

Rhondda, Cynon Taf Affordable Housing Viability Study

Final Report

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Dr Andrew Golland BSc, PhD, MRICS



INTRODUCTION

Review of project aims

- 1.1 Rhondda Cynon Taf CBC 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 RCT on housing viability;
 - Advise on a simple to use and to up-to-date method of calculating how much commuted sum should be sought in lieu of on-site affordable housing provision.

National Policy Context

- 1.3 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)
- 1.4 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 for, building on evidence in the Local Housing Market Assessment." (Para 1.24)
- 1.5 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:

¹ Published by the Welsh Assembly Government in February 2009

“.....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.”

- 1.6 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)

Adopted Local Plan policy

- 1.7 Under the transitional provisions of the Local Government (Wales) Act 1994 certain structure and local plans, which were part of the way through their preparation at 1st April 1996, were carried forward by the new planning authorities. Rhondda Cynon Taf was one of the authorities which opted to carry forward its 3 local plans, and the part of the Mid Glamorgan Replacement Structure Plan that was relevant to its area, to adoption.

- 1.8 The Rhondda Local Plan 1991 - 2006, adopted February 1998 makes the following references to planning obligations:

‘DCP23 Where a planning proposal can be improved, in terms of economy, efficiency and amenity in the development and use of land, the Council will seek to negotiate a legal agreement (planning obligation/unilateral undertaking) with the developer to secure the desired improvement’.

- 1.9 The Rhondda Cynon Taf (Taff Ely) Local Plan 1991 – 2006, adopted June 2003, does not have a specific policy relating to planning obligations. However, where the Authority anticipates that planning obligations will be necessary to implement Local Plan proposals, they are indicated within the supporting text.

- 1.10 The Rhondda Cynon Taf (Cynon Valley) Local Plan 1991 – 2006, adopted January 2004 makes the following references to planning obligations: ENV 7: In granting consent for major development proposals, the County Borough Council will, where appropriate, seek the provision of associated environmental and community benefits from developers through appropriate planning conditions or planning obligations.

Emerging local policy

- 1.11 The Housing Needs Assessment (2006) stated that ‘given the findings of the assessment and the large affordable housing need we recommend that an overall affordable housing target should be set at 40% of the total of all suitable sites to be negotiated.

- 1.12 The Housing Topic Paper (April 2008) – Local Development Plan 2006 – 2021 sets out the most up-to-date affordable housing policies. It states that the Draft LDP will provide a clear target for the development of affordable housing in Rhondda Cynon Taf.
- 1.13 Policy SP6 (Affordable Housing) of the Topic Paper states that residential development proposals will be expected to contribute to the local housing needs and that the local planning authority will seek:
- i) The provision of an appropriate proportion of affordable housing on sites over 30 units;
 - ii) Contributions for the reuse / rehabilitation of existing older housing stock on sites under 30 units, and
 - iii) The development of sites in rural area.
- 1.14 Policy HOUS N5 – Affordable Housing states that the provision of 20% affordable housing will sought on site of 30 units or more. On sites under 30 units contributions will be sought for the reuse / rehabilitation of existing older housing stock in the County Borough.

Affordable housing provision

- 1.13 Table 1.1 sets out recently achieved percentages of affordable housing in the County Borough. This has ranged from 5% to 33%. The average over 10 sites was 16%.

Table 1.1: Percentage of affordable housing achieved on sites 2005 to 2008

Site name	Year	% Affordable Housing
Tonyrefail	2005	20%
Mountain Ash	2006	10%
Llanharry	2006	16%
Taffs Well	2007	33%
Llanharan	2007	10%
Abercynon	2007	20%
Tonyrefail	2007	10%
Bryncae	2007	20%
Pontypridd	2008	5%
Hirwaun	2008	20%

Source: Rhondda Cynon Taf

Research undertaken

1.14 There were four main strands to the research undertaken to complete this study:

- Discussions with a project group of officers from the five commissioning authorities 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 Borough. A full note of the workshop is shown in Appendix 1.

Structure of the report

1.15 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

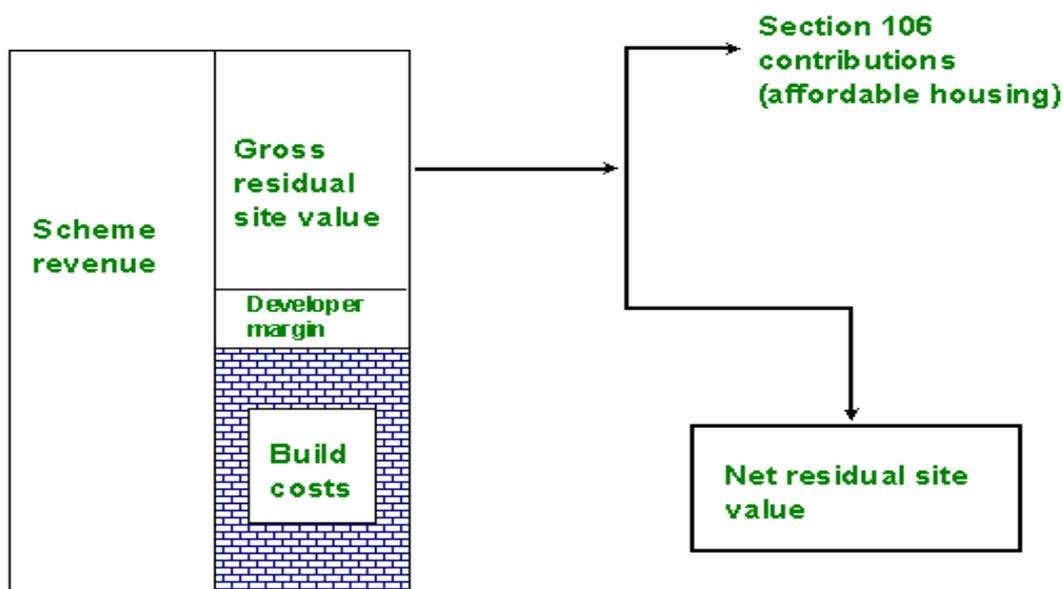
Introduction

- 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

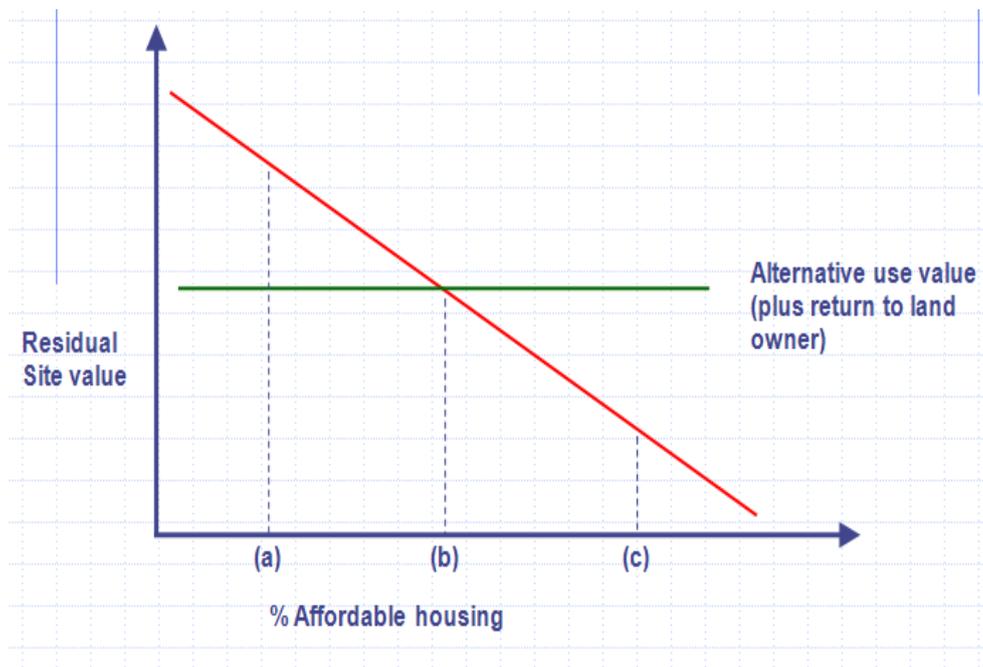
- 2.2 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates and what it costs to develop. The model 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



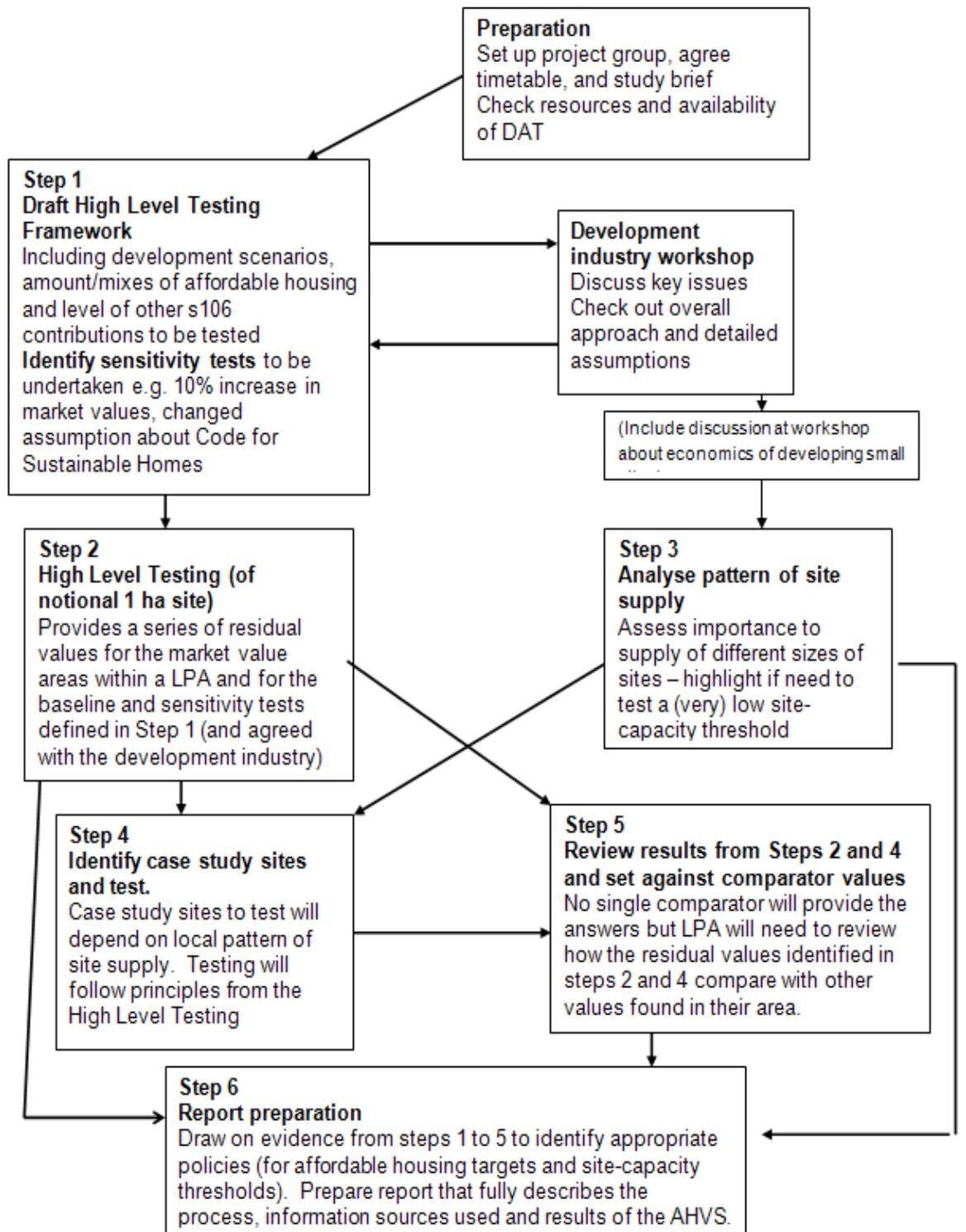
2.8 The analysis we have undertaken uses a Three Dragons Viability model. The model is explained in more detail in Appendix 2, which includes a description of the key assumptions used.

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.

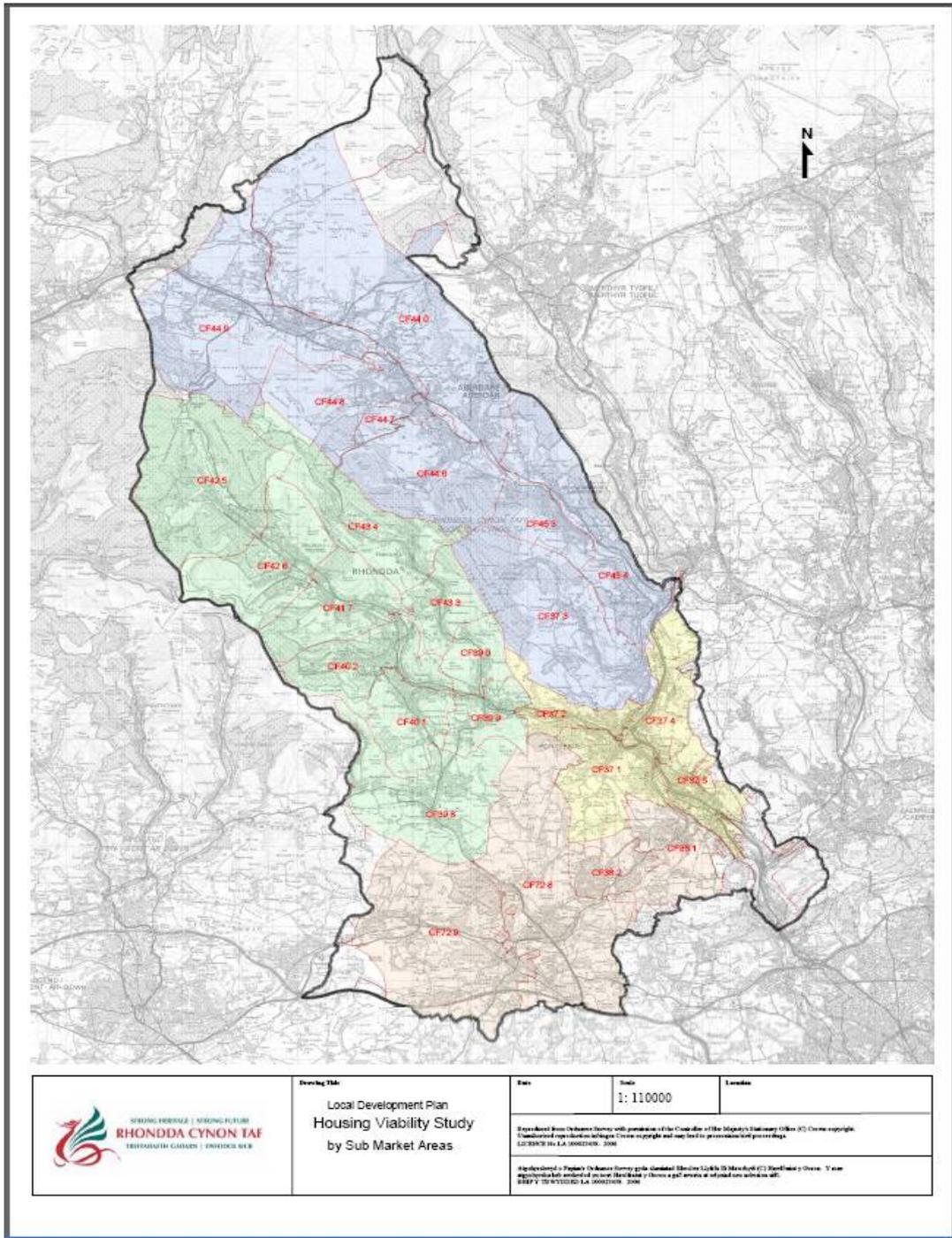
Market value areas

- 3.2 Variation in house prices will have a significant impact on development economics and the impact of affordable housing on scheme viability.
- 3.3 We undertook a broad analysis of development across the housing market, using HM Land Registry data to identify market value or sub markets areas in the District. This was done originally in 2006, and then updated for 2007 in line with the updating of The DAT. We have updated prices again – to September 2009. 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 below sets out the market value areas or sub markets for the CBC.
- 3.4 The map which shows depicts the sub markets in GIS form.

Table 3.1 Sub markets in the RCT area

Market Areas	Postcode Sectors included
RCT South including Church Village	CF38 1; CF38 2; CF72 8; CF72 9
Tynant, Llanharan and Llantrisant	
Pontypridd, Porth & Taff Valley	CF37 1; CF37 2; CF37 4; CF37 5; CF39 9
North East RCT: Aberdare;	CF37 3; CF44 0; CF44 6; CF44 7; CF44 8
Mountain Ash & Abercynon	CF44 9; CF45 3; CF45 4
Rhondda Fawr & Rhondda Fach	CF39 0; CF39 8; CF40 1; CF40 2; CF41 7; CF42 5; CF42 6; CF43 3; CF43 4

Source: Market value areas as included within the Wales DAT



Testing assumptions (notional one hectare site)

- 3.5 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.
- 3.6 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.

- 35 dph: including 10% 2 bed flats; 15% 2 bed terraces; 20% 3 bed terraces; 10% 3 bed semis; 10% 4 bed semis; 10% 3 bed detached; 15% 4 bed detached; 10% 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.

3.7 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% and 40%. These were tested at 75% Social Rent and 25% HomeBuy in each case. For HomeBuy, the share purchase was assumed to be 70%. All the assumptions were agreed with the authority.

3.8 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. In the short term, the authority will be able to consider the economics of individual schemes with a different affordable housing mix, using the DAT.

Other section 106 Infrastructure contributions

3.9 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.

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

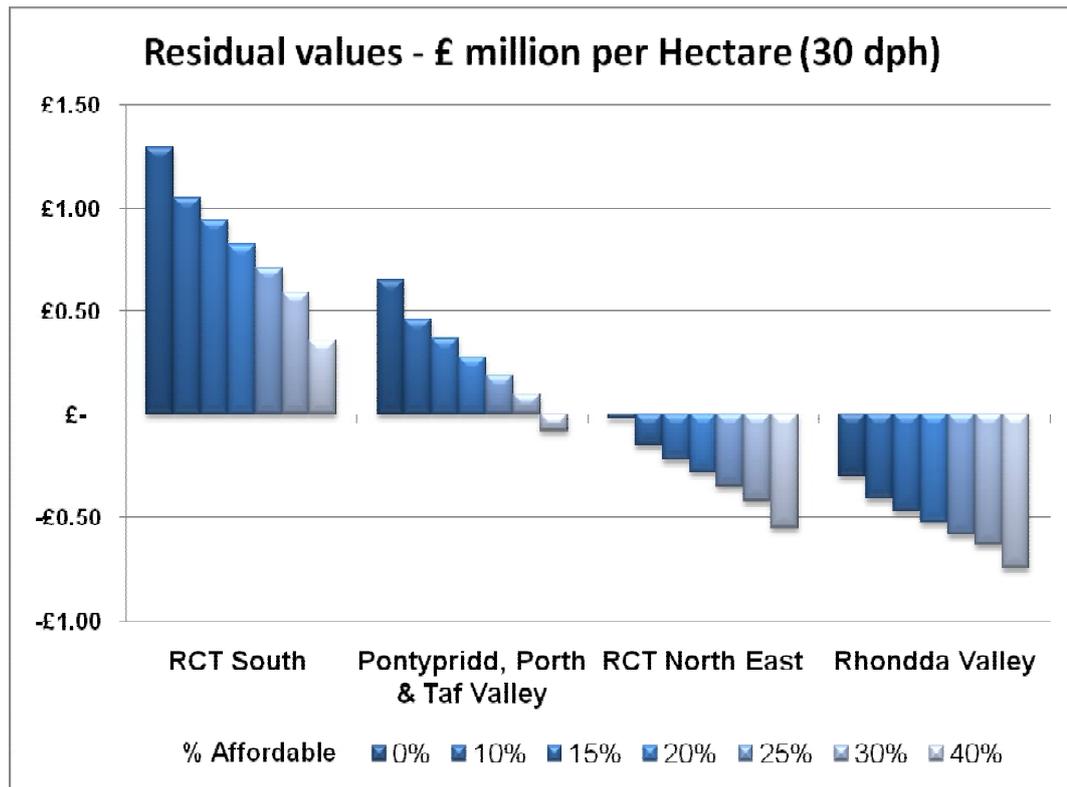
Results: residual values for a notional one hectare site

3.11 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)

3.12 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

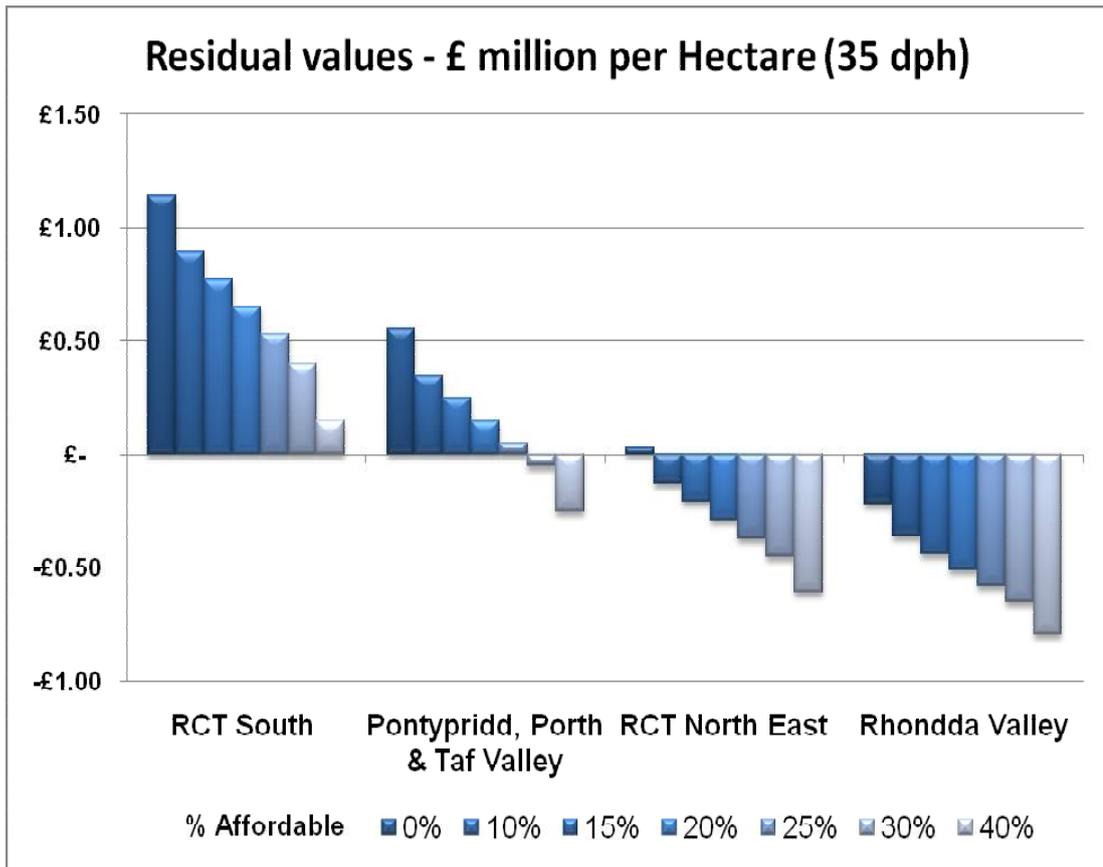


- Figure 3.1 shows the spread of residual values across the four sub markets. It shows clearly the broad division between locations generating a positive residual values and those with negative residual values. Whilst RCT South for example generates residual values of around £750,000 at 25% affordable housing, residual values, according to the assumptions we have made here, are negative in Rhondda for all scenarios tested.
- This does not mean that all sites in the lower two value markets will be unviable. There will inevitably be ‘hot’ spots where selling prices approximate more closely to the higher value sub markets. However, we would expect development in the lower two sub markets to be generally difficult and affordable housing contributions not routinely viable.
- The range in values has potentially important implications for policy making. The graph shows the very significant difference in residual values between RCT South and Rhondda for example. This difference in residual values creates a strong case for the Council to promote a split affordable housing target.

Lower density housing (35 dph)

3.13 Figure 3.2 shows lower density housing (35 dph) and the residual values for each of the market value areas.

Figure 3.2 Lower density housing (35 dph) – Residual value in £s million

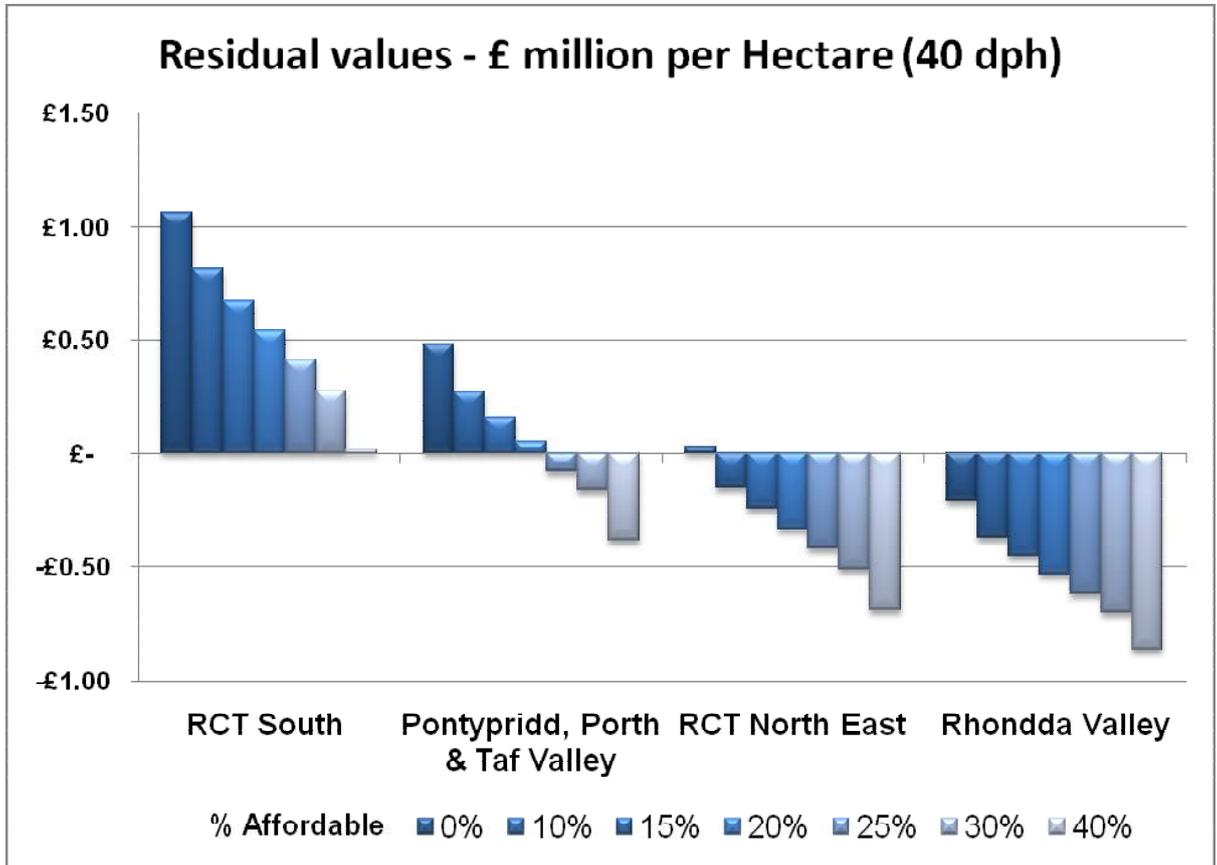


- The scenario at 35 dph generates a similar pattern of residual values as at 30 dph. At 35 dph however, values are generally lower than at 30 dph.
- This shows that increased density (30 dph to 35 dph) does not necessarily increase residual value. RCT is an area where this applies and values are lower when density is increased.
- At 35 dph and at 20% affordable housing, residual values range from £650,000 per hectare in RCT South to minus £500,000 in Rhondda.

Medium density (40 dph) scheme

3.14 Figure 3.3 shows residual values for a (40 dph) scheme and the residual values for each of the market value areas outlined earlier.

Figure 3.3 Medium density housing (40 dph) – Residual value in £s million

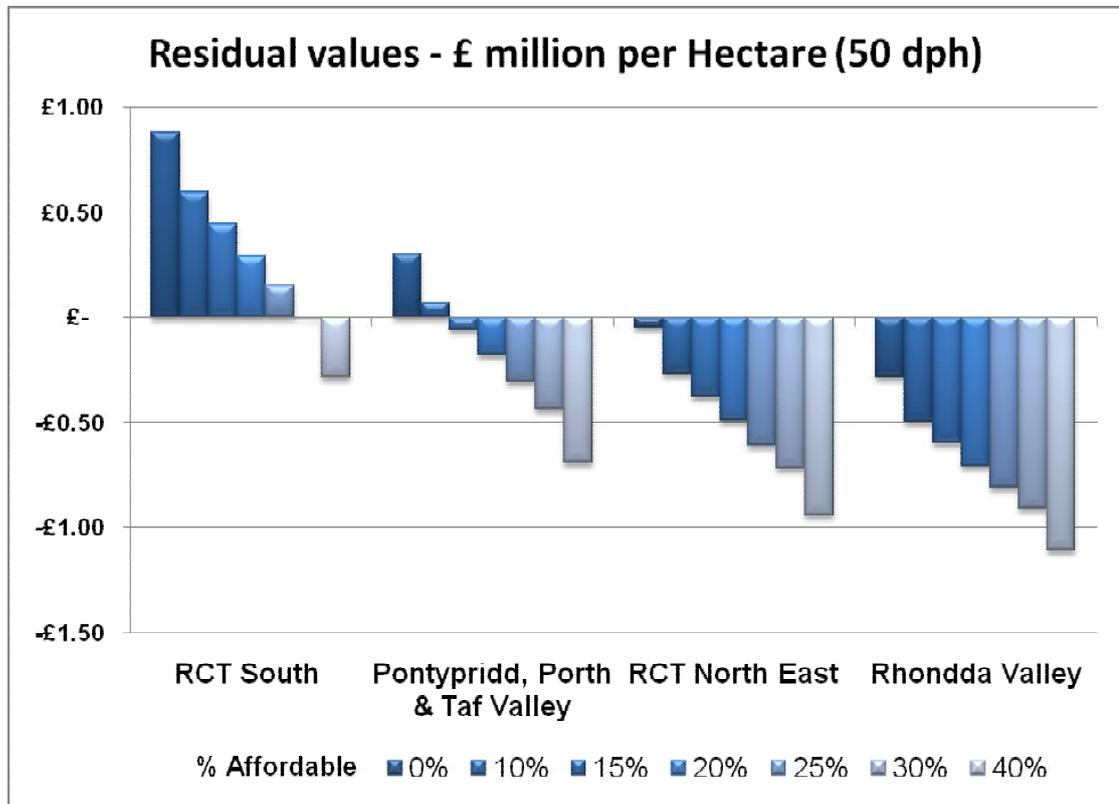


- The general impact of an increase to 40 dph (from 30 dph and 35 dph) is to decrease residuals in all instances.
- The reason for the reduction in residual values is because of the increased proportions of smaller, low value housing units at higher density. This is not untypical of relatively low value housing markets where the margin between selling prices and development costs is narrow.
- The chart (Figure 3.3) suggests that development at this density in the lower two sub markets is marginal or non viable. As previously, we would stress the significance of hot spots within these two lower value sub markets and the scope for development, but we think that the further scope for affordable housing delivery in these two markets is limited.

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

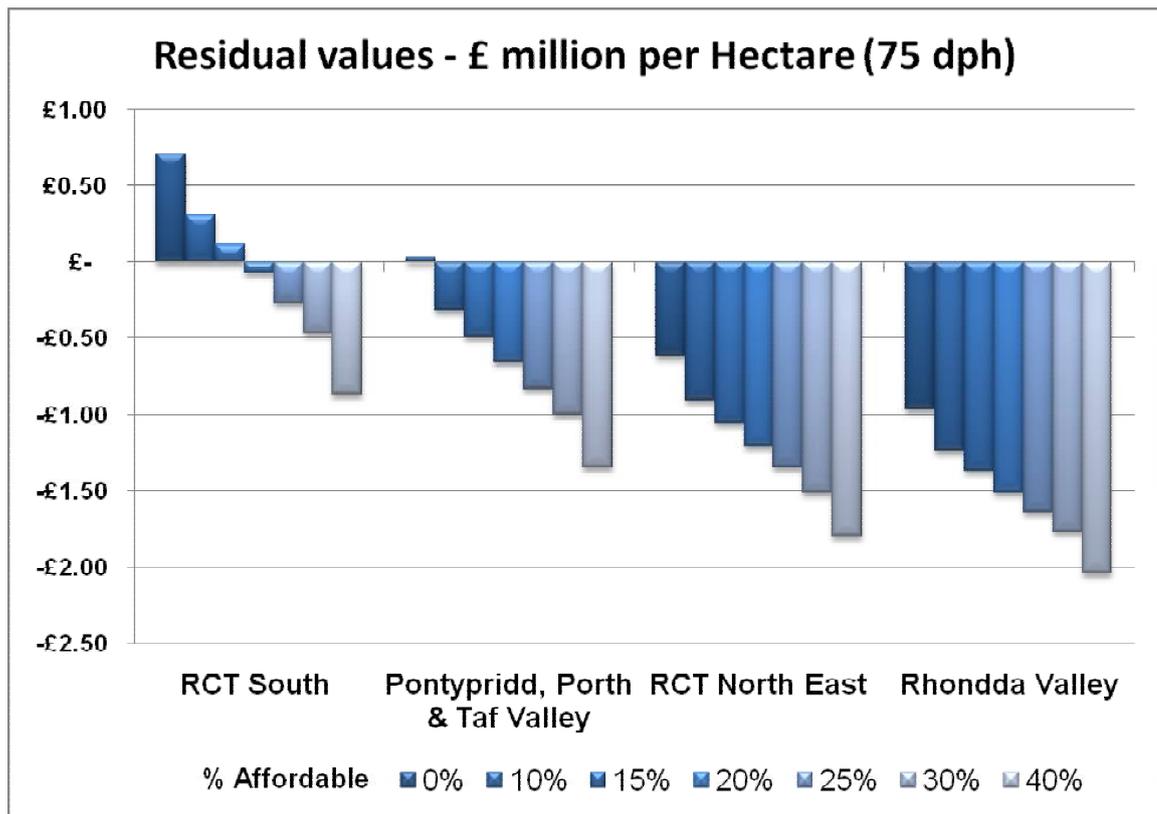


- Increasing density to 50 dph will reduce residual values still further across the CBC.
- In many locations across England and Wales we would expect a 50 dph scenario to deliver the highest pro-rata residual values, but this is not the case in RCT where selling prices are relatively low.
- The chart shows the very negative residual values in Rhondda and RCT North East beyond 10% affordable housing.

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 all the scenarios tested with very significant negative residual values found in the lowest three value sub markets.
- 3.17 The figures suggest that this level of density (and higher) will make it difficult to deliver housing within the CBC.

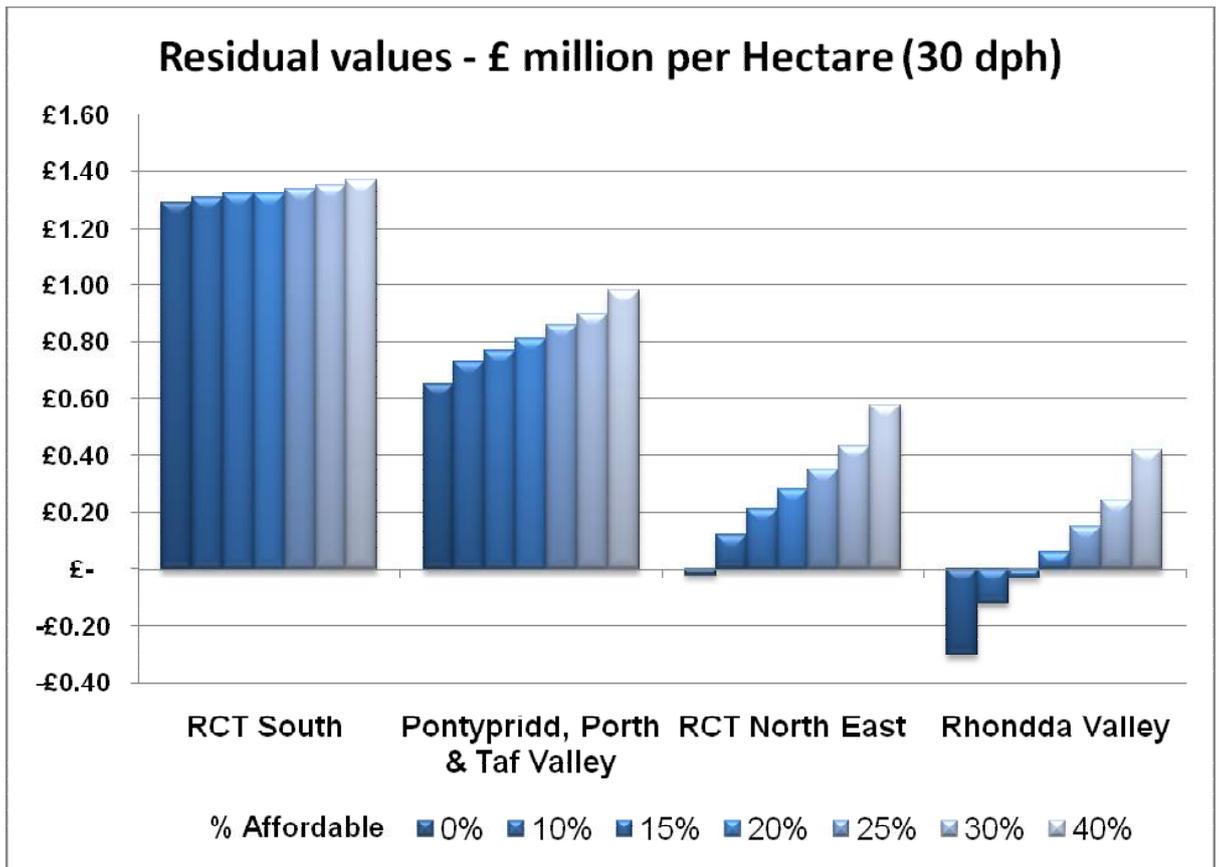
Figure 3.5 Higher density housing (75 dph) – Residual value in £s million



Impacts of potential grant funding

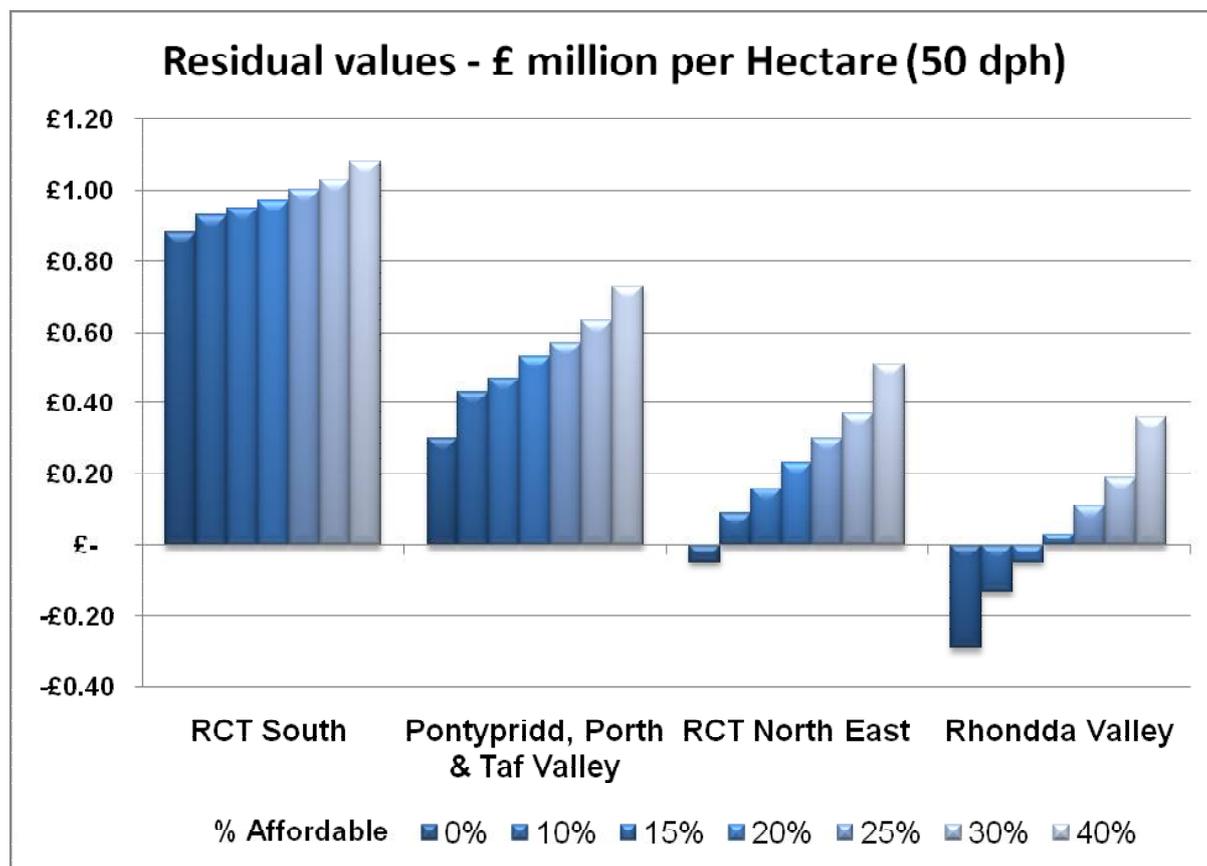
- 3.18 The availability of public subsidy, in Wales in the form of ACG (Acceptable Cost Guidance) money, can have a significant impact on scheme viability. Grant given to the affordable housing providers enables them to pay more for affordable housing units, thus increasing overall scheme revenue and therefore the residual value of a mixed tenure scheme.
- 3.19 We look here at the impact of the ACG funding regime on viability. We select here ACG Band Level 3, as a mid-point band range for the authority. We run the scenarios assuming ACG at 100%. Figure 3.6 shows the results.

Figure 3.6 Lower 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 RCT. It shows that viability improves as the quota of affordable housing increases within a scheme. This is an unusual phenomenon, but is explained by the relatively high payment made under the ACG regime (here at 100%) to open market sales prices.
- 3.21 The figure shows that in a sub market such as RCT South, residual value improves marginally as affordable housing is increased within a scheme. Even in this relatively high value area, it shows that a 40% affordable housing allocation will generate a higher residual than at 100% market housing.
- 3.22 It can then be understood (Figure 3.6) why viability is so dramatically improved in Rhondda where a 40% affordable housing allocation generates a much higher residual than at 100% market housing. The respective figures are (100% market housing) minus £300,000 per hectare and (40% affordable housing) £400,000 per hectare.
- 3.23 The figure demonstrates how subsidy can be used most effectively. At the top end of the market, the impact of residual value is less marked than at the bottom.
- 3.24 ACG funding will generate residual values of around £800,000 per hectare in a mid to upper sub market such as Pontypridd at 20% affordable housing.
- 3.25 Figure 3.7 shows an analysis at 50 dph. This shows a similar pattern of results, highlighting the effectiveness of subsidy in the weaker sub markets in particular.

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



Impacts of achieving Code for Sustainable Homes Level 4

- 3.26 A further consideration in relation to viability is the achievement of a higher standard of build as envisaged in the Code for Sustainable Homes.
- 3.27 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.
- 3.28 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 30 dph this means £150,000 per hectare taken off residual value.
- 3.29 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 30 dph (no grant)

	RCT South	Pontypridd	RCT North East	Rhondda
0% AH	£1.14	£0.50	-£0.17	-£0.45
10% AH	£0.19	£0.31	-£0.30	-£0.31
20% AH	£0.67	£0.13	-£0.43	-£0.67
30% AH	£0.44	- £0.05	-£0.57	-£0.78
40% AH	£0.05	-£0.23	-£0.70	-£0.89

3.30 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.

3.31 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 selling prices may have increased by the time the code is introduced thus allowing viability to be maintained.

Currency of market data

3.32 The analysis set out above relates to current house prices and development costs. In practice this situation may vary over the period of the Development Plan and therefore innumerable scenario tests are possible.

3.33 Table 3.3 shows price changes for the month of August 2009. It shows most of the major house price data sources indicating increases in house prices. It remains to be seen whether this is a structural turning point in the market or whether it is a short term blip.

Table 3.3 Recent price changes in the market

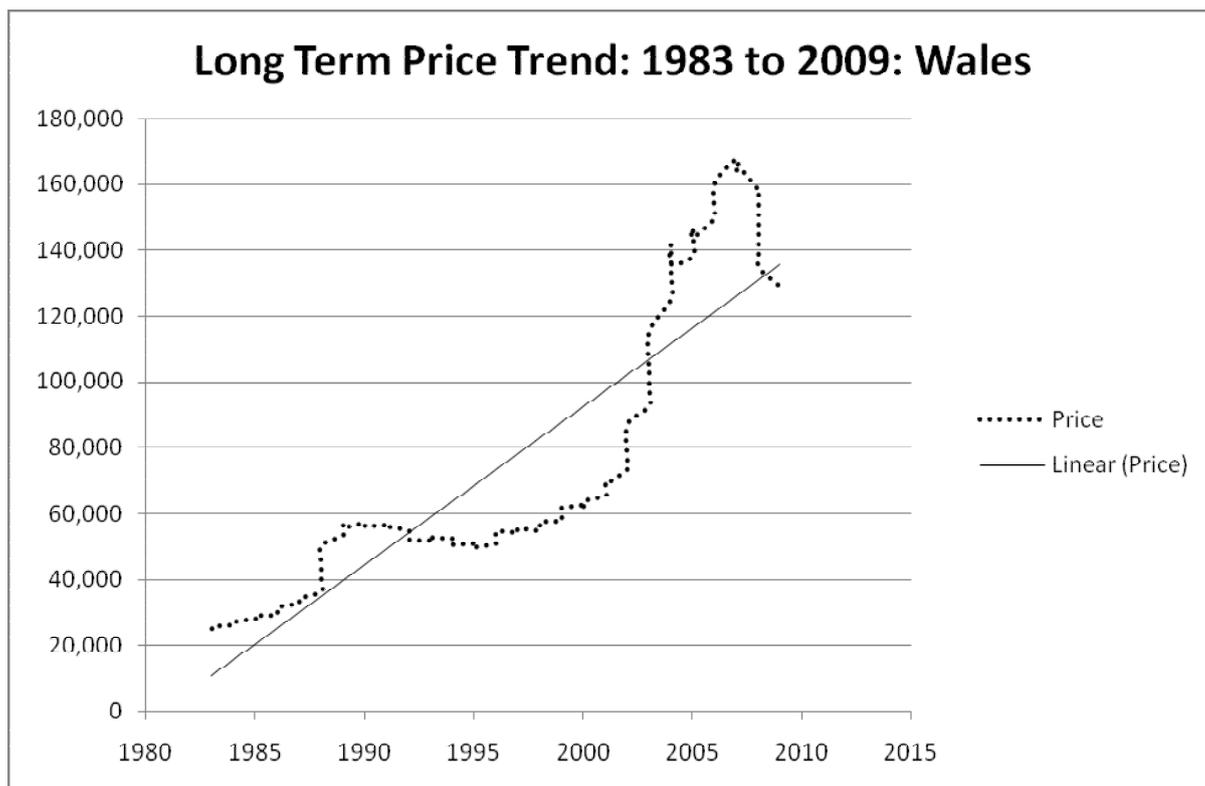
House Price Statistics - UK National

Source website	Period covered	Average house price	Monthly change (%)	Annual change (%)	Archive /Graph	Peak average house price	Change since peak (%)	Official releases
Communities and Local Government House Price Index <small>UPDATED</small>	Jul 09	£196,338	N/A	↓ 8.30	✓	£221,758 (Jan 08)	↓ 11.46	15/09/2009
FT House Price Index (Acadametrics)	Aug 09	£202,181	↑ 0.40	↓ 8.60	✗	£231,595 (Feb 08)	↓ 12.70	11/09/2009 (PDF)
Halifax House Price Index	Aug 09	£160,973	↑ 0.80	↓ 10.10	✓	£199,770 (Aug 07)	↓ 19.42	10/09/2009 (PDF)
Home.co.uk (England and Wales) <small>UPDATED</small>	Sep 09	N/A	↓ 0.60	↓ 4.20	✗	N/A	N/A	14/09/2009 (PDF)
Hometrack - Monthly National Survey	Aug 09	N/A	↑ 0.10	↓ 6.70	✗	N/A	N/A	31/08/2009
Land Registry Monthly Report	Jul 09	£155,885	↑ 1.70	↓ 11.70	✓	£186,045 (Jan 08)	↓ 16.21	28/08/2009 (PDF)
Nationwide House Price Index	Aug 09	£160,224	↑ 1.60	↓ 2.70	✓	£186,044 (Oct 07)	↓ 13.88	27/08/2009 (PDF)
Rightmove House Price Index	Aug 09	£222,762	↓ 2.20	↓ 3.10	✓	£242,500 (May 08)	↓ 8.14	17/08/2009 (PDF)

Source: www.housepricecrash.co.uk (accessed 19th September 2009)

3.34 Figure 3.8 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. Excel carries out this function.

Table 3.8 Long and short term housing market trends in Wales



Source: Halifax House Price Index

- 3.35 The chart shows that as at Quarter 3 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.
- 3.36 We would expect our analysis to hold for the Plan period therefore, 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.
- 3.37 Short term fluctuations will need to be dealt with by the Council through the development control process, ideally using the DAT to reflect any changed circumstances. In a market such as RCT, house price falls could quite quickly make development unviable in the weaker sub markets.

Benchmarking results

- 3.38 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.
- 3.39 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 3.4 shows residential land values for selected locations across Wales.

Table 3.4 Residential land values regionally

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	2,700,000	2,750,000	2,600,000
Carmarthen	900,000	1,000,000	1,000,000
Merthyr Tydfil	1,250,000	1,000,000	1,050,000
Bridgend	1,550,000	1,550,000	1,850,000
Swansea	1,750,000	1,750,000	2,200,000
Llandudno	1,250,000	1,000,000	1,250,000
Newport	2,000,000	2,000,000	1,600,000
Wrexham	1,250,000	1,000,000	1,250,000

Source: Valuation Office; Property Market Report, January 2009

- 3.40 The table indicates residential land values of around £1.0m per hectare in the weaker locations.
- 3.41 Another benchmark which can be referred to is that of industrial land. Table 3.5 shows values of between £150,000 to £200,000 in the weaker areas.

Table 3.5 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	220,000	330,000	275,000
Newport	200,000	280,000	250,000
Deeside	220,000	330,000	247,000

Source: Valuation Office; Property Market Report, January 2009

- 3.42 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

- 1.1 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)
- 4.3 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

- 4.4 We have analysed data based on the Council’s Survey of sites as at 1st April 2008. The survey includes data for sites which have recently been completed, sites where planning permission has lapsed and sites which are no longer available for housing. We have removed these categories.
- 4.5 We have included in the analysis, sites which currently have planning permission (outline and detailed), sites which have been granted permission subject to Section 106 matters and adopted Local Plan sites.
- 4.6 The data relates to the total number of dwellings permitted for each scheme (and which were completed at April 2008). Schemes may not be started, are under construction and in some cases have completed in part.
- 4.7 Table 4.1 sets out the overall picture in the Borough. This shows that 40% of all dwellings will come from sites in excess of 100 dwellings. It shows that only a very low percentage of dwellings will come from small schemes; under 5% of dwellings will be built within schemes of less than five units.

Table 4.1: No of dwellings in different sizes of sites – as at April 2008

Scheme Size		
	No of Dwellings	% of Dwellings
1 to 4	278	4.22
5 to 9	249	3.78
10 to 14	319	4.84
15 to 24	638	9.68
25 to 49	851	12.91
50 to 100	1598	24.25
> 100	2658	40.33
Total	6591	100.00

Source: Rhondda Cynon Taf

- 4.8 By contrast (Table 4.1), almost 65% of all dwellings will be constructed on sites of more than 50 dwellings. Almost 13% of dwellings will be built within schemes of under 15 dwellings.
- 4.9 Table 4.2 shows the profile of site supply split between larger and smaller settlements.
- 4.10 The larger settlements include Pontypridd, Aberdare, Treorchy, Abercynon, Porth, Tonyrefail, Mountain Ash, Ferndale, Church Village, Hirwaun, Llanharan and Llantrisant.

Table 4.2 No of dwellings in different sizes of sites: Larger and smaller settlements – as at April 2008

Scheme Size	Larger Settlements		Smaller Settlements	
	No of Dwellings	% of Dwellings	No of Dwellings	% of Dwellings
1 to 4	107	2.50	171	7.77
5 to 9	132	3.09	117	5.31
10 to 14	192	4.49	87	3.95
15 to 24	498	11.64	140	6.36
25 to 49	466	10.89	314	14.26
50 to 100	1062	24.82	536	24.34
> 100	1821	42.57	837	38.01
Total	4278	100.00	2202	100.00

Source: Rhondda Cynon Taf

- 4.11 The table (4.2) shows a similar profile to the County Borough as a whole, with over 40% of all new dwellings being built on schemes of more than 100

dwellings. Similarly, small sites play a relatively insignificant role with around 10% of all new dwellings being on sites of less than 15 dwellings.

- 4.12 In the smaller settlements (all those not noted above), small sites are more significant as a proportion of total supply with 17% of all supply in these locations coming from schemes of less than 15 dwellings.
- 4.13 In reviewing its site size thresholds, the Council will need to consider the pattern of site supply, the scale of need for affordable housing as well as scheme viability (especially on small sites if the Council wants to consider including them within the threshold).

Management of affordable housing

- 4.14 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).
- 4.12 Neither small nor large sites were said 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.
- 4.13 From the RSL perspective, there is no reason why affordable housing cannot be provided in small numbers within mixed tenure schemes, provided that there is a housing association with a local management presence, to take on the affordable housing.

Use of commuted sums

- 4.15 As a general principle, we recognise that seeking on-site provision of affordable housing will be the first priority 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.
- 4.17 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.
- 4.18 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.
- 4.19 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.

5 CASE STUDY VIABILITY ANALYSIS

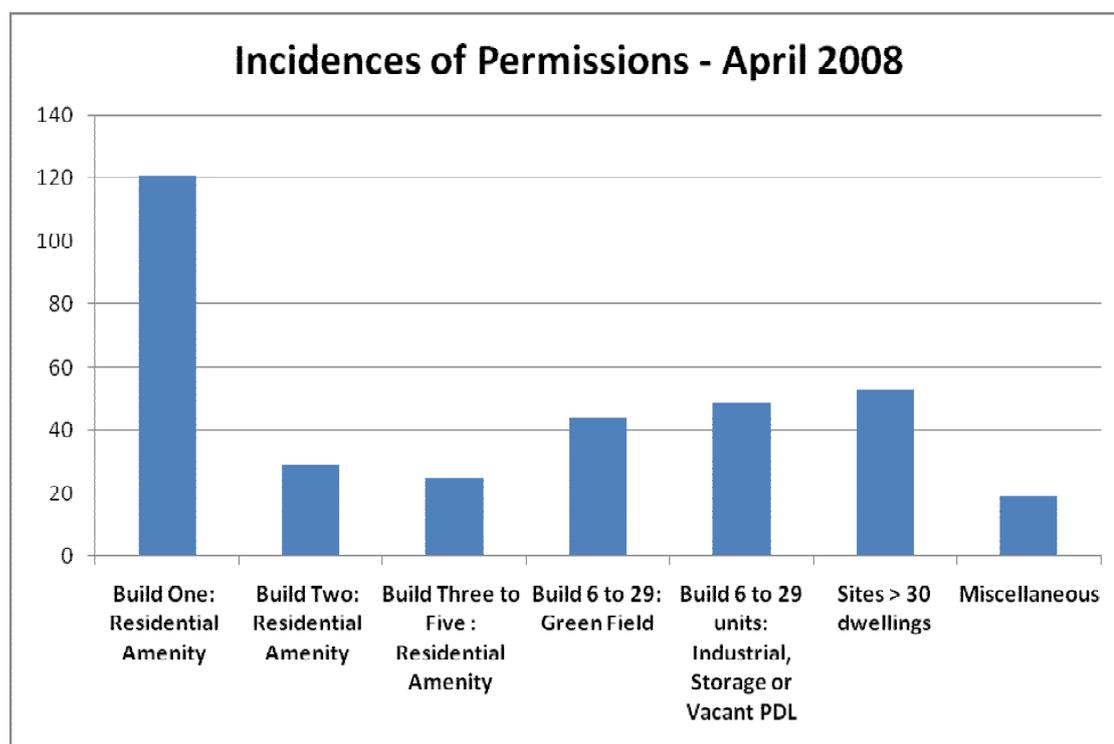
Introduction

- 5.1 The analysis in Chapter 3 provides a good indication of the likely viability of sites in the Borough. 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 sites, as at 1st April 2008, which currently have planning permission (outline and detailed), and which have been granted permission subject to Section 106 matters and adopted Local Plan sites (as described in Para 4.5 above).

Figure 5.1 Incidence of planning permissions (no of schemes) as at April 2009



Source: Rhondda Cynon Taf

- 5.6 Figure 5.1 shows the range of scheme types coming forward. The development of a single dwelling is a significant source of supply. We understand this to be on residential or residential amenity land – gardens or back land. These sites make up almost 36% of all incidences of planning permissions.
- 5.7 There are a number of other types of planning permission for smaller sites involving the development of two, and three to five dwellings. We believe these sites are almost predominantly residential or residential amenity land.
- 5.8 The Council then has a range of green and brown field sites which we analyse here within the six to 29 dwelling range (30 dwellings being a policy market in RCT). There are a range of existing use uses for sites coming forward for residential which are broadly brown field. The data suggests that these sites are industrial, storage or vacant previously developed land.
- 5.9 Sites with capacity for more than 30 dwellings include both brown and green field sites.
- 5.10 There are then a number of schemes which do not fit neatly into any of these categories. These are included as miscellaneous. A proportion of these involve minor changes of use.

5.11 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 (Ha)	Size	Resulting density
A	1	1 x 4 bed detached house		0.05	33
B	3	1 x 4 bed detached house; 2 x 3 bed terraced houses		0.075	40
C	8	2 x 4 bed detached houses; 4 x 3 bed terraces; 2 x 2 bed terraces.		0.2	40

5.12 For each case study we have undertaken an analysis of residual values at levels of affordable housing from 0%; 10%; 20% and 30%. All the other assumptions used are the same as for the main analysis described in Chapter 3.

5.13 We have no grant in all scenarios tested here.

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

- 5.14 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 four bed detached house

Case A	AH0%	AH10%	AH20%	AH30%
RCT South	£58,000	£46,000	£34,000	£22,000
	£1.16	£1.46	£0.68	£0.44
Pontypridd	£32,000	£23,000	£13,000	£4,000
	£0.64	£0.46	£0.26	£0.80
North East RCT	-£1,000	-£7,000	-£13,000	-£20,000
	-£0.02	£0.14	-£0.26	£0.40
Rhondda	-£12,000	-£17,000	-£22,000	-£27,000
	-£0.24	-£0.34	-£0.44	-£0.54

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)

- 5.15 Table 5.2 shows residual values at the different proportions of affordable housing. The picture mirrors, on a smaller scale, the results shown in the High Level testing. Positive residual values are achieved in the two higher value areas and marginal and negative ones in the lower value areas.
- 5.16 Where one dwelling of this type is built on, for instance, infill or backland sites, we would expect there to be a sizeable uplift in site value in the higher value areas, although at 30% affordable housing in Pontypridd the absolute return to the land owner is low and may not offset any devaluation to an existing property where such a scheme was developed on garden land.
- 5.17 It is important to state that although development looks marginal in the lower value areas, it is nevertheless going on. This will occur where selling prices are higher than assumed (hot spots) prices or where development costs are lower. Nevertheless, we think that the relationship between revenues and costs in the weaker market areas is too close to promote a policy for this type of site which is not subject to flexibility with respect to Section 106 contributions.

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

- 5.18 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%
RCT South	108,000	£70,000	£32,000	-£6,000
	£1.44	£0.93	£0.43	-£0.08
Pontypridd	£45,000	£13,000	-£19,000	-£50,000
	£0.60	£0.17	-£0.53	-£0.67
North East RCT	£4,000	-£24,000	-£51,000	-£79,000
	£0.05	-£0.36	-£0.68	-£1.05
Rhondda	-£15,000	-£40,000	-£66,000	-£91,000
	-£0.20	-£0.53	-£0.88	-£1.21

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)

- 5.10 Similar arguments apply to Case Studies 1 and 2. For infill, backland and garden plots, there will be considerable uplift in land value in the higher value areas. This will need to be balanced against any devaluation to existing property.
- 5.11 The residuals shown here reflect a higher density. As such, we now begin to see negative residuals at 20% and 30% affordable housing in the higher value locations. This reflects the closer gap between development costs and revenues with smaller (here terraced) type units.
- 5.12 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.

Case study C – Develop eight dwellings

- 5.21 We look here at a scheme of eight dwellings, including two detached house and six terraces (two and three beds). Analysis of the planning data suggests that this type of scheme may occur on brown or green field land.

Table 5.4 Develop eight dwellings

Case A	AH0%	AH10%	AH20%	AH30%
RCT South	272,000	£173,000	£74,000	-£25,000
	£1.36	£1.19	£0.37	-£0.12
Pontypridd	£132,000	£47,000	-£38,000	-£124,000
	£0.66	£0.23	-£0.19	-£0.62
North East RCT	£36,000	-£40,000	-£115,000	-£191,000
	£0.18	-£0.20	-£0.81	-£0.96
Rhondda	-£24,000	-£93,000	-£163,000	-£232,000
	-£0.12	-£0.46	-£0.81	-£1.16

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)

- 5.22 Table 5.4 shows the results where eight dwellings are developed. On the basis of per hectare residual values, the results are not appreciably different to those shown in Table 5.3.
- 5.23 However, the absolute residual values (£ notes) have gone up significantly which will undoubtedly encourage some land owners to bring sites forward. As previously, the economics are difficult in the weaker sub markets.
- 5.24 With industrial land at around £200,000 per hectare, we think that a 20% affordable housing target should not discourage development in the higher two value value sub markets.

Commentary on the results

- 5.25 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.
- 5.26 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.

- 5.27 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. However, viability does depend on existing use and where this is industrial, we think the value on a per hectare basis, will need to be around £200,000 or marginally above to encourage sites to come forward.
- 5.28 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.

6 MAIN FINDINGS AND CONCLUSIONS

Key findings

- 6.1 We identified four sub market areas within RCT CBC. The sub market areas are defined by prices by postcode sectors and are: RCT South, Pontypridd, North East RCT and Rhondda.
- 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 County Borough is broadly split in viability terms between the south which includes RCT South and Pontypridd and the north which includes North East (Abercynon Valley) and Rhondda. Residual values are significantly higher in the south than in north and this reflects largely differences in house prices which then feed through to residual values.
- 6.4 In RCT South, residual values at 20% affordable housing (at 30 dph) are around £800,000 per hectare. In the north, taking the example of Rhondda, residual values under the same scenario are negative around £500,000.
- 6.5 This presents a particular challenge to the authority. Because residual values are marginal or negative in the north, a split affordable housing target is almost certainly desirable, reflecting the better development viability in the south.
- 6.6 Our analysis suggests that 30 dph is around the optimal density by which to maximise affordable housing contributions. Higher density schemes are less likely to produce viable outcomes. This is because of the very narrow, and in some cases, negative, relationship between revenue and cost with smaller units.
- 6.7 The introduction of grant significantly improves residual values across the Borough. It matters most in the lower value areas. Because of the low market values in the County Borough, and the relatively generous ACG calculations, residual values actually rise with the proportion of affordable housing. This was demonstrated in Figures 3.6 and 3.7.
- 6.8 The use of grant in locations such as the Abercynon and Rhondda Valleys is critical if affordable housing is to be delivered in any significant measures.
- 6.9 The CBC has delivered affordable housing in the recent past through low cost home ownership. This will improve viability, as versus Social Rent, but its effectively is very limited versus the use of grant and the ACG system.
- 6.10 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.
- 6.11 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.

- 6.12 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.
- 6.13 From a housing management perspective, we did not find any in-principle objections from housing associations 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 housing associations.
- 6.14 The analysis indicates the importance of larger sites to the supply of housing in the County Borough. According to permissions data, 77% of all new dwellings will be delivered on sites of over 25 dwellings.
- 6.15 Small sites are more significant in the smaller settlements. However, there, 76% of all new dwellings will be delivered on sites of 25 or more dwellings.
- 6.16 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.
- 6.17 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.

Conclusions and policy options

- 6.18 There is no detailed government guidance setting out how targets should be assessed, based on an assessment of viability. In coming to our conclusions, we have reviewed the residual values generated for the different sub markets in the County Borough at the alternative levels of affordable housing tested and considered how these values relate to a range of factors including prevailing and alternative land values.
- 6.19 From this review, we have highlighted the considerable variation in residual values achieved across the CBC and in particular the viability divide between the higher value south and the lower value north. 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 percentage target across the whole Borough. This will have to be low enough to accommodate the poorly performing market value areas and on this basis, we believe that a 10% target across the CBC area is appropriate. This is the highest that can realistically be required unless the policy is to be based on ACG which is certain to be delivered in most instances.
 - A split target which seeks 20% affordable housing in RCT South and Pontypridd and 10% in RCT North East/Abercynon Valley and Rhondda. A 20% target would, we feel be deliverable in RCT South without the grant, although in Pontypridd it may be required in some instances to bring a site forward.

- A more refined (three way) split target aiming to deliver 20% affordable housing in RCT South, 15% in Pontypridd and 10% in Rhondda and Abercynon (RCT North East).
- 6.20 With respect to the options above, a single percentage target across the County Borough is simple and leaves no room for doubt about the authority's requirements. However, this approach would not allow for affordable housing delivery to be maximised in the south of the local authority area.
- 6.21 Thus a split target is really the only realistic option we feel given that the higher value areas should deliver at 20% affordable housing.

Viability on individual sites

- 6.22 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. 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.
- 6.23 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 Homes and Communities Agency and/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.

Thresholds

- 6.24 Policy SP6 (Affordable Housing) of the Topic Paper states that residential development proposals will be expected to contribute to the local housing needs and that the local planning authority will seek:
- i) The provision of an appropriate proportion of affordable housing on sites over 30 units;
 - ii) Contributions for the reuse / rehabilitation of existing older housing stock on sites under 30 units, and
 - iii) The development of sites in rural area.
- 6.25 In principle therefore, the current threshold for affordable housing contributions is zero units; i.e. a one unit scheme triggers a contribution requirement.
- 6.26 On the basis of viability, we do not have any particular concerns that there is a challenge with a zero threshold. Our evidence indicates, on the basis of the case studies, that small sites are no less viable than large ones, and that what really matters to viability is location and development mix.

- 6.27 Therefore we support the Council's position of a zero threshold on viability grounds. However, the evidence from the analysis of site supply suggests that the CBC is not highly reliant on small sites to deliver affordable housing, either in the larger or smaller settlements. On this basis therefore, a zero threshold is questionable.
- 6.28 The 30 unit 'marker' which currently determines whether there is on site provision or a commuted sum has no basis on viability grounds we feel.
- 6.29 All considered, we recommend that the Council adopt a threshold based on viability and what it can practically negotiate. This should be lower than 30 dwellings we think. We would say 10 dwellings across the CBC. This would recognise that small sites are no less viable than large sites, but also recognise that a significant number of additional affordable housing would not emanate from sites under 10 dwellings.
- 6.30 The figure of 10 is however not sacrosanct and the authority may want to carry out more detailed analysis of site supply to see if there is justification to have a different threshold.

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).

The current housing market

- 6.33 At the time of preparing this report, the housing market has suffered a downturn as a result of the 'credit crunch'. Our analysis of housing market values is as recent as possible and relates to September 2009.
- 6.34 Our analysis showed that the current position is marginally below the long term trend in house prices.
- 6.35 We think it likely however that developers will increasingly run an argument during 2009 and 2010 that the affordable housing and wider s106 policy is holding back sites. We believe that whilst the council should be flexible in its negotiations on specific sites, we do not think it should shift its position from the policy conclusions of this report since these will be more appropriate to the longer term trend in house prices which has been shown to be upwards.

In other words, the policy position should be one which reflects the longer run and not simply the impacts of the credit crunch.

Appendix 1

Affordable Housing Viability Study Workshop

Wednesday 9th September 2009

QED Centre, Treforest Industrial Estate

Attendees:

Andrew Golland	AG	Three Dragons;
Andrew Lycett	AL	RCT Homes;
Catherine Griffiths	CG	Savills;
Clive Ball	CB	Welsh Health Estates;
Jennifer Ellis	JE	RCTCBC;
Jonathan Matthews	JM	King Sturge;
Lesley Davies	LD	Rhondda HA;
Lydia Haskey	LH	WAG;
Mark Scoot	MS	Amethyst;
Mathew Davies	MD	Hendre Ltd;
Nicola Gulley	NG	RCTCBC;
Roy Jones	RJ	CTCHG;
Simon Coop	SC	NLP;
Victoria Bolton	VB	Newydd HA;
Virginia O'Reilly	VO	RCTCBC;
Zoe Abberley	ZA	DTZ;

1 Introduction – Nicola Gulley, Spatial Development Manager, RCTCBC

Nicola introduced herself and apologised for technical problems. Nicola introduced Jennifer Ellis and Andrew Golland. A brief introduction by all attendees was given.

AG Thanked everyone for attending the workshop.

The aim of the viability study is to produce a target to work to. This viability study is one of several studies in England and Wales. The aim to understand what sense can be made in terms of needs and viability.

2 Policy Context – England has BPS and Wales has TAN2.

The policy target needs to reflect viability targets on needs. The study is taking forward policies to reflect both sites and targets, including thresholds (reduced to a low level).

3 Study Approach – and measuring viability

AG explained that the study will be two stage. The first stage will analyse a notional one hectare site and look at viability in the context of sub markets, density, development mix and affordable housing percentages.

The second stage of the project will look at site supply and test a range of generic case studies of development.

It is a 'belt and braces' approach.

Viability policy context for Blyth Valley was challenged by 3 Developers and taken to court and the developers won. There is a requirement for need and viability along with deliverability. Local Authorities are following those guidelines. T

AL – Cognisance of risk – To what extent will the model have scenario building into it? It seems to be treated as a statistic when it is not always the case. Developers/site costs do not appear to be true reflections of internal rate of return (IRR).

AG – There are difficulties in producing a model on IRR, it needs to be much simpler than. IRR is another measure of viability.

JM – Volume house builders are not bothered by IRR but smaller ones are.

AL – RSL development programmes are smaller developments. Smaller house builders providing Section 106 look at Gross profit – South of RCT and IRR – North of RCT

AG – We are not using cash flowing sites due to the uncertainty of phasing.

JE – Setting Policy – it's not set in stone and things can be discussed at a later date, this is more strategic.

MS – There are issues that are strategic and are not on a site by site basis.

JM – Developers margins are considerably different to previous years, is this considered?

AG – What is likely to be an appropriate return now and in the future is approximately 15% on developer margins, in the short term is not enough but over a longer term is it appropriate. It is still unknown at the moment due to the current financial climate.

JM – Developers margins reduced but work as a short term thing.

AG – HBF agree that 15% on section 106 is the recommendation that would be given to Councils.

AL – It is very unlikely to cover LDP – revenue is dependent on site density etc. Where does it come into it?

AG – different densities have been tested in this model but it doesn't have any marginal returns for the landowner.

CB – Unknown where 15% came from on gross development value as normally 18-20%, this may be starting off on the wrong foot with low margin.

AG – 15% was agreed with HBF in England in 2002 with the first Three Dragons (GLA) Toolkit.

JM - Return on gross development value on current market is 25% margin – most companies will not put forward to main board if lower than this percentage. The majority of projects are over 20%

AG – HBF are happy with 17% on GDV.

AL – Alternative use value – this crosses with affordable housing – giving residual site value.

AG – This is currently being sorted out but a reasonable working figure for return to the landowner on Brownfield sites is approximately 20-30%.

MS – This is more than likely to be four or five times the existing use value of the Industrial value. Some sites do not always have alternative sites value.

AG – The gap needs to be determined by site.

MS – This will involve taking a lot of risk for a small return.

JM – How do you value the sites?

AG – There has to be a fairly broad view on land values for industrial use rather than land value only.

JM - Industrial value is approximately £60 – £70,000 per acre for Heads of the Valleys. Housing land in RCT is approximately £700,000 – £750,000 per acre at the very top end but reducing to £250,000 - £300,000 per acre at the bottom end. Current values have halved over the years.

JM – I would say it is more likely to be 300% rather than 200% on industrial land. With appeals coming out at approximately 20-30%

AG – WAG have not provided any guidance within this parameter.

4 Generic Sites and Thresholds

This will pick up on generic sites coming forward and an analysis will be carried out on this. It will also look at existing use of the site and what is expected on returns from the generic site.

AL – Have any areas had split targets?

AG – There have been some brought forward with split thresholds and targets.

Thresholds – TAN2 views site viability creating lower thresholds on sites of 0 which would then trigger affordable housing development. Regeneration impact there can be a positive impact on social regeneration.

JM – Take 3-4 unit plot in Neath/Port Talbot for example 3 units with no grant and the 4th unit affordable housing, this will take away all the value.

AG - What is the objection on viability if the threshold is reduced?

AL – there needs to be clear 106 value to develop.

AG – What is the underpinning justification – this needs to be reviewed on a site basis and maybe offer financial contribution rather than development.

AL - There needs to be a sensible threshold.

JM – Monmouth have devised the following threshold.

Rural location – 5 units

Urban location – 10 units.

Off site provision – are there incidentally issues on small sites, but viability is dependent on location, not the size of the site.

5 Data Sources and modelling assumptions

Key data sources: The data supplied within this study is obtained from the following:

House prices - Land Registry data
Build Costs – BCIS RICS
Target rents - Dataspring

Affordable housing targets: The split is 75% Social Rented and 25% homebuyer. Other Section 106 contributions as suggested to be £5,000 per unit as a guide figure but there may be suggestions as more is needed.

JM – ACG figures?

AG – The model is based on a no grant figure at the moment but modelled on figures on ACG's.

Market values: Market areas – Pontypridd new build development – prices sold for;

3 bed terrace	average £135,000
2 bed flat	average £115,000 – this to be considered too high
4 bed detached	average £240,000 – this to be considered too high

MD - It is taken that approximately 350sq.ft. Maximum would look at 200-220. With a broad brush take off 20% along the line.

Town houses are no longer being built along with flats, it is going back to the traditional two storey houses.

There is a need to review trends – potentially do a market research – the model needs to have flexibility.

AL - Empty homes – this needs to be taken into account.

Viability targets – split target – if evidence based can't really argue with the information present.

Proposed development mixes – Tests have viewed 30, 40, 45 and 50 per hectare.

Density ranges:

JM – South valley locations 20% of properties are 2 bed terraced houses with the majority of properties being 3 beds. There is a surplus of 3 bed houses. Intermediate social rental – traditionally would have 3 beds, low cost housing scheme there is a demand for 3 bed properties.

Build costs: Build costs are approximately 870 per sqm as provided by BCIS – <75 – too low, current cost is approximately 1,000 per sqm. Throughout RCT there are significant abnormalities on every site – the model does not take these factors into account.

AG pointed out that the BCIS costs reflect Tender prices at a local authority level and hence should pick up all types of costs.

Figures are not reflective – land value as a % of GDV in 2007 was 33% - abnormals reduce it to 25% and land value approximately 15%.

Is there merit in running viability of land value on GDV – review of margins. If land is over 30% it is too high, under 20% it needs to take into account abnormals.

AG pointed out his opposition to this method of measuring viability.

Other costs

Professional fees roughly about 12% including site investment. Finance costs vary depending on the size of the developer. Large developers 6% or there about, small developers – much higher possibly into double figures.

AL – valuation on social housing units – how would they compare to tolerable RSL unit.

There will be a difference

6 Going forward

A report is being produced, there is also a toolkit for the Council to use.

Reviewing of the policy on a regular basis – is a good idea.

Appendix 2 Three Dragons model: Method statement

The DAT provides the user with an assessment of the economics of residential development. It allows the user to test the economic implications of different types and amounts of planning obligation and, in particular, the amount and mix of affordable housing. It uses a residual development appraisal approach which is the industry accepted approach in valuation practice.

The Toolkit compares the potential revenue from a site with the potential costs of development before a payment for land is made. In estimating the potential revenue, the income from selling dwellings in the market and the income from producing specific forms of affordable housing are considered. The estimates involve (1) assumptions about how the development process and the subsidy system operate and (2) assumptions about the values for specific inputs such as house prices and building costs. These assumptions are made explicit in the guidance notes. If the user has reason to believe that reality in specific cases differs from the assumptions used, the user may either take account of this in interpreting the results or may use different assumptions.

The main output of the DAT is the residual value. In practice, as shown in the diagram below, there is a 'gross' residual value and a 'net' residual value. The gross residual value is that value that a scheme generates before Section 106 is required. Once Section 106 contributions have been taken into account, the scheme then has a net residual value, which is effectively the land owner's interest.

Key data assumptions

Market areas and prices:

Market Areas	Flats				Terraces				Semis			Detached			Bungalow	
	Studio	1 Bed	2 Bed	3 Bed	1 Bed	2 Bed	3 Bed	4 Bed	2 Bed	3 Bed	4 Bed	3 Bed	4 Bed	5 Bed	2 Bed	3 Bed
RCT South including Church Village	£80,000	£90,000	£120,000	£140,000	£105,000	£125,000	£145,000	£155,000	£140,000	£160,000	£175,000	£200,000	£250,000	£275,000	£170,000	£190,000
Tynant, Llanharan and Llantrisant																
Pontypridd, Porth &	£70,000	£80,000	£105,000	£120,000	£90,000	£115,000	£120,000	£130,000	£120,000	£135,000	£150,000	£170,000	£215,000	£235,000	£145,000	£165,000
Taf Valley																
North East RCT: Aberdare;	£60,000	£65,000	£90,000	£105,000	£75,000	£105,000	£115,000	£125,000	£115,000	£120,000	£130,000	£135,000	£170,000	£190,000	£120,000	£130,000
Mountain Ash & Abercynon																
Rhondda Fawr & Rhondda Fach	£50,000	£60,000	£85,000	£95,000	£65,000	£90,000	£110,000	£120,000	£100,000	£115,000	£125,000	£120,000	£155,000	£165,000	£105,000	£120,000

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.
- 35 dph: including 10% 2 bed flats; 15% 2 bed terraces; 20% 3 bed terraces; 10% 3 bed semis; 10% 4 bed semis; 10% 3 bed detached; 15% 4 bed detached; 10% 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%;
40%;

Affordable housing split: 75% to 25% Social Rent to Shared Ownership

Development costs

Based on RICS BCIS database:

Costs as set out below:

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	
Bungalows	£1,049	
Flats (6+ storeys)	£1,545	
Flats (5 & less storeys)	£1,115	£1,140
Houses <= 75m2	£999	£950
Houses > 75m2	£901	£830

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%		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 None	£	-		
<Enter Costs Description>	£	-		
<Enter Costs Description>	£	-		
<Enter Costs Description>	£	-		

Scheme Total		
per dwelling		
per hectare		

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Other Affordable Housing Factors:

Social rents

	Weekly Rent
1 Bed Flat	£53
2 Bed Flat	£55
2 Bed Terrace	£56
3 Bed Terrace	£68
3 Bed Semi	£68
3 Bed Detached	£68
4 Bed Detached	£73

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

	0%	10%	15%	20%	25%	30%	40%
30dph							
RCT South inc. Church Village Tynant, Llanharan & Llantrisant	£ 1.29	£ 1.05	£ 0.94	£ 0.82	£ 0.71	£ 0.59	£ 0.36
Pontypridd, Porth and Taf Valley	£ 0.65	£ 0.46	£ 0.37	£ 0.28	£ 0.19	£ 0.10	-£ 0.08
RCT North East: Aberdare, Mountain Ash & Abercynon	-£ 0.02	-£ 0.15	-£ 0.22	-£ 0.28	-£ 0.35	-£ 0.42	-£ 0.55
Rhondda Fawr & Rhondda Fach	-£ 0.30	-£ 0.41	-£ 0.47	-£ 0.52	-£ 0.58	-£ 0.63	-£ 0.74
35dph							
RCT South inc. Church Village Tynant, Llanharan & Llantrisant	£ 1.14	£ 0.89	£ 0.77	£ 0.65	£ 0.53	£ 0.40	£ 0.15
Pontypridd, Porth and Taf Valley	£ 0.55	£ 0.35	£ 0.25	£ 0.15	£ 0.05	-£ 0.05	-£ 0.25
RCT North East: Aberdare, Mountain Ash & Abercynon	£ 0.03	-£ 0.13	-£ 0.21	-£ 0.29	-£ 0.37	-£ 0.45	-£ 0.61
Rhondda Fawr & Rhondda Fach	-£ 0.22	-£ 0.36	-£ 0.44	-£ 0.51	-£ 0.58	-£ 0.65	-£ 0.79
40dph							
RCT South inc. Church Village Tynant, Llanharan & Llantrisant	£ 1.06	£ 0.81	£ 0.67	£ 0.54	£ 0.41	£ 0.28	£ 0.02
Pontypridd, Porth and Taf Valley	£ 0.48	£ 0.27	£ 0.16	£ 0.05	-£ 0.08	-£ 0.16	-£ 0.38
RCT North East: Aberdare, Mountain Ash & Abercynon	£ 0.03	-£ 0.15	-£ 0.24	-£ 0.33	-£ 0.42	-£ 0.51	-£ 0.69
Rhondda Fawr & Rhondda Fach	-£ 0.21	-£ 0.37	-£ 0.45	-£ 0.53	-£ 0.62	-£ 0.70	-£ 0.86
50dph							
RCT South inc. Church Village Tynant, Llanharan & Llantrisant	£ 0.88	£ 0.59	£ 0.44	£ 0.29	£ 0.15	£ 0.00	-£ 0.29
Pontypridd, Porth and Taf Valley	£ 0.30	£ 0.07	-£ 0.06	-£ 0.18	-£ 0.31	-£ 0.44	-£ 0.69
RCT North East: Aberdare, Mountain Ash & Abercynon	-£ 0.05	-£ 0.27	-£ 0.38	-£ 0.49	-£ 0.61	-£ 0.72	-£ 0.94
Rhondda Fawr & Rhondda Fach	-£ 0.29	-£ 0.50	-£ 0.60	-£ 0.71	-£ 0.81	-£ 0.91	-£ 1.11
75dph							
RCT South inc. Church Village Tynant, Llanharan & Llantrisant	£ 0.71	£ 0.31	£ 0.11	-£ 0.07	-£ 0.27	-£ 0.47	-£ 0.87
Pontypridd, Porth and Taf Valley	£ 0.03	-£ 0.32	-£ 0.49	-£ 0.66	-£ 0.83	-£ 1.00	-£ 1.35
RCT North East: Aberdare, Mountain Ash & Abercynon	-£ 0.62	-£ 0.91	-£ 1.06	-£ 1.21	-£ 1.35	-£ 1.51	-£ 1.80
Rhondda Fawr & Rhondda Fach	-£ 0.97	-£ 1.24	-£ 1.37	-£ 1.51	-£ 1.64	-£ 1.77	-£ 2.04

Worked Example – 35 dph scheme at 20% Affordable Housing in Pontypridd and Taf Valley

1 - SITE IDENTIFICATION

Site Details	<input type="text"/>
Site Address	<input type="text" value="Pontypridd and Taf Valley"/>
Site Reference	<input type="text" value="20% Affordable Housing"/>
Application Number	<input type="text"/>
Scheme Description	<input type="text" value="35 dph scheme"/>

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	<input type="text" value="Rhondda, Cynon and Taff"/>
ACG Band	<input type="text" value="3"/>
House Price Area	<input type="text" value="Pontypridd & Taff Valley"/>

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 %

Resulting Number of Dwellings

Resulting Density dph

Is this a rural development?

Bedspaces

Specify the number of bedspaces:

Specify the number of habitable rooms:

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

Click this button to clear table contents

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								
3	2 Bed Flat	2	Flat	3.5	60	55	none	2
4								
5	2 Bed Terrace/Town House	2	House	5.25	73	55	Surface	n/a
6	3 Bed Terrace/Town House	3	House	7	80	80	Surface	n/a
7								
8								
9	3 Bed Semi Detached	3	House	3.5	80	75	Surface	n/a
10	4 Bed Semi Detached	4	House	3.5	100	105	Surface	n/a
11	3 Bed Detached	3	House	3.5	80	100	Surface	n/a
12	4 Bed Detached	4	House	5.25	100	130	Surface	n/a
13	5 Bed Detached	5	House	3.5	120	150	Surface	n/a
14								
15								
16								
17								
18								
19								
20								
Total Number of units				35.00				

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

5 - MARKET VALUES

DAT default values may be used

Enter Defaults For Rhondda, Cynon and Taf: Pontypridd & Taff Valley

Clear Table

Market Value price adjust (%) %

Ref.	Dwelling Type	No of Bed-Rooms	Market Value	Adjusted Market Value
1				
2				
3	2 Bed Flat	2	£105,000	£105,000
4				
5	2 Bed Terrace/Town House	2	£115,000	£115,000
6	3 Bed Terrace/Town House	3	£120,000	£120,000
7				
8				
9	3 Bed Semi Detached	3	£135,000	£135,000
10	4 Bed Semi Detached	4	£150,000	£150,000
11	3 Bed Detached	3	£170,000	£170,000
12	4 Bed Detached	4	£215,000	£215,000
13	5 Bed Detached	5	£235,000	£235,000
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		80%	15%	5%		
2						
3	2 Bed Flat	2.8	0.5	0.2		3.5
4						
5	2 Bed Terrace/Town House	4.2	0.8	0.3		5.3
6	3 Bed Terrace/Town House	5.6	1.1	0.4		7.0
7						
8						
9	3 Bed Semi Detached	2.8	0.5	0.2		3.5
10	4 Bed Semi Detached	2.8	0.5	0.2		3.5
11	3 Bed Detached	2.8	0.5	0.2		3.5
12	4 Bed Detached	4.2	0.8	0.3		5.3
13	5 Bed Detached	2.8	0.5	0.2		3.5
14						
15						
16						
17						
18						
19						
20						
Total		28.0	5.3	1.8		35.0

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

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

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11 - DEVELOPMENT COSTS

Depress this button to clear these tables

Clear Tables

Build Costs per sq m

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

	Toolkit Values	User Values
Bungalows	£985	
Flats (16+ storeys)	£1,605	
Flats (6-15 storeys)	£1,300	
Flats (5 & less storeys)	£975	£1,140
Houses <= 75m2	£833	£915
Houses > 75m2	£731	£800

Ecohomes Standards

Market Housing	Affordable Housing
None	None

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	10%	5.00%	of build costs (Market and ES)
Finance (Market)	6%		of market value (Market and ES)
Finance (Affordable Housing)	6%		of development costs (SR, NH and IR units)
Marketing Fees	4%	3.00%	of market value (Market and ES)
Developers Return	15%	17.00%	of market value (Market and ES)
Contractors Return	10%	5.00%	of development costs (excl finance) applies to SR, NH and IR units

Wheelchair Costs

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

Exceptional Development Costs

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

Obligations package per unit £5,000

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	£5,556

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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	£	165,000
Total scheme revenue	£	4,616,000
Total scheme costs	£	4,451,000

Residual	Per hectare	£	165,000
	Per dwelling	£	5,000
	Per market dwelling	£	6,000
	Per bedspace		No Info
	Per habitable room		No Info

Revenue	Market housing	£	4,284,000
	Affordable Housing	£	332,000
	- Social rent	£	145,000
	- Homebuy	£	187,000
	- Intermediate Rent	£	-
	- Equity Share	£	-
	Capital Contribution	£	-
	Commercial Elements	£	-

Costs	Market housing	£	3,652,000
	Affordable Housing	£	623,000
	- Social rent	£	468,000
	- Homebuy	£	156,000
	- Intermediate Rent	£	-
	- Equity Share	£	-
	Planning Obligations	£	175,000
	Exceptional Development Costs	£	-
	Commercial Elements	£	-

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	Portypridd and Taf Valley
Address	
Site Details	0

Site Reference	20% Affordable Housing
Application Number	0
Site Location	Rhondda, Cynon and Taf
Scheme Description	35 dph scheme

Total number of units	Dwellings	35
	Bedrooms	No Info
	Bedspaces	No Info
	% Wheelchair Units	0%

Density (per hectare)	Dwellings	35.0
	Bedrooms	No Info
	Bedspaces	No Info

Affordable Units	Quantity	% of All Units
Total	7.0	20%
Social rent	5.3	16%
Intermediate	1.8	5%

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

Save Results

Cost Components

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View Results

View DCF Page