
Park & Std Hill	**£5.59**	**£4.95**	**£4.31**	**£3.67**
Mapp Pk Sth, Carr	**£3.35**	**£2.91**	**£2.47**	**£2.03**
Dunkirk, Hillside, OL & Wtn	**£2.00**	**£1.67**	**£1.36**	**£1.04**
Clifton, Fabis Dv	**£1.46**	**£1.19**	**£0.91**	**£0.65**
Rise Park	**£0.90**	**£0.68**	**£0.46**	**£0.23**
For Fields, H Gree, S'd	**£0.76**	**£0.55**	**£0.33**	**£0.13**
St Ann's, Meadows, Rfd	**£0.43**	**£0.25**	**£0.08**	**-£0.11**
Bestwood Park	**£0.14**	**-£0.02**	**-£0.17**	**-£0.32**

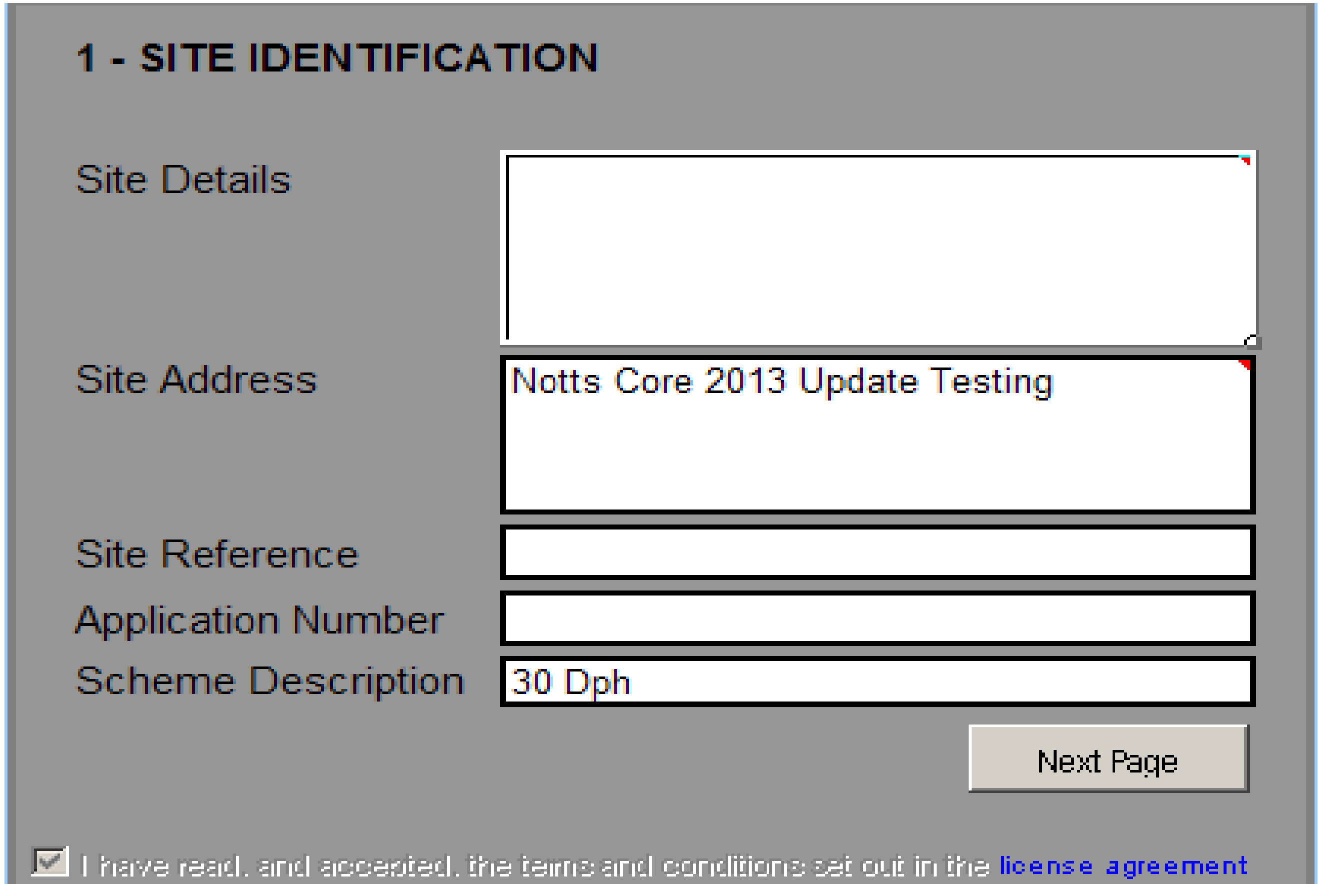
Residual values at 50 Dph:

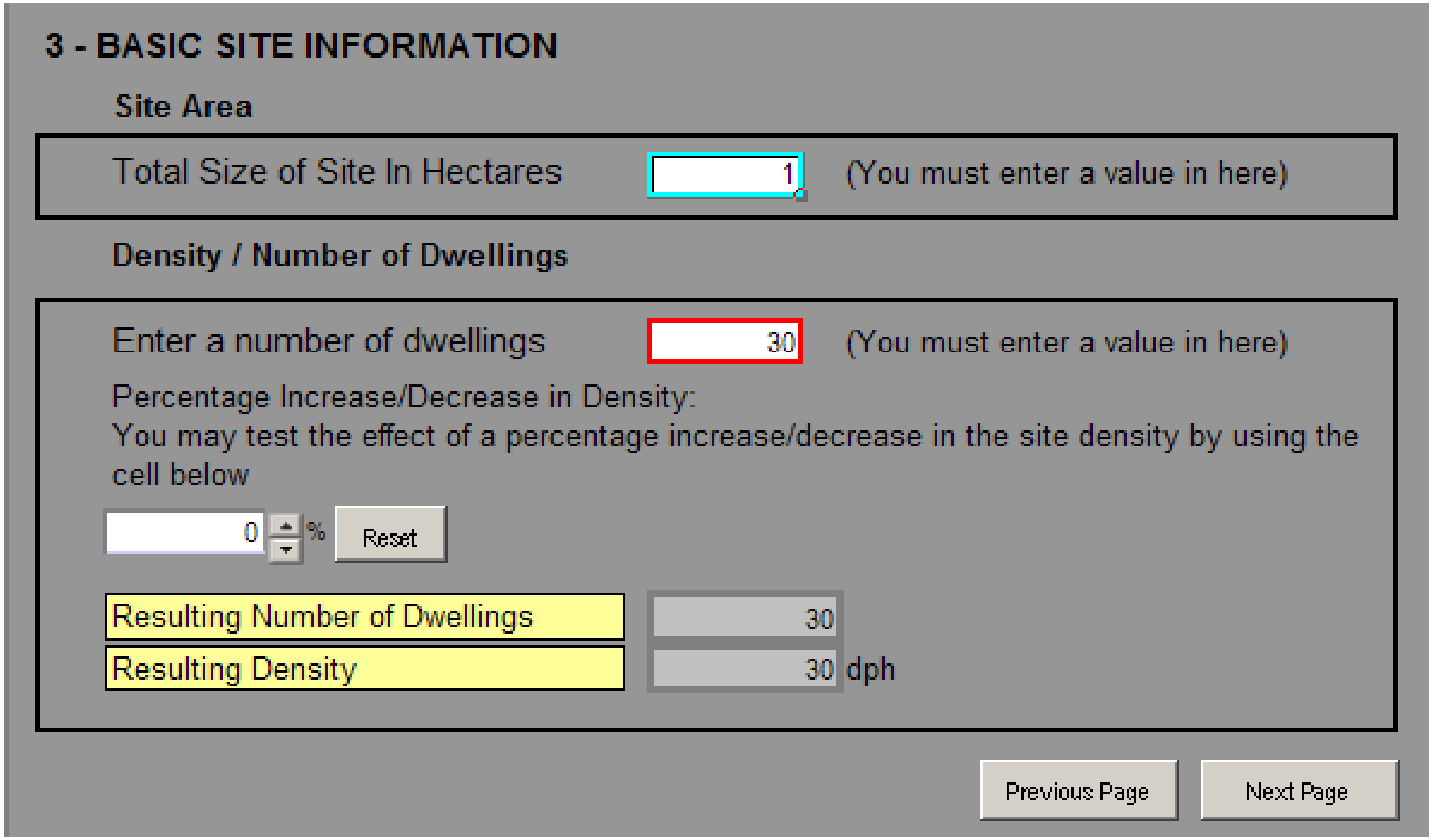
50 Dph				
BROXTOWE	**0%**	**10%**	**20%**	**30%**
Beeston	**£1.42**	**£1.04**	**£0.68**	**£0.31**
Kimberley	**£0.74**	**£0.43**	**£0.13**	**-£0.19**
Stapleford	**£0.32**	**£0.05**	**-£0.22**	**-£0.49**
Eastwood	**-£0.10**	**-£0.33**	**-£0.59**	**-£0.79**
GEDLING	**0%**	**10%**	**20%**	**30%**
Gedling Rural	**£2.99**	**£2.48**	**£1.96**	**£1.45**
Arnold-Arnos Mapp	**£1.19**	**£0.84**	**£0.49**	**£0.13**
Calverton	**£0.76**	**£0.44**	**£0.12**	**-£0.20**
Arnold/Bestwood	**£0.16**	**-£0.10**	**-£0.36**	**-£0.62**
Colwick &Neth'd	**-£0.14**	**-£0.38**	**-£0.62**	**-£0.86**
Newstead	**-£0.39**	**-£0.60**	**-£0.82**	**-£1.04**
NOTTINGHAM CITY	**0%**	**10%**	**20%**	**30%**
Park & Std Hill	**£7.27**	**£6.38**	**£5.48**	**£4.59**
Mapp Pk Sth, Carr	**£4.04**	**£2.83**	**£2.22**	**£2.22**
Dunkirk, Hillside, OL & Wtn	**£2.10**	**£1.67**	**£1.22**	**£0.79**
Clifton, Fabis Dv	**£1.33**	**£0.97**	**£0.60**	**£0.23**
Rise Park	**£0.52**	**£0.23**	**-£0.06**	**-£0.36**
For Fields, H Gree, S'd	**£0.32**	**£0.04**	**-£0.23**	**-£0.51**
St Ann's, Meadows, Rfd	**-£0.14**	**-£0.38**	**-£0.62**	**-£0.86**
Bestwood Park	**-£0.56**	**-£0.77**	**-£0.96**	**-£1.16**

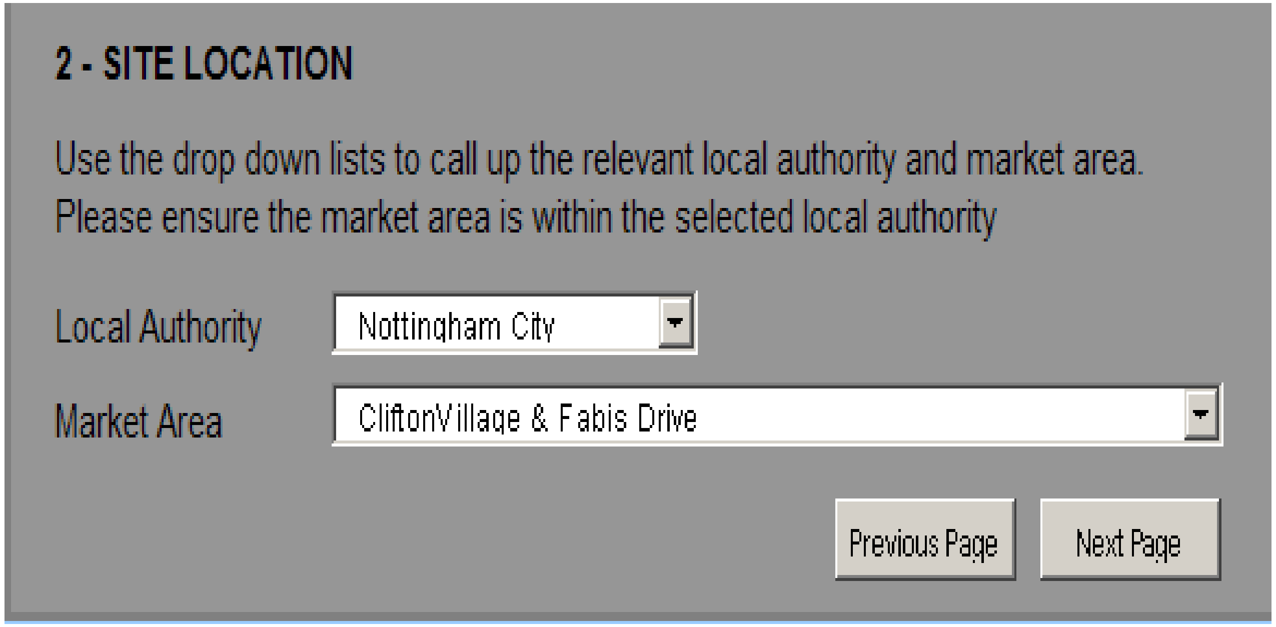
Residual values at 80 Dph:

80 Dph				
BROXTOWE	**0%**	**10%**	**20%**	**30%**
Beeston	**£1.21**	**£0.74**	**£0.28**	**-£0.20**
Kimberley	**£0.33**	**-£0.05**	**-£0.43**	**-£0.82**
Stapleford	**-£0.14**	**-£0.47**	**-£0.81**	**-£1.15**
Eastwood	**-£0.68**	**-£0.97**	**-£1.26**	**-£1.55**
GEDLING	**0%**	**10%**	**20%**	**30%**
Gedling Rural	**£3.22**	**£2.57**	**£1.93**	**£1.28**
Arnold-Arnos Mapp	**£0.95**	**£0.50**	**£0.05**	**-£0.39**
Calverton	**£0.40**	**£0.00**	**-£0.40**	**-£0.79**
Arnold/Bestwood	**-£0.35**	**-£0.68**	**-£1.01**	**-£1.34**
Colwick &Neth'd	**-£0.74**	**-£1.04**	**-£1.33**	**-£1.63**
Newstead	**-£1.04**	**-£1.31**	**-£1.58**	**-£1.85**
NOTTINGHAM CITY	**0%**	**10%**	**20%**	**30%**
Park & Std Hill	**£8.60**	**£7.48**	**£6.35**	**£5.23**
Mapp Pk Sth, Carr	**£4.53**	**£3.76**	**£3.00**	**£2.24**
Dunkirk, Hillside, OL & Wtn	**£2.06**	**£1.51**	**£0.96**	**£0.42**
Clifton, Fabis Dv	**£1.10**	**£0.64**	**£0.18**	**-£0.28**
Rise Park	**£0.11**	**-£0.26**	**-£0.64**	**-£1.01**
For Fields, H Gree, S'd	**-£0.16**	**-£0.51**	**-£0.86**	**-£1.21**
St Ann's, Meadows, Rfd	**-£0.74**	**-£1.04**	**-£1.33**	**-£1.63**
Bestwood Park	**-£1.28**	**-£1.52**	**-£1.77**	**-£2.03**

Appendix 3 Worked example; one hectare site at 30 dph at 20% affordable housing – Clifton (NCC)




3 - BASIC SITE INFORMATION
Site Area
Total Size of Site In Hectares
1
(You must enter a value in here)
Density / Number of Dwellings
Enter a number of dwellings
30
(You must enter a value in here)
Percentage Increase/Decrease in Density:
You may test the effect of a percentage increase/decrease in the site density by using the cell below
0
%
Reset
Resulting Number of Dwellings
30
Resulting Density
30
dph
Previous Page
Next Page


2 - SITE LOCATION
Use the drop down lists to call up the relevant local authority and market area.
Please ensure the market area is within the selected local authority
Local Authority
Nottingham City
Market Area
CliftonVillage & Fabis Drive
Previous Page
Next Page

4 - CHARACTERISTICS OF DEVELOPMENT

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST
You then have 2 options for entering information about the scheme
EITHER, enter information for up to 20 dwelling types – each row must be either fully complete or left blank (enter 1 if information not relevant e.g. size of affordable unit but is a market unit)
OR select the Toolkit default mix by depressing the button called Use Default Unit Types

Clear Table | Use Default Unit Types | View Default 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 Bed Flats	2	Flat	1.0	67	65	n/a	2
2	2 Bed Terraces	2	House	3.0	68	67	n/a	n/a
3	3 Bed Terraces	3	House	4.0	80	78	n/a	n/a
4	3 Bed Semis	3	House	6.0	84	82	n/a	n/a
5	3 Bed Detached	3	House	6.0	90	94	n/a	n/a
6	4 Bed Detached	4	House	5.0	110	120	n/a	n/a
7	5 Bed Detached	5	House	2.0	120	135	n/a	n/a
8	3 Bed Bungalows	3	House	3.0	88	90	n/a	n/a
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
	Total Number of units			30				

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5 - MARKET VALUES

This is a custom scheme, default values are not available.

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRS Clear Table

You can enter your own values for each dwelling type or select the Toolkit default market values by depressing the button called Default Market Values

View Default Values ->

You can adjust the market values by using the % increase/decrease arrows 100 % Reset

Depress the Reset button to return to base market value

Ref.	Unit Type	No of Bed-	Market Value	Adjusted Market Value
1	2 Bed Flats	2	£139,000	£139,000
2	2 Bed Terraces	2	£145,000	£145,000
3	3 Bed Terraces	3	£167,000	£167,000
4	3 Bed Semis	3	£171,000	£171,000
5	3 Bed Detached	3	£222,000	£222,000
6	4 Bed Detached	4	£261,000	£261,000
7	5 Bed Detached	5	£299,000	£299,000
8	3 Bed Bungalows	3	£204,000	£204,000
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

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6 - TENURE MIX

If you are using a default mix then you can distribute units across the tenures by percentage; enter the percentage of units to assign to each tenure in the top row. The percentages are applied equally across all unit types

If you are not using a default mix then you may either enter units by percentage or by the exact number of units of each type for each tenure; in the table enter the exact number of units of each type for each tenure in the table

Whichever method is selected, ensure that relevant information is entered in the boxes at the bottom of the table.

Input by Percentages Input by Quantity Clear Table

			AFFORDABLE					
Re	Description	SALE	Social rent	New Build HomeBuy	Intermediate rent	Discount Market	Local Sale	Required No. of Units
		80%	14%			6%		
1	2 Bed Flats	0.8	0.1			0.1		1.0
2	2 Bed Terraces	2.4	0.4			0.2		3.0
3	3 Bed Terraces	3.2	0.6			0.2		4.0
4	3 Bed Semis	4.8	0.8			0.4		6.0
5	3 Bed Detached	4.8	0.8			0.4		6.0
6	4 Bed Detached	4.0	0.7			0.3		5.0
7	5 Bed Detached	1.6	0.3			0.1		2.0
8	3 Bed Bungalows	2.4	0.4			0.2		3.0
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
	Total	24.0	4.2			1.8		30.0

New Build HomeBuy	Percentage Purchased	
	Rental limit on unbought share	
Percentage purchased by purchaser for Discount Market		50%
Local Sale	Average Income	
	Income Multiplier	

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10 - DEVELOPMENT COSTS

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

Build Costs per sq m

You can enter your own values in the white cells below.
Where cells are left blank, the Toolkit value for that row will be used

	Toolkit Values	User Values
Bungalows	£885	
Flats (6+ storeys)	£1,320	
Flats (5 & less storeys	£950	£1,112
Houses <= 75m2	£875	£913
Houses > 75m2	£760	£901

Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items.
Where cells are left blank. the Toolkit value for that row will be

	Toolkit Values	User Values	
Professional Fees %	12.00%		of build costs
Internal Overheads	5.00%		of build costs (Market and Discount Market units)
Interest Rate (Market)	7.00%		of build Costs (Market, Discount Market and Low Cost Sale units)
Interest Rate (Affordable Housing)	7.00%		of build costs (SR, HB, IR units)
Marketing Fees	3.00%		of market value (Market and Discount Market units)
Developers Return	15.00%	17.00%	of market value (Market and Discount Market units)
Contractors Return	6.00%		of development costs (SR, HB, IR and LCS units)
Land financing costs	£ -		*Please see the Guidance Notes for use of this value*

Exceptional Development Costs

You may enter SCHEME totals for exceptional costs. The first row is for Sustainable Homes costs. The other three rows are for user defined costs. You can enter the name of the cost in the left hand cells and SCHEME value in the right hand cell.

Sustainable Homes Standard	
Market Housing	Affordable Housing
None	None

Costs incurred for Sustainable Homes Levels None and	£ -
<Enter Costs Description>	£ -
<Enter Costs Description>	£ -
<Enter Costs Description>	£ -

Scheme Total	
per dwelling	
per hectare	

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11 - PLANNING OBLIGATIONS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST Clear Table

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). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

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

	Input by Total		Input by Unit						Calculated Total (Affordable and Sale)
			Sale	Affordable					
	Enter Total?	User Total		Social rent	New Build HomeBuy	Intermediate rent	Discount Market	Local Sale	
Education Contribution									
Highway Works									
Contribution to public transport									
Contribution to community facilities									
Provision for open space									
Contribution to public realm									
Contribution to public art									
Environmental improvements									
Town centre improvements									
Waterfront Improvements									
Support for employment development									
Employment related training									
<Enter Planning Obligation Description here>									
<Enter Planning Obligation Description here>									
<Enter Planning Obligation Description here>									

Obligations package per unit	£5,000
Contribution from Commercial	

Total for Scheme	£150,000
Total for Scheme per hectare	£150,000
Total for Scheme divided by total number of units	£5,000
Total for Scheme divided by number of sale units	£6,250

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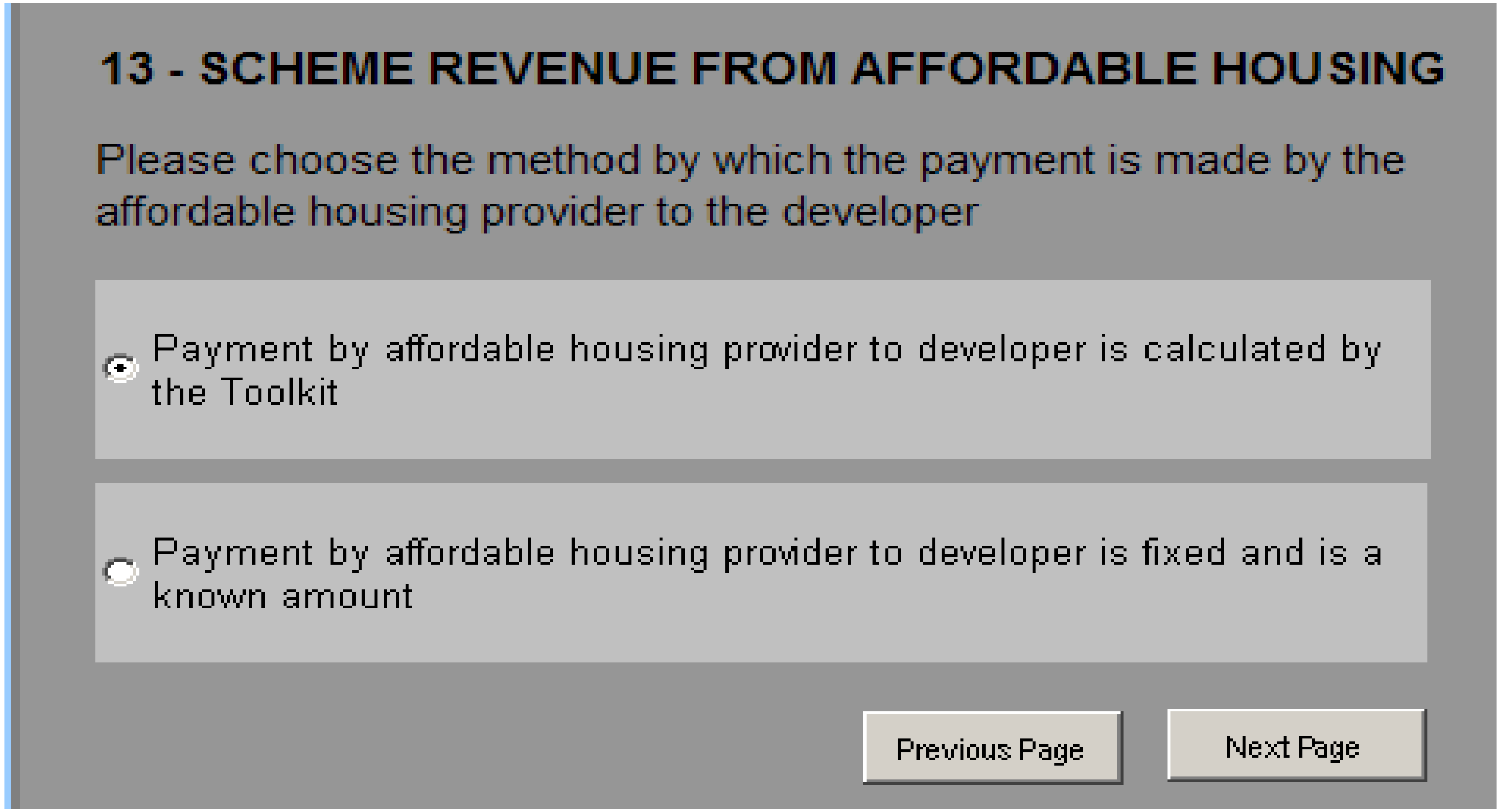
13 - SCHEME REVENUE FROM AFFORDABLE HOUSING
Please choose the method by which the payment is made by the affordable housing provider to the developer
Payment by affordable housing provider to developer is calculated by the Toolkit
Payment by affordable housing provider to developer is fixed and is a known amount
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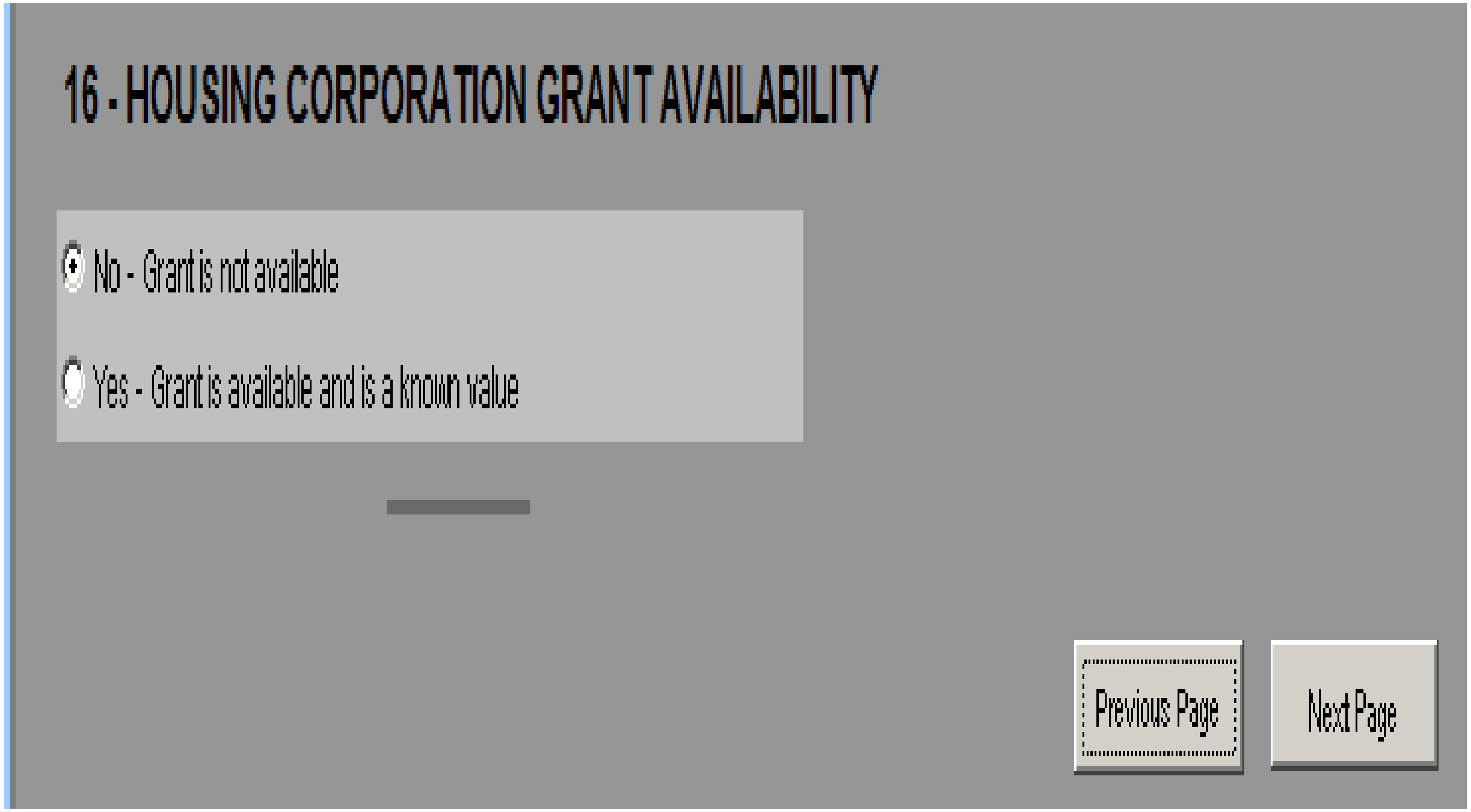
16 - HOUSING CORPORATION GRANT AVAILABILITY
No - Grant is not available
Yes - Grant is available and is a known value
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20 - Scheme Results

Site Reference Details	
Site Reference Number	
Application Number	
Site Location	Gedling
Scheme Description	30 Dph

Site Details	
Site Address	Notts Core 2013 Update Testing
Site Details	

TOTAL NUMBER OF UNITS	
Dwellings	30
% Wheelchair Unit	

DENSITY (per hect	
Dwellings	30.0

AFFORDABLE UNITS	Quantity	% of All Units
Total	6.0	20%
Social rent	4.2	14%
Intermediate	1.8	6%

REVENUE AND COSTS		
Total scheme revenue	£	5,331,000
Total scheme costs	£	4,314,000

RESIDUAL VALUE		
Whole scheme	£	1,017,000
Per hectare	£	1,017,000
Per dwelling	£	34,000
Per market dwelling	£	42,000

Contribution to revenue from:		
Market housing	£	4,892,000
Affordable Housing	£	439,000
- Social rent	£	256,000
- New Build HomeBuy	£	-
- Intermediate Rent	£	-
- Discount Market	£	183,000
- Local Sale	£	-
Capital Contribution	£	-
Commercial Elements	£	-

PUBLIC SUBSIDY (GRANT)		
Whole Scheme	£	-
Per Social Rental dwelling	£	-
Per New Build HomeBuy dwelling	£	-
Per Intermediate Rent dwelling	£	-

Save Results

View Results

Cost Components

View DCF Page

Contribution to costs from:		
Market housing	£	3,474,000
Affordable Housing	£	690,000
- Social rent	£	429,000
- New Build HomeBuy	£	-
- Intermediate Rent	£	-
- Discount Market	£	261,000
- Local Sale	£	-
Land Finance	£	-
Planning Obligations	£	150,000
Total Exceptional Costs	£	-
Commercial Elements	£	-

Alternative Site Values			Against res	
Exisiting Use Value	£	-	£	-
Acquisiition Cost	£	-	£	-
Alternative Use Value 1	£	-	£	-
Alternative Use Value 2	£	-	£	-
Alternative Use Value 3	£	-	£	-

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GLOSSARY OF TERMS

A

Abnormal Development Costs: Costs associated with difficult ground conditions eg contamination.

Affordable Housing: As defined in The National Planning Policy Framework as housing that includes Social Rent, Affordable Rent and Intermediate Affordable housing.

Affordable Rented Housing: Housing let at above Social Rented levels and up to 80% of Open Market Rent

Appraisal: development calculation taking into account scheme revenue and scheme cost and accounting for key variables such as house prices, development costs and developer profit.

B

Base Build Costs: including costs of construction: preliminaries, sub and superstructure; plus an allowance for external works.

C

Commuted Sum: a sum of money paid by the applicant in lieu of providing affordable housing on site.

Community Infrastructure Levy

A standard financial payment by developers to councils towards the cost of local and sub-regional infrastructure to support development (including transport, social and environmental infrastructure, schools and parks).

D

Developer's Profit or margin: a sum of money required by a developer to undertake the scheme in question. Profit or margin can be based on cost, development value; and be expressed in terms of net or gross level.

Developer Cost: all encompassing term including base build costs (see above) plus any additional costs incurred such as fees, finance and developer margin.

Development Economics: The assessment of key variables included within a development appraisal; principally items such as house prices, build costs and affordable housing revenue.

E

Existing Use Value (EUV): The value of a site in its current use; for example, farmland, industrial or commercial land.

F

Finance (developer): usually considered in two ways. Finance on the building process; and finance on the land. Relates to current market circumstances

G

Gross Development Value (GDV): the total revenue from the scheme. This may include housing as well as commercial revenue (in a mixed use scheme). It should include revenue from the sale of open market housing as well as the value of affordable units reflected in any payment by a housing association(s) to the developer.

I

Intermediate Affordable Housing: PPS3 Housing defines intermediate affordable housing as housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent.

L

Land Value: the actual amount paid for land taking into account the competition for sites. It should be distinguished from Residual Value (RV) which is the figure that indicates how much should be paid for a site.

Local Plan The plan for the future development of the area, including Core strategies or other policies saved under the 2004 Act.

M

Market Housing: residential units sold into the open market at full market price to owner occupiers, and in some instances, property investors. Usually financed through a mortgage or through cash purchase in less frequent cases.

P

Planning Obligation: a contribution, either in kind or in financial terms which is necessary to mitigate the impacts of the proposed development.

Affordable housing is a planning obligation as are, for example, education and open space contributions. (See Section 106)

Proportion or percentage of Affordable Housing: the proportion of the scheme given over to affordable housing. This can be expressed in terms of units, habitable rooms or floorspace

R

Residual Valuation: a key valuation approach to assessing how much should be paid for a site. The process relies on the deduction of development costs from development value. The difference is the resulting 'residue'

Residual Value (RV): the difference between Gross Development Value (GDV) and total scheme costs. Residual value provides an indication to the developer and/or land owner of what should be paid for a site. Should not be confused with land value (see above)

Registered Provider (RP): a housing association or a not for profit company registered with the Homes and Communities Agency and which provides affordable housing

S

Scheme: development proposed to be built. Can include a range of uses – housing, commercial or community, etc

Section 106 (of the Town and Country Planning Act 1990): This is a legally binding agreement between the parties to a development; typically the developer, housing association, local authority and/or land owner. The agreement runs with the land and bids subsequent purchasers. (See Planning Obligation)

Shared Ownership (SO): Also known as a product as 'New Build HomeBuy'. From a developer or land owner's perspective SO provides two revenue streams: to the housing association as a fixed purchase sum on part of the value of the unit; and on the rental stream. Rent charged on the rental element is normally lower than the prevailing interest rate, making this product more affordable than home ownership.

Social Rented Housing (SR): Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are SET through the national rent regime.

Sub Markets: Areas defined in the Viability Study by reference to house price differentials. Areas defined by reference to postcode sectors, or amalgams thereof.

Supplementary Planning Document (SPD): planning documents that provide specific policy guidance on e.g. affordable housing, open space, planning obligations generally. These documents expand policies typically set out in Local Plans and LDFs.

T

Target: Affordable housing target. Sets the requirement for the affordable housing contribution. If say 30% on a scheme of 100 units, 30 must be affordable (if viable).

Tenure Mix: development schemes usually comprise a range of housing tenures. These are described above including market and affordable housing.

Threshold: the trigger point which activates an affordable housing contribution. If a threshold is set at say 15 units, then no contribution is payable with a scheme of 14, but is payable with a scheme of 15. The appropriate affordable housing target is then applied at the 15 units, e.g. 20%, or 30%.

V

Viability: financial variable that determines whether a scheme progresses or not. For a scheme to be viable, there must be a reasonable developer and land owner return. Scale of land owner return depends on the planning process itself.