

**Medway Council
Affordable Housing Viability Study**

**Final Report
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1 INTRODUCTION

Review of project aims

- 1.1 Medway Council, in conjunction with Gravesham Borough Council, appointed Three Dragons to undertake an Affordable Housing Viability Study (AHVS). The study brief explained that the AHVS would be used by the Councils to inform the development of Core Strategy housing policies and other Local Development Documents under preparation.
- 1.2 The brief further stated the need to undertake an Affordable Housing Viability Study which examines the potential impact on development viability of different policy options for new qualifying thresholds and percentages for requiring the provision of affordable housing. This project will support work on the Councils' Local Development Framework (LDF);
- 1.3 This report explains the research undertaken to address the brief and the findings of that research.

Policy context - national

- 1.4 This study focuses on the percentage of affordable housing sought on mixed tenure sites and the size of site above which affordable housing is sought (the site size threshold). National planning policy set out in Planning Policy Statement (PPS) 3 makes clear that local authorities, in setting policies for site size thresholds and the percentage of affordable housing sought, must consider development economics and should not promote policies which would make development unviable.

PPS3: Housing (November 2006) states that:

"In Local Development Documents, Local Planning Authorities should:

Set out the range of circumstances in which affordable housing will be required. The national indicative minimum site size threshold is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area. Local Planning Authorities will need to undertake an informed assessment of the economic viability of any thresholds and proportions of affordable housing proposed, including their likely impact upon overall levels of housing delivery and creating mixed communities".
(Para 29)

- 1.5 The companion guide to PPS3¹ provides a further indication of the approach which Government believes local planning authorities should take in planning for affordable housing. Paragraph 10 of the document states:

"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

¹ CLG, Delivering Affordable Housing, November 2006

in case grant is not provided, and use of an agreement that secures standards.” (our emphasis)

Policy context – South East Region

1.6 The South East Plan has now been published. Policy H3 covers affordable housing. It states that a substantial increase in affordable housing will be delivered and the means through which it will be achieved include:

- Development and inclusion of targets for the provision of affordable housing, taking account of housing need and having regard to the overall regional target that 25% of all new housing should be social rented accommodation and 10% intermediate affordable housing. Where indicative targets for sub-regions are set out in the relevant sections of this RSS, these should take precedence over the regional target.
- Setting affordable housing targets, which are supported by evidence of financial viability and the role of public subsidy in the light of guidance from the regional planning body and the regional housing board.
- The incorporation of locally set thresholds covering the size of site above which an affordable housing contribution will be required. These may vary across a local authority area depending on the anticipated pattern of new development. Such thresholds will have regard to an assessment of economic viability, scale of need and impact on overall levels of housing delivery.

Policy context – Medway Council

1.7 The Medway Council Local Plan, Policy H3: Affordable Housing states that:

“Where a need has been identified, affordable housing will be sought as a proportion of residential developments of a substantial scale. A substantial scale is defined as follows:

(i) in settlements in rural areas with a population of 3,000 or fewer, developments which include 15 or more dwellings or where the site area is 0.5 hectare or more;

(ii) within the urban area, developments which include 25 or more dwellings or where the site area is 1 hectare or more”.

1.8 The Council’s ‘Guide to Developer Contributions: Supplementary Planning Guidance’ confirms this approach, and adds that the Council’s target is to achieve at least 25% of homes to be affordable. It states that:

‘This target will be the baseline for negotiations for affordable housing on suitable housing sites. Where a developer considers that this requirement significantly affects the viability, or where other matters (as set out in para 2.3) need to be taken into account, of residential development on a site, an “open book” approach will be taken to establish the extent of this case, based on a residual valuation methodology’.

Research undertaken

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

- Discussions with a project group of officers from the council that 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 Three Dragons Toolkit, adapted for Medway Council, to analyse scheme viability (and described in detail in subsequent chapters of this report);
- A workshop held with developers, landowners, their agents and representatives from a selection of Registered Social Landlords active in the district.

Structure of the report

1.10 The remainder of the report uses the following structure:

- Chapter 2 explains the methodology we have followed in first, identifying sub markets and second, 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 site and comparison of this with its existing use value;
- Chapter 6 summarises the evidence collected through the research and provides a set of policy options.

2 METHODOLOGY

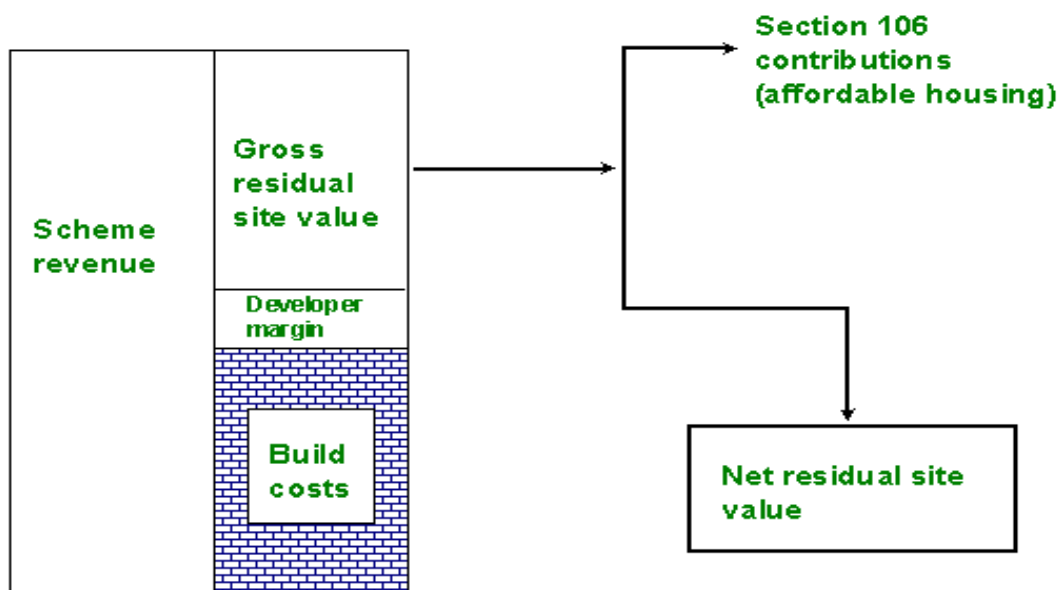
Introduction

- 2.1 In this chapter we explain the principles underlying the methodology we have followed. 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 residual 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 s106 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 s106 contribution. The contribution will normally be greatest in the form of affordable housing but other s106 items will also reduce the gross residual value of the site. Once the s106 contributions have been deducted, this leaves a net residual value.

Figure 2.1 Theory of the Section 106 Process

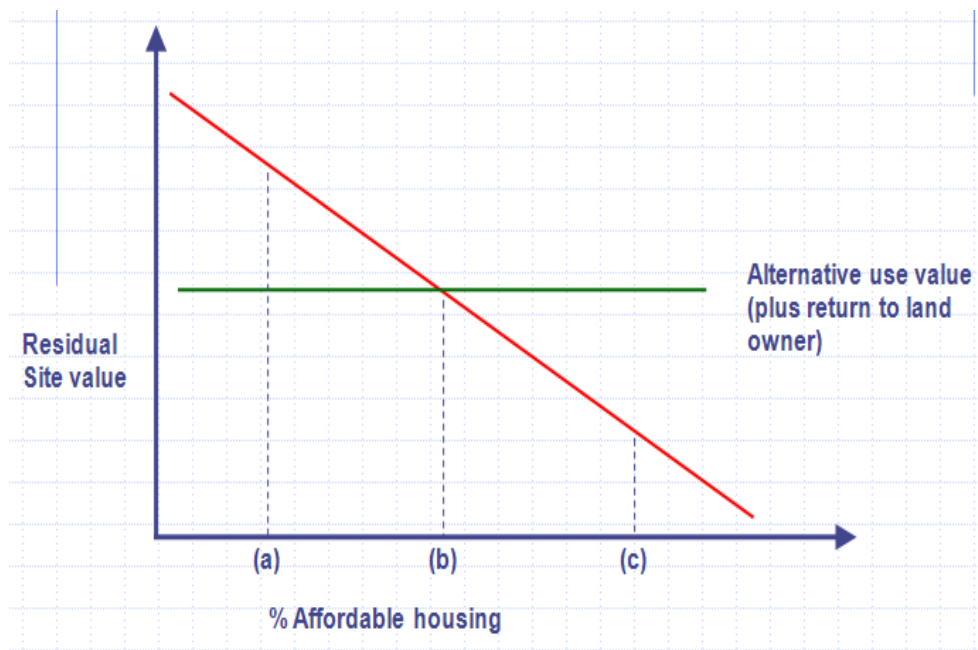


- 2.5 Calculating what is likely to be the value of a site given a specific planning permission is only one factor in deciding what is viable.
- 2.6 A site is extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue but simply having a positive residual value will not

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 landowner in deciding whether to bring land forward for development.

- 2.7 Figure 2.2 shows how this operates in theory. Residual value (depicted by the red line) falls as the proportion of affordable housing increases. At some point (here with affordable housing at a percentage represented by 'b'), the alternative use value (or existing use value whichever is higher) will be equal to the residual value with 'b' % affordable housing. With 'c' percentage affordable housing, the residual value is less than the alternative use value and the scheme is not viable. At 'a' percentage affordable housing, the residual value is well in excess of the alternative use value and the scheme is therefore likely to be viable and the site to come forward.
- 2.8 A critical issue for any viability assessment is identifying a reasonable percentage above the existing use value for the residual value to be attractive to a landowner to bring forward their site. In the diagram below, at point 'b' (where the residual value equals the alternative use value), the return to the landowner is unlikely to encourage them to bring forward their site for housing.

Figure 2.2 Affordable housing and alternative use value



- 2.9 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.

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 sub markets that have been identified. The residual value shown will be the same whether the site is greenfield or previously used land. The chapter explains this and explores the relationship between the residual value for the scenarios tested and existing/alternative use values.

Market value areas

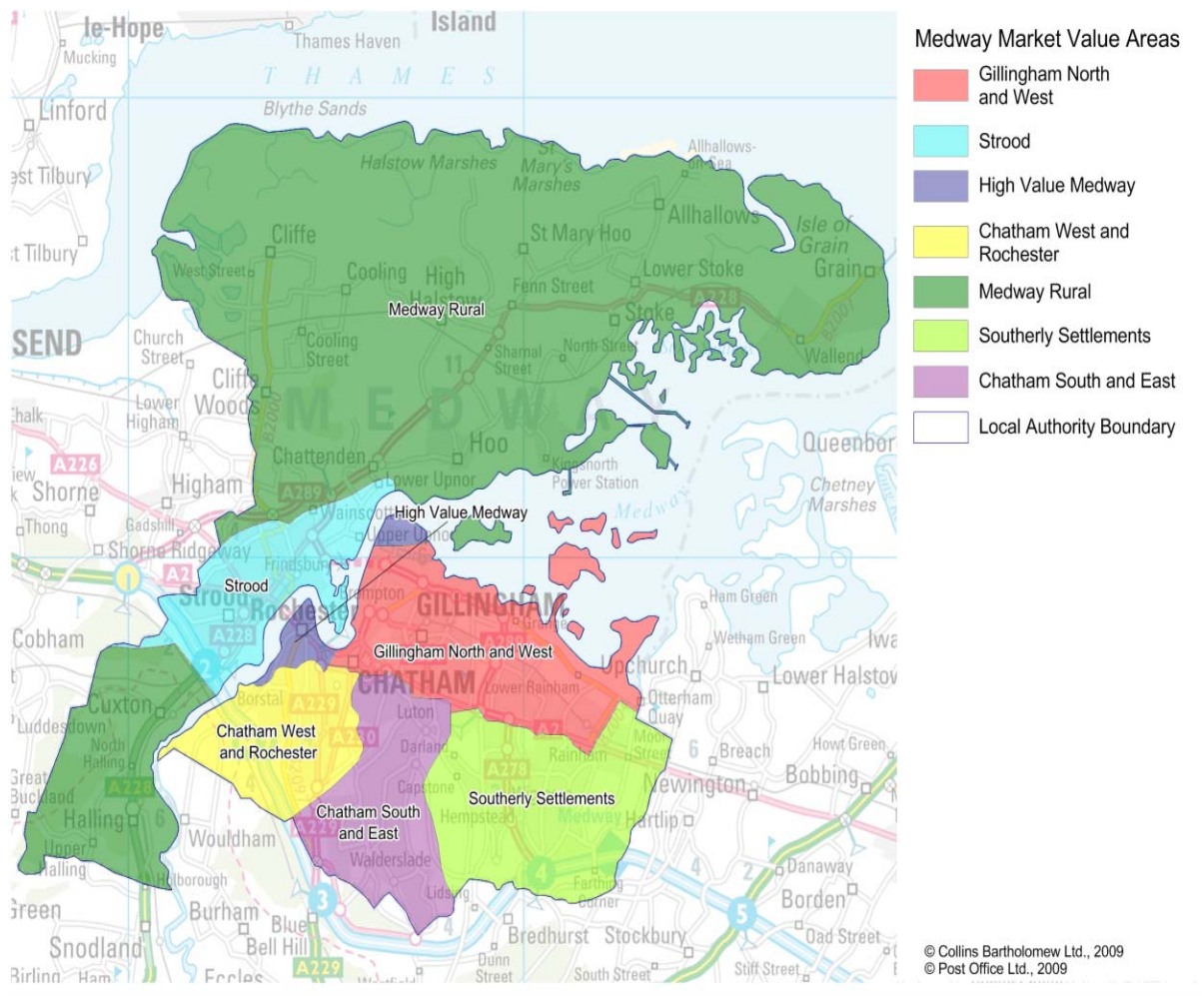
- 3.2 Variation in house prices will have a significant impact on development economics and the impact of affordable housing on scheme viability.
- 3.3 We undertook a broad analysis of house prices in Medway using HM Land Registry data to identify the sub markets. These sub markets are based on postcode sectors. The house prices, which relate to the sub markets, provide the basis for a set of indicative new build values as at September 2009. Table 3.1 below sets out the sub markets adopted in the study. The sub markets are also depicted in Map 1 below:

Table 3.1 Viability sub markets in the Medway Council area

MEDWAY			
Sub Market	Main area	Settlements: Locations	PCS
High Value Medway	Rochester	The Esplanade; Corporation St; Vines Lane	ME1 1
	Chatham Maritime	St Mary's Island	ME4 3
Medway Rural	Medway S-W Rural	Cuxton; Upper Halling	ME2 1
	Medway Rural North	Cliffe	ME3 7
	Medway Rural North	Chattenden; High Halstow	ME3 8
	Medway Rural North	Hoo St Werbergh'; Stoke; Allhallows	ME3 9
	Medway Rural North	Isle of Grain	ME3 0
Southerly settlements	Southerly settlements	Moor Street	ME8 8
	Southerly settlements	Wigmore; Durham Road	ME8 0
	Southerly settlements	Capstone; Ambley Wood; Hempstead	ME7 3
	Southerly settlements	Rainham	ME 8 9
Chatham West and Rochester	Chatham	Rochester St; Gladstone Rd; Ewart Rd	ME4 6
	Chatham	Rochester Ave; Cecil Road; Marley Way	ME1 2
	West Chatham	Borstal Road	ME1 3
Strood	North Rochester	Frindsbury	ME2 4
	West Rochester	Strood	ME2 2
	North Rochester	Broom Hill	ME2 3
Gillingham North and West	Gillingham N-W	Dock Road; Khyber Road	ME4 4
	Gillingham N-W	Oxford Rd; Gillingham Park; Park Avenue	ME7 4
	Gillingham N-W	Brompton	ME7 1
	Gillingham N-W	Hospital; Windmill Rd; Byron Road	ME7 5
	Gillingham North	G'ham Cemetry; Livingstone Rd; Lower Twydall	ME7 2
	Gillingham North	Lower Rainham; Station Rd	ME8 7
	Gillingham North	Eastcourt Lane; Featherby Road	ME8 6
Chatham South & East	Chatham East	Churchill Avenue; Princess Avenue	ME5 7
	Chatham East	Castle Street; Luton Road	ME4 5
	Chatham South	Lords Wood; Albermarle Rd; North Dane Way	ME5 8
	Chatham South	Wayfield Road; King George Road	ME5 0

Source: Market value areas as agreed between Three Dragons and Medway Council

Map 1 Viability sub markets in the Medway Council area



Testing assumptions (notional one hectare site)

- 3.4 For the viability testing, we defined a number of development mix scenarios, using a range of assumptions agreed with the council. The scenarios were based on an analysis of typical development mixes and were discussed at the stakeholder workshop.
- 3.5 The development mixes were as shows in Table 3.2 below:

Table 3.2 Development densities and mixes tested in the study

	Density (DPH)				
	30	40	50	80	100
1 Bed Flat			5	20	25
2 Bed Flat		5	5	40	45
2 Bed Terrace	10	10	15	20	20
3 Bed Terrace	15	15	20	20	10
3 Bed Semi	35	30	25		
3 Bed Detached	25	25	20		
4 Bed Detached	15	15	10		
5 Bed Detached					
	100	100	100	100	100

- 3.6 We calculated residual scheme values for each of these (base mix) scenarios in line with a further set of tenure assumptions. These were 20%; 25%; 30%; 35% and 40% affordable housing. These were tested at 60% Social Rent and 40% New Build HomeBuy in each case. For the New Build HomeBuy, the share purchase was assumed to be 40%. All the assumptions were agreed with the authority. Unless stated, testing was carried out assuming nil grant.
- 3.7 Further testing took account of a situation where Social Rented housing and Intermediate Affordable housing is split 50%:50% within a scheme. Also a test to reflect the draft findings of the emerging SHMA which places a greater emphasis on intermediate affordable housing provision was carried out.

Other s106 contributions

- 3.8 The testing assumptions on other Section 106 contributions were discussed between the two authorities in the light of likely infrastructure loadings. A figure of £11,000 per unit has been adopted for this purpose.

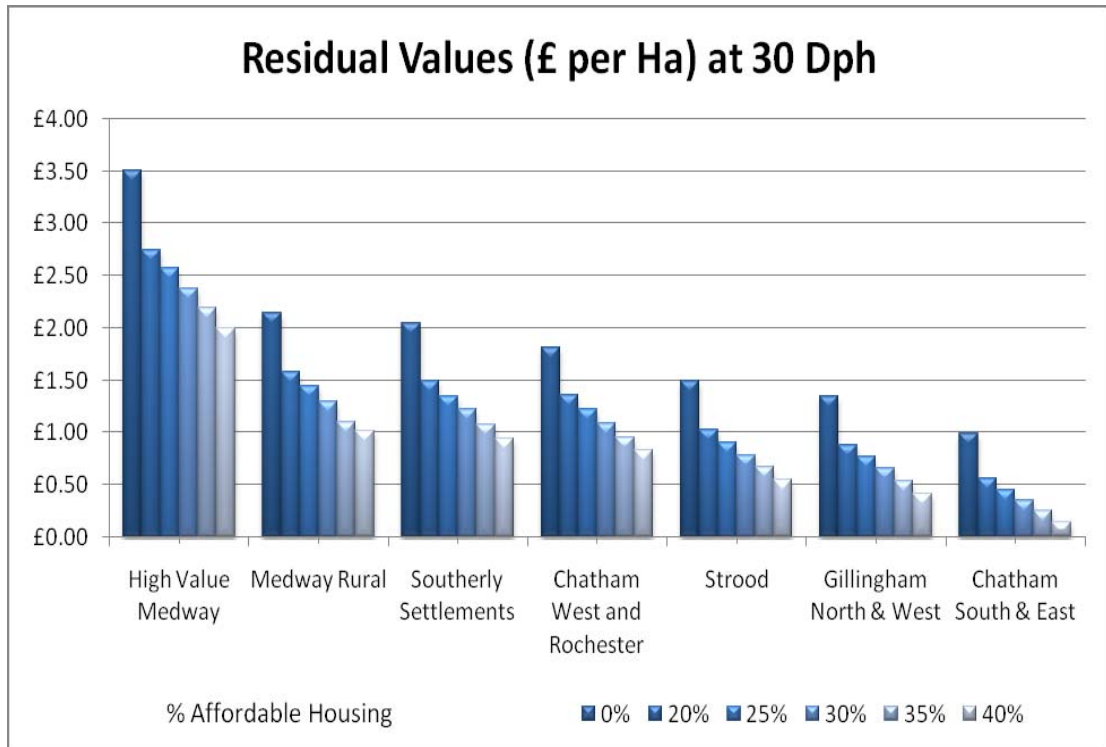
Results: residual values for a notional one hectare site

- 3.9 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. The full set of results is shown in Appendix 3.

Low density housing (30 dph)

3.10 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)

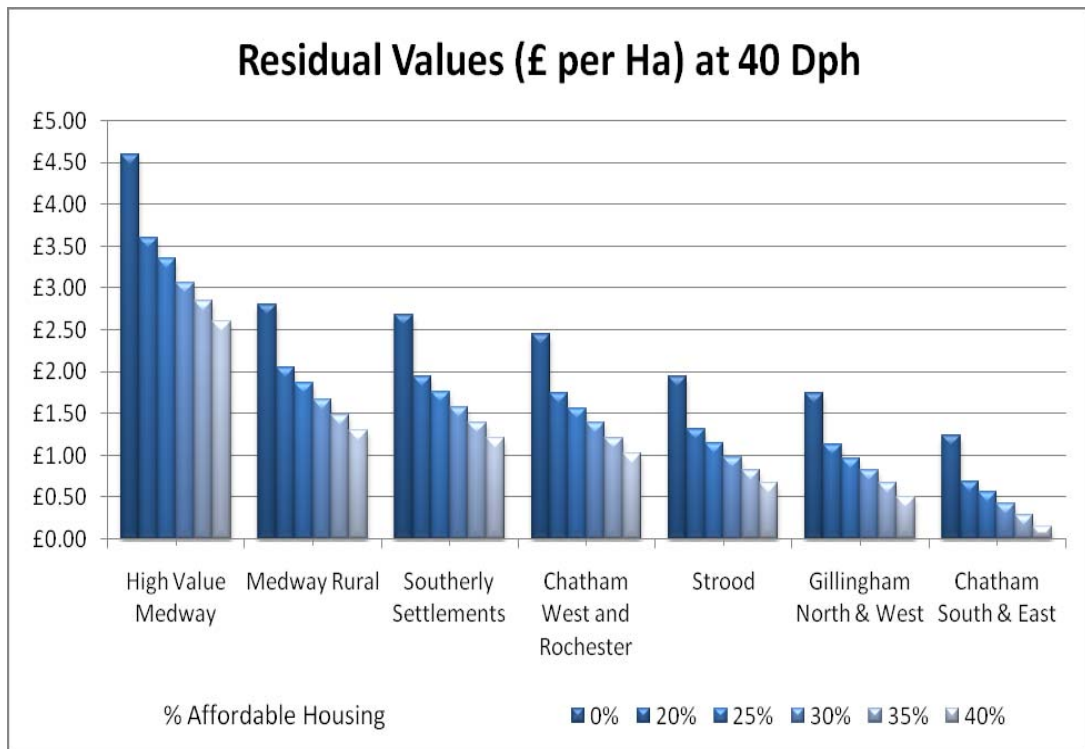


- Figure 3.1, shows a range of positive residual values. Residual values at 25% affordable housing range from £2.5 million per hectare in High Value Medway to £0.45 million per hectare in Chatham South and East.
- The chart shows significant variance between the highest and lowest value sub markets. Residual values at 40% affordable housing for example are higher in High Value Medway (£2.6 million) than they are in Chatham West and Rochester at 100% market housing (no affordable). These differences strongly support the idea of differential affordable housing policy targets.
- The chart shows rural areas generally generating higher residual values than urban areas.

Lower density housing (40 dph)

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

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

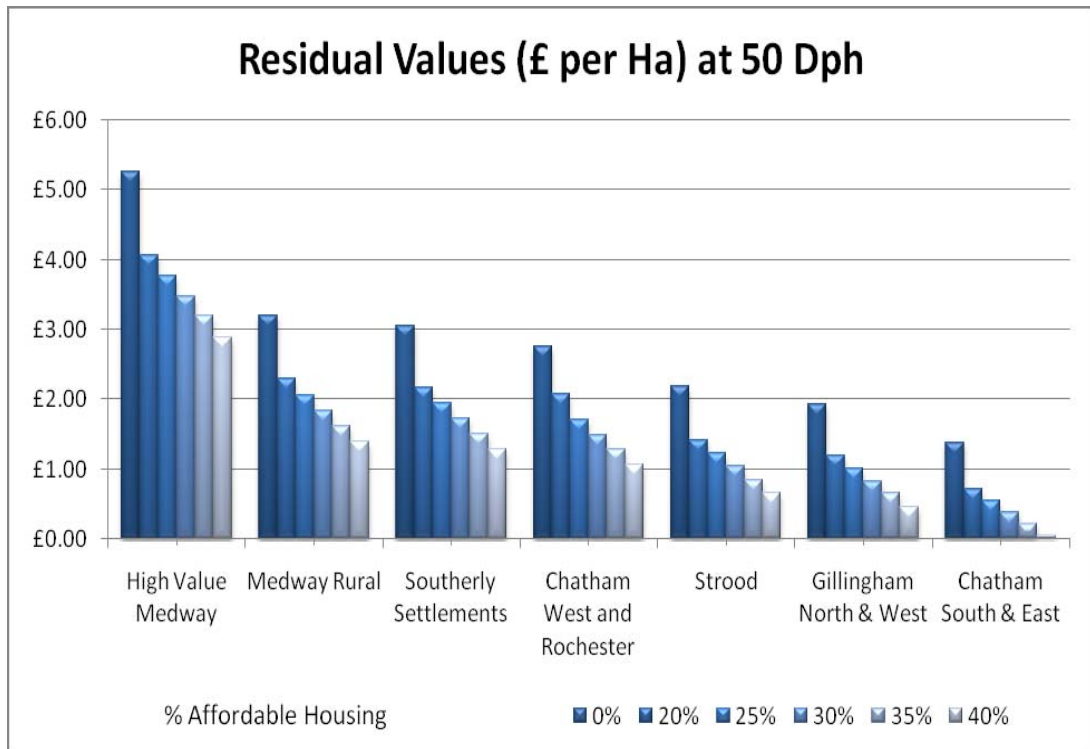


- The chart shows a range of positive residual values reflecting as for the 30-dph scenario, rural areas with the higher values and urban areas with generally lower residuals.
- An increase in density from 30 dph to 40 dph will normally increase residual values. There is a significant increase in residual value at the higher end of the market within Medway and a marginal increase at the lower end; e.g. Chatham South and East.
- At the lower end of the market within Medway, residual values range from £0.7 million per hectare at 20% affordable housing to £0.15 million per hectare in Chatham South and East. A value of £150,000 per hectare is low and fairly marginal when it will be the case that abnormal costs are incurred on some sites.

A 50 dph scheme

3.12 Figure 3.3 shows residual values for a 50dph scheme and the residual values for each of the market value areas outlined earlier.

Figure 3.3 Medium density housing (50 dph) – Residual value in £s (million)

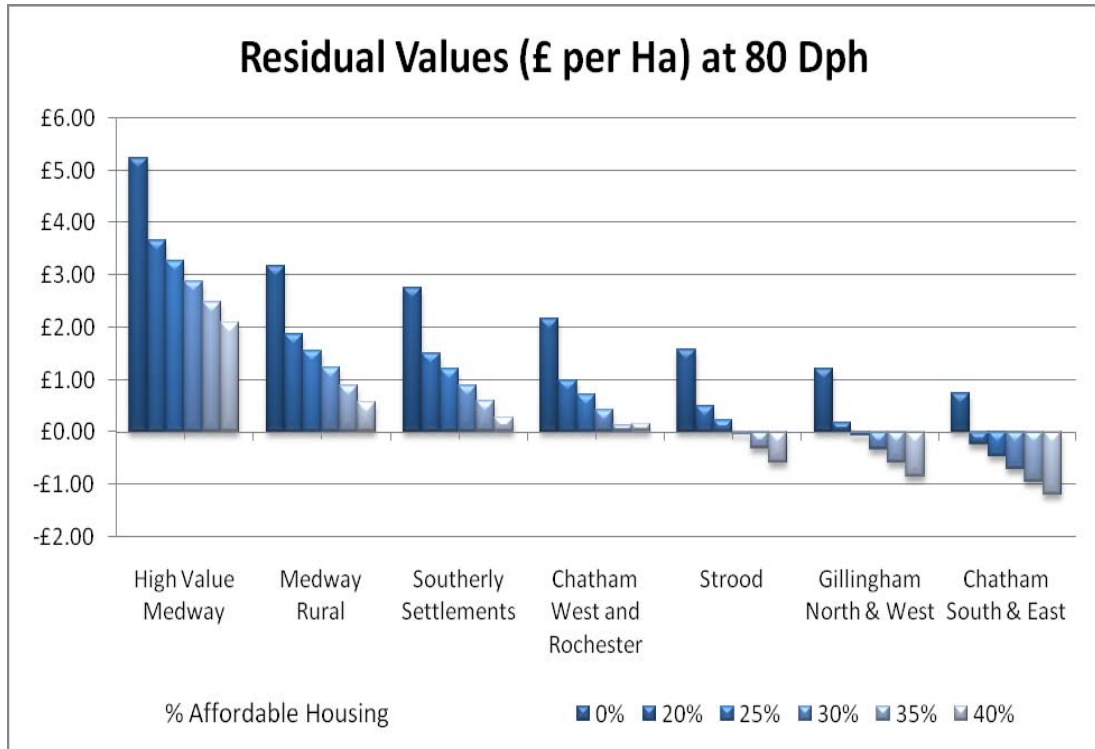


- An increase in density to 50 dph is likely to see residual values increase again (over and above the 30 and 40 dph scenarios).
- Very substantial residual values are achieved in the highest value location. These range from £4.0 million per hectare at 20% affordable housing to £2.89 at 40% affordable housing in High Value Medway.
- The 50-dph scenario, on the basis of our analysis, will normally produce the highest residual values and therefore provide the strongest negotiating position for Section 106 contributions. It will be seen that in the following (higher density scenarios) increasing density does not necessarily lead to increased residual values.
- There are some exceptions. In Gillingham North and West at 35% and 40% affordable housing, and in Chatham South and East at 25% affordable housing and above, residual values are lower at 50 dph than they are at 40 dph.

An 80 dph scheme

3.13 Figure 3.4 shows residual values for an 80 dph scheme and the residual values for each of the sub markets

Figure 3.4 Higher density housing (80 dph) – Residual value in £s (million)

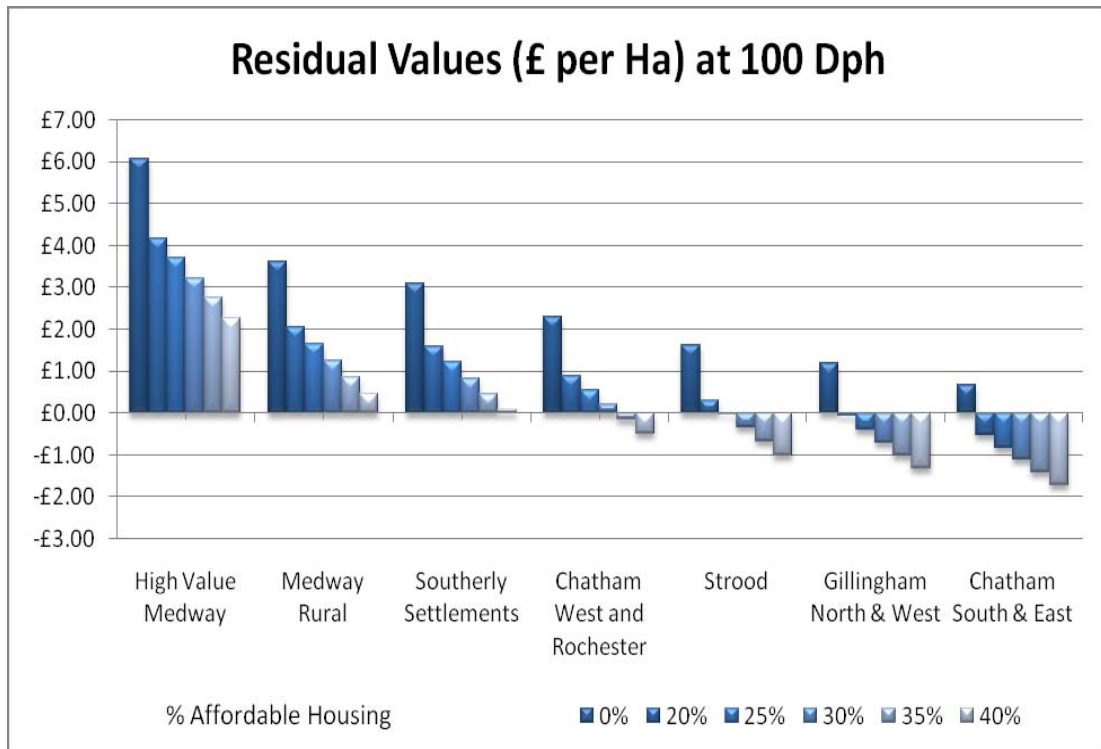


- The 80 dph scenario produces consistently lower residual values than the 50dph scenario.
- The chart shows that by increasing density, residual value is not necessarily increased. What happens at higher density is that a higher proportion of smaller units are introduced. In lower value areas, where the gap between selling prices and build costs is narrow, the increase in density does not necessarily translate to higher residual values.
- The chart shows that for the first time, negative residual values are generated. This can be seen in the lowest three sub markets – Strood, Gillingham North and West, and, Chatham South and East.

A 100 dph scheme

3.14 Figure 3.5 shows residual values for a 100 dph scheme and the residual values for each of the sub markets

Figure 3.5 Higher density housing (100 dph) – Residual value in £s (million)



- The 100 dph scenario includes flats and terraces with 70% of the scheme being flats. The impact in the weaker sub markets is generally to reduce residual values below those found at 80 dph.
- The higher density brings in a higher proportion of flats, which in the weaker sub markets have only a narrow margin between scheme revenue and scheme cost with the result that any positive residuals created by the larger units (here terraces) are cancelled out by the smaller less viable units.
- It will be noted (Figure 3.5) that affordable housing contributions look unviable in the weakest two sub markets.

Impacts of potential grant funding

3.15 The availability of public subsidy (in the form of grant) 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. There are two main sources of grant which may be available namely grant from the Homes and Communities Agency and grant from the local authority (e.g. money collected from developments in the form of a commuted sum through a s106 agreement).

3.16 We have assumed grant of £50,000 per Social Rented unit and £15,000 per New Build HomeBuy unit. This level of grant is based on feedback from the workshop as being a reasonable figure to use for viability testing purposes.

3.17 For our testing, we have tested the impact of grant on residual values for a 1 Ha site at 40 dph for all locations. The results are shown in Table 3.3.

Table 3.3 Comparison of residual values (£ million per hectare) with and without grant ;

60% Social Rent: 40% Shared Ownership

40 Dph £million	High Value Medway		Medway Rural		Chatham West and Rochester		Strood		Chatham South and East	
	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant
0% AH	£4.59	N/A	£2.81	N/A	£2.45	N/A	£1.94	N/A	£1.24	N/A
20% AH	£3.60	£3.89	£2.05	£2.34	£1.74	£2.03	£1.31	£1.60	£0.69	£0.98
25% AH	£3.35	£3.71	£1.86	£2.22	£1.56	£1.92	£1.14	£1.50	£0.56	£0.92
30% AH	£3.06	£3.49	£1.67	£2.10	£1.39	£1.82	£0.98	£1.41	£0.42	£0.85
35% AH	£2.85	£3.35	£1.49	£1.99	£1.21	£1.72	£0.82	£1.32	£0.29	£0.79
40% AH	£2.60	£3.18	£1.30	£1.88	£1.03	£1.61	£0.67	£1.25	£0.15	£0.73

AH = percentage affordable housing

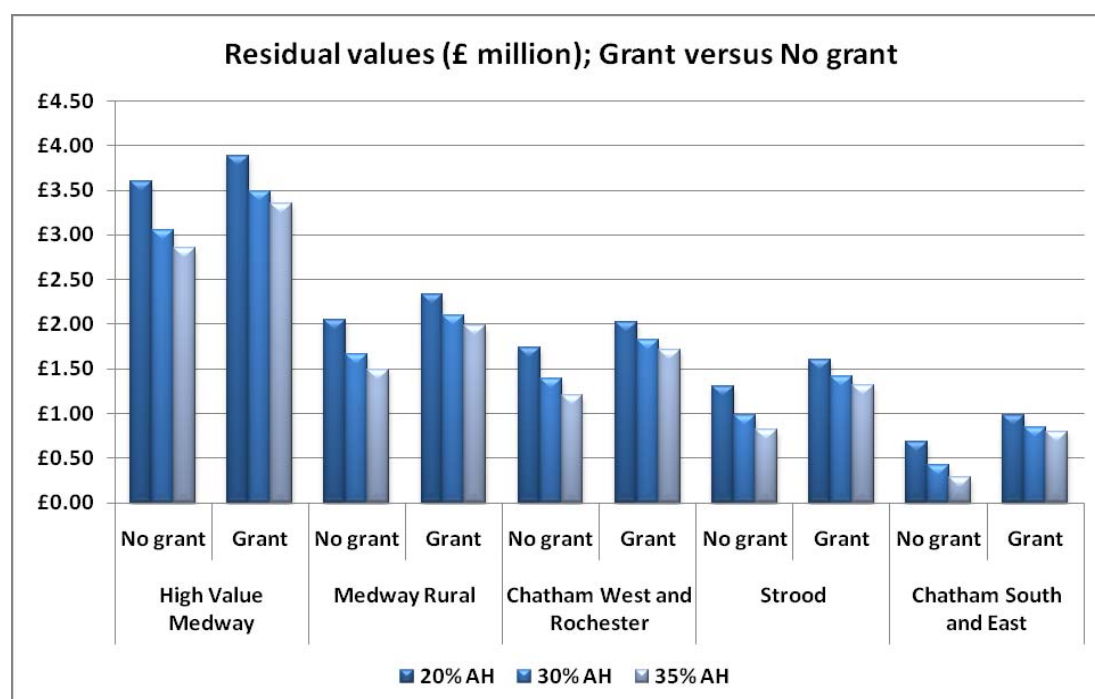
3.18 Table 3.3 shows that the availability of grant will enhance site viability.

3.19 The introduction of grant has a greater proportionate impact on the weaker sub markets. In Chatham South and East for example, there is a 102% increase in residual value at 30% affordable housing (from £0.42m per hectare to £0.85m). The equivalent uplift in the High Value Medway sub market is only 14%.

3.20 The impact of grant at higher densities, for example 50dph and 80dph will be more pronounced in being able to increase the viability of developments in weaker sub markets.

3.21 The results in Table 3.3 are shown in Figure 3.6 below:

Figure 3.6 Comparison of residual values (£ million per hectare) with and without grant ; 60% Social Rent: 40% Shared Ownership



Impacts of increasing the proportion of Intermediate housing within the affordable element

- 3.22 In the previous section we considered the impact of grant on scheme viability. Where grant is not available to support schemes (or is not sufficient on its own), scheme viability can be (further) enhanced by increasing the percentage of intermediate affordable housing. We have tested all scenarios thus far assuming the relevant affordable element is split 60% Social Rent and 40% Shared Ownership. Here we test a 50%:50% split in the affordable element.

Table 3.4 Comparing site values (£ million per hectare) for a 40 dph scheme with 50% Social Rent and 50% Shared Ownership without grant against 60% Social Rent and 40% Shared Ownership with grant

40 Dph	High Value Medway		Medway Rural		Chatham West and Rochester		Strood		Chatham South and East	
	50:50	Grant	50:50	Grant	50:50	Grant	50:50	Grant	50:50	Grant
20% AH	£3.71	£3.89	£2.15	£2.34	£1.82	£2.03	£1.37	£1.60	£0.76	£0.98
25% AH	£3.49	£3.71	£1.98	£2.22	£1.66	£1.92	£1.23	£1.50	£0.63	£0.92
30% AH	£3.27	£3.49	£1.81	£2.10	£1.50	£1.82	£1.09	£1.41	£0.51	£0.85
35% AH	£3.05	£3.35	£1.65	£1.99	£1.35	£1.72	£0.95	£1.32	£0.39	£0.79
40% AH	£2.83	£3.18	£1.48	£1.88	£1.19	£1.61	£0.81	£1.25	£0.27	£0.73

AH = percentage affordable housing

- 3.23 Table 3.4 shows that tenure switch (from 60%:40% to 50%:50%) will be a very effective way by which residual value can be increased. The table shows however that in almost all circumstances (tests in Table 3.4) a 50%:50% solution will not give as high a residual value as with a grant-funded approach.
- 3.24 The figures demonstrate that Shared Ownership, being based on an open market selling price (the equity element) generates robust payments for developers in principle.
- 3.25 Shared Ownership is significantly more valuable to a developer in higher value areas than in lower value areas. The analysis suggests that a small shift in tenure can result in large improvements in viability.
- 3.26 The analysis questions the need for grant to support development other than in the weakest market areas and where existing use values are high.

Market sensitivity

- 3.27 Given the volatility of the current housing market, we have looked a situation where house prices are 10% higher and 10% lower than the levels assumed in our main testing based at October 2009.
- 3.28 Table 3.5 shows residual values for a 40 dph scheme with house prices increased and decreased by 10%. This is not a reflection of any particular forecast of how the market will perform but aims to show the sensitivity of residual values to changes in house prices.

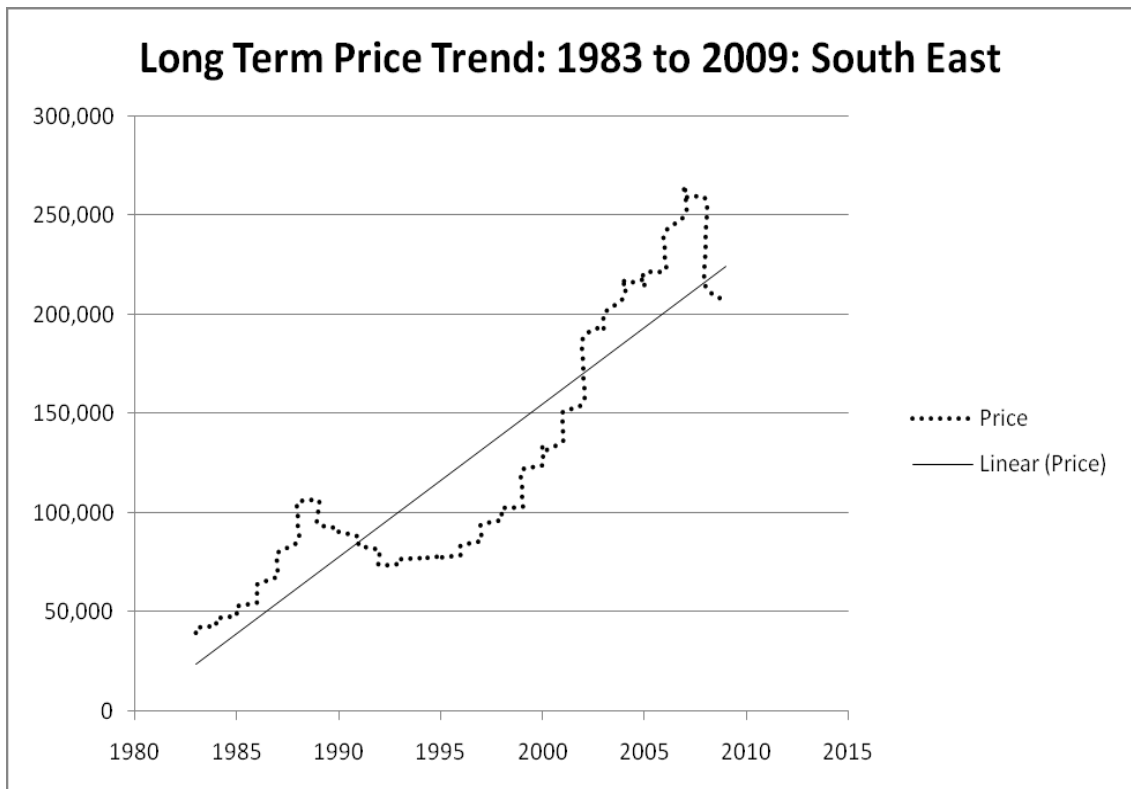
Table 3.5 Residual values (£ million per hectare) for a 40 dph scheme without grant with prices 10% higher and lower than the baseline. 60% Social Rent: 40% Shared Ownership

		High Value Medway	Chatham West and Rochester	Chatham South and East
Price increase +10%	0%AH	£5.51	£3.15	£1.83
	20%AH	£4.39	£2.34	£1.20
	30%AH	£3.83	£1.94	£0.89
	40%AH	£3.27	£1.54	£0.58
Baseline	0%AH	£4.59	£2.45	£1.24
	20%AH	£3.60	£1.74	£0.69
	30%AH	£3.06	£1.39	£0.42
	40%AH	£2.60	£1.03	£0.15
Price decrease-10%	0%AH	£3.69	£1.76	£0.68
	20%AH	£2.82	£1.14	£0.21
	30%AH	£2.38	£0.84	-£0.03
	40%AH	£1.94	£0.53	-£0.26

AH = percentage of affordable housing

- 3.29 Table 3.5 sets out the impact on residual values were prices to increase or fall from the current levels. The impact of price changes will be felt more significantly in the lower value areas.
- 3.30 For example at 30% affordable housing, a 10% increase in house prices will bring about a 25% increase in residual values in the High Value Medway sub market as opposed to a 111% increase in Chatham South and East for the equivalent scenario.
- 3.31 Price falls will have similar effects. It should be noted (Table 3.5) that even with price falls of 10%, residual values in most middle to upper value locations remain strong. At 40% affordable housing, residual values in High Value Medway are almost £2 million per hectare.
- 3.32 Arguably a more robust measure of viability is to look at the relationship between short and long term trends. Figure 3.7 shows short term volatility in house prices against the long term straight line trend. It puts into context the findings of this study in that our analysis has been based on figures very marginally below the long term trend.
- 3.33 The chart shows trends for the South East region.

Figure 3.7 Long term house price trends



Source: Halifax House Price Index

Alternative costs to a scheme - A higher planning gain package and higher levels of Code for Sustainable Homes

- 3.34 Schemes could incur alternative costs for a number of reasons. One is a higher level of Section 106 obligations (over and above affordable housing) and the other is additional costs for the Code for Sustainable Homes.
- 3.35 The baseline testing has been carried out at a Community Infrastructure Levy (CIL) contribution of £11,000. At a higher CIL – say £15,000, there would be an additional £4,000 per unit. This would be broadly in line with the additional costs to achieve Code Level 4 (from Code Level 3) of the Code for Sustainable Homes. Either option would amount to additional costs of around £160,000 per hectare for a 40 dph scheme or around £320,000 should the impact of both factors be seen at the same time.
- 3.36 The impact of the higher costs would hit differentially. It would have a significant impact in the lower value sub markets.

Benchmarking results

- 3.37 There is no specific guidance on the assessment of viability which has been 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.
- 3.38 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 3.7 shows residential land values for selected locations within the South East.

Table 3.7 Residential land values regionally

SOUTH EAST			
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
Brighton	3,250,000	3,250,000	4,500,000
Eastbourne	2,000,000	2,000,000	2,500,000
Folkestone	1,450,000	1,275,000	1,450,000
Medway Towns (Rochester)	2,100,000	2,000,000	2,000,000
Tunbridge Wells	2,500,000	2,500,000	2,500,000
Guildford	3,700,000	3,420,000	3,000,000
Reigate	3,500,000	3,230,000	2,850,000
Worthing	2,150,000	2,000,000	2,150,000
Aylesbury	2,540,000	2,450,000	3,500,000
Oxford	5,000,000	5,000,000	5,100,000
Wokingham	2,800,000	2,600,000	3,450,000
Basingstoke	1,800,000	1,755,000	1,760,000
Portsmouth	1,450,000	1,400,000	1,390,000
Southampton	1,900,000	1,860,000	1,825,000
Ryde, Isle of Wight	875,000	825,000	875,000

Source: Valuation Office; Property Market Report, July 2009

- 3.39 The table indicates (bulk) residential land values of around £2 million per hectare for the Medway towns (e.g. Rochester).
- 3.40 Another benchmark which can be referred to is that of industrial land. Table 3.8 shows values ranging across the South East region.

Table 3.8 South East industrial land values

SOUTH EAST			
	From £s per ha	To £s per ha	Typical £s per ha
Crawley	1,700,000	2,300,000	1,900,000
Eastbourne	550,000	750,000	650,000
Canterbury	615,000	850,000	725,000
Medway Towns	800,000	950,000	850,000
Maidstone/Medway Gap	950,000	1,200,000	1,000,000
Guildford/Egham	1,555,000	2,000,000	1,850,000
Sunbury	1,890,000	2,475,000	2,200,000
Milton Keynes	875,000	1,090,000	975,000
Oxford	850,000	1,650,000	1,050,000
Reading	1,925,000	2,300,000	1,900,000
Basingstoke	1,000,000	1,890,000	1,620,000
Portsmouth	850,000	1,400,000	1,100,000
Southampton	1,200,000	1,800,000	1,400,000
Newport(IOW)	250,000	525,000	365,000

Source: Valuation Office; Property Market Report, July 2009

- 3.41 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. For the Medway towns this is currently around £850,000 per hectare.

Commentary on results

- 3.42 This chapter has provided an assessment of the residual value for a notional 1 hectare site for a series of scenarios across five market value areas identified in the District.
- 3.43 The market value areas perform very differently and for the same set of assumptions about density/development mix and proportion of affordable housing, different residual values have been found.
- 3.44 The scheme at 50 dph generally produced the highest residual values (for the same percentage of affordable housing).
- 3.45 The baseline testing was on the assumption of nil grant. The introduction of grant enhances residual values with a greater proportionate impact in the lower value market value areas. Increasing the proportion of Shared Ownership (to 50% of the affordable housing) can also increase residual values above that of the baseline nil grant position. This has more impact in mid and higher value areas.

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. The current threshold operating in Medway is 25 dwellings in the urban areas and 15 dwellings in the rural areas. The chapter provides an assessment of the profile of land supply and the likely relative importance of small sites. It then 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).

Purpose of the Analysis

- 4.2 PPS3 Housing sets out national policy on thresholds and affordable housing and states:

"The national indicative minimum site size threshold is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area." (Para 29)

- 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.
- 4.4 In this section we examine the impact that varying site size thresholds would have on affordable housing supply. In order to do this we need to examine the likely future site supply profile.

Small sites analysis

- 4.5 We have analysed data on extant planning permissions (as at December 2009). The table below (Table 4.1) shows the results of this exercise. We have calculated the figures on the basis of planning consent. There are for example 28 current planning consents on the St Mary's Island (Chatham Maritime) site.

Table 4.1: Percentage of dwellings from different sizes of sites – Extant planning permissions as at December 2009

Size of site	No of units	Percentage
1 to 4	350	3.91
5 to 9	450	5.03
10 to 14	274	3.06
15 to 24	494	5.52
25 to 49	609	6.81
50 to 99	1216	13.59
100 to 500	2229	24.91
> 500	3326	37.17
Total	8948	100.00

Source: Medway Council

- 4.6 Table 4.1 suggests that 12% of all new dwellings completed during the period analysed will be developed on sites of less than 15 dwellings. This is a low percentage of supply from smaller sites across the District as a whole. This means that almost 90% of all new dwellings (permissions 2006 to 2009) will come from sites with capacity for greater than 15 dwellings.
- 4.7 Table 4.1 shows that 37% of all dwellings will be developed on sites of more than 500 dwellings.
- 4.8 Table 4.2 shows a similar analysis but focuses on the three major settlements of Chatham, Gillingham and Rochester. The analysis shows that with respect to the larger settlements, an even lower percentage of dwellings (8%) will be developed on sites of less than 15 dwellings. Thirty-eight (38%) of dwellings will be built on sites of more than 500 dwellings and – 47% of dwellings will be built on sites of more than 25 dwellings – the current urban threshold.

Table 4.2: Percentage of dwellings from different sizes of sites – Extant planning permissions as at December 2009 for Chatham, Gillingham and Rochester

Size of site	No of units	Percentage
1 to 4	243	3.39
5 to 9	211	2.94
10 to 14	155	2.16
15 to 24	365	5.09
25 to 49	451	6.29
50 to 99	955	13.32
100 to 500	2015	28.10
> 500	2776	38.71
Total	7171	100.00

Source: Medway Council

4.9 Table 4.3 shows the same framework but for sites outside the three main settlements. The table shows that there is greater reliance on small sites – 26% of all dwellings will be built on sites of less than 15 dwellings. However, by comparison with many local authority areas, this figure is low. Thirty one per cent (31%) of all dwellings will be built on sites of greater than 500 dwellings.

Table 4.3: Percentage of dwellings from different sizes of sites – Extant planning permissions as at December 2009 for all other settlements

Size of site	No of units	Percentage
1 to 4	207	11.64
5 to 9	139	7.82
10 to 14	119	6.69
15 to 24	129	7.26
25 to 49	158	8.89
50 to 99	261	14.68
100 to 500	215	12.09
> 500	550	30.93
Total	1778	100.00

Source: Medway Council

Small sites and management of affordable housing

- 4.10 We discussed the suitability of small sites for affordable housing at the workshop with the development industry.
- 4.11 The workshop considered that small sites can provide a similar or better return than larger sites and that the logic of a particular threshold of 15 did not have much support.
- 4.12 The housing associations present at the workshop did not object in principle to taking on small numbers of affordable homes and numbers of affordable homes as low as one or two were acceptable – they were taking on a wide range of sites from developers. The key issue for RSLs is always location as there are circumstances in which on-site provision is not suitable e.g. if the occupier's service charges will be high. Housing associations can advise on this on a scheme-by-scheme basis.

Use of commuted sums

- 4.13 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 a financial payment in lieu of affordable housing (commuted sum) should only be used in exceptional circumstances. This position is consistent with national guidance in Paragraph 29 of PPS3 which states:

“In seeking developer contributions, the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing. However, where it can be robustly justified, off-site provision or a financial contribution in lieu of on-site provision (of broadly equivalent value) may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area” Para 29.

- 4.14 Where commuted sums are sought as an alternative to direct on or off-site provision, PPS3 sets out the appropriate principle for assessing financial contributions i.e. they should be of “broadly equivalent value” (see para set out 29 above). Our approach is that the commuted sum should be equivalent to the ‘developer/landowner contribution’ if the affordable housing were 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.
- 4.14 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.
- 4.15 Any concerns about scheme viability (whatever the 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.
- 4.16 However, if affordable housing is sought from very small sites, in certain circumstances it becomes impractical to achieve on site provision e.g. seeking less than 33% on a scheme of 3 dwellings or less than 50% with a scheme of 2 dwellings. There will also be occasions where on-site provision can only

deliver a partial contribution towards the proportion of affordable housing sought e.g. 40% affordable housing in a scheme of 3 dwellings would deliver one affordable unit on site (representing 33% of provision). In the latter case, it is possible to devise a formula which mixes on-site provision with a commuted sum to 'make up the balance'.

5 CASE STUDY VIABILITY ANALYSIS – SMALLER SITES

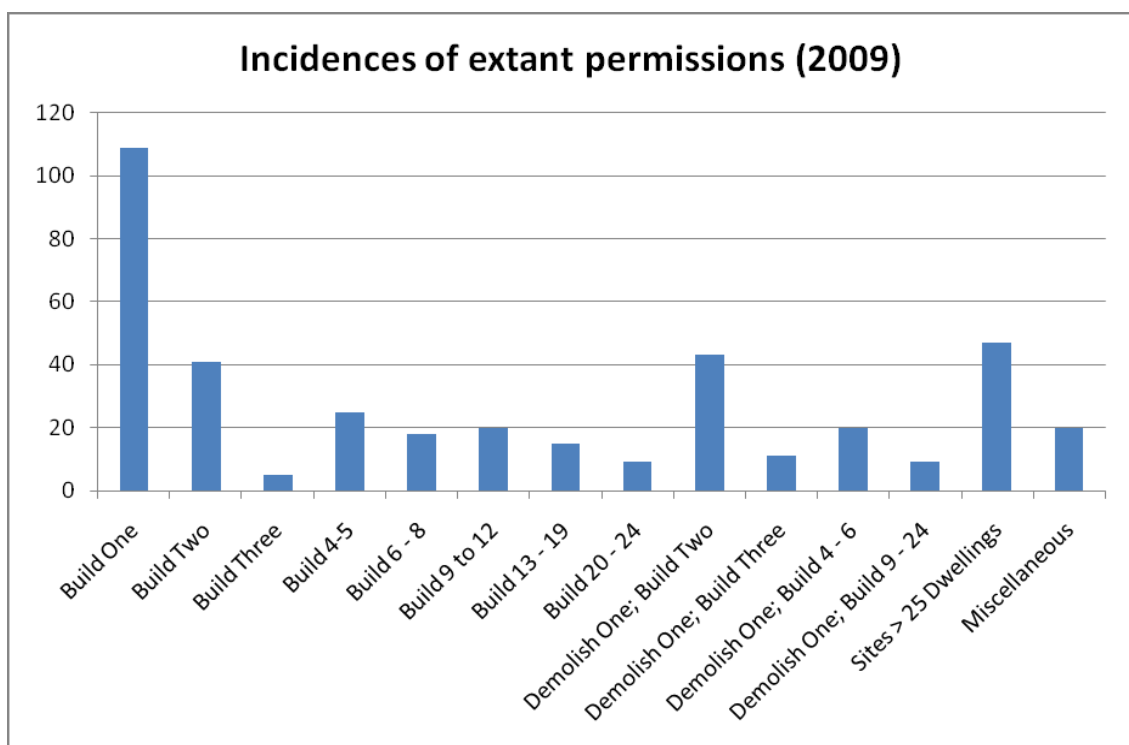
Introduction

- 5.1 The analysis in Chapter 3 provides a good indication of the likely viability of sites in the District. The residual values can be compared with existing use values to establish whether landowners 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 to suggest that the economics change significantly between large and small sites. This assumption was accepted at the development industry workshop as has been the case elsewhere where we have ran similar workshops. 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.
- 5.3 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 of smaller sites.

Case study sites

- 5.4 In this section we review a number of case study developments which are examples of small sites for residential development. Figure 5.1 sets out the various sources of supply which provide residential development in Medway. The chart shows a range of different types of schemes.

Figure 5.1 Incidences of extant permissions (2009)



Source: Medway Council

- 5.5 The data on extent planning permissions suggests that a significant number (28% of all schemes) involve the development of land which we understand to be residential ancillary or infill; i.e. back land, garden land or ancillary land.
- 5.6 Another significant source of land supply for residential schemes are sites which provide developments of 2 to 5 houses (18% of all incidences). In addition, schemes of 6 to 12 dwellings are also significant (almost 10% of all incidences of extant permissions).
- 5.7 There are a significant number of schemes (11% of all incidences of permissions) which involve the demolition of one dwelling and the re-development of the site for two new homes.
- 5.8 Schemes involving some form of demolition of an existing dwelling make up around 21% of all incidences of extant planning consents.
- 5.9 On the basis of the data, we have selected three case studies for further investigation. These will incorporate a wider range of site types including schemes where demolition occurs. The case studies are shown in Table 5.1

Table 5.1 Case study sites

Case Study	Number of dwellings	Type of new development	Site Size (Ha)	Resulting density
A	1	1 x 5 bed detached house	0.03	33
B	4	2 x 3 bed terraced houses; 2 x 3 bed detached houses	0.1	40
C	16	8 x 3 bed terraced houses; 4 x 3 bed Semi-Detached houses; 4 x 4 bed detached houses	0.32	50

- 5.10 For each case study we have undertaken an analysis of residual values for a selection of sub markets. We test at 20%, 30% and 40% affordable housing. All the other assumptions used are the same as for the main analysis described in Chapter 3.

Case study A – Development of one detached house on a 0.03 ha site

- 5.11 The first scenario assumes the development of a five-bedroom detached house. The results with the affordable housing impacts are shown in Table 5.2:

Table 5.2 Development of one detached house

	% Affordable Housing			
	0%	20%	30%	40%
Medway Rural	£132,000	£97,000	£81,000	£62,000
	£4.40	£3.23	£2.70	£2.07
Chatham West & Rochester	£115,000	£83,000	£67,000	£51,000
	£3.83	£2.77	£2.33	£1.77
Gillingham North and West	£87,000	£59,000	£44,000	£31,000
	£2.90	£1.97	£1.47	£1.03

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)

- 5.12 Table 5.2 shows that the development of one new detached house will generate a positive residual value even with 40% affordable housing across all market value areas. For example, a building plot for this type of dwelling in Medway Rural towards the top of the market would be expected to generate over £60,000. Where one dwelling of this type is built on, for instance infill or backland sites, we would expect the uplift in site value to be very substantial.
- 5.13 Where a single new house replaces an existing dwelling as appears to occur in several instances, we would expect the economics to be difficult. Even in Medway Rural, such a scheme will only generate around £132,000 at 100% market housing. In most cases, we do not think this will be sufficient to cover the property acquisition costs unless these are exceptionally favourable.
- 5.14 Where two new houses replace an existing home, the economics will also be difficult. The residual value in Chatham West and Rochester at 100% market housing will be around £230,000. This will normally fall short of the amount required to acquire an existing property unless that (existing) property is towards the smaller end of the scale.
- 5.15 This type of scheme (demolition and replacement) may work best for self build projects where a profit margin is keener.

Case study B – Development of two terraced and two detached houses on a 0.1 ha site.

- 5.16 The viability of developing four detached 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 four dwellings.

Table 5.3 Development of four houses

	% Affordable Housing			
	0%	20%	30%	40%
Medway Rural	£321,000	£228,000	£182,000	£136,000
	£3.21	£2.28	£1.82	£1.36
Chatham West & Rochester	£280,000	£193,000	£150,000	£108,000
	£2.80	£1.93	£1.50	£1.08
Gillingham North and West	£207,000	£131,000	£93,000	£56,000
	£2.07	£1.31	£0.93	£0.56

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)

- 5.17 Similar arguments apply to Case Studies 1 and 2. For infill, backland and garden plots, we believe that a significant uplift in residual value will occur and that a contribution to affordable housing would not make development unviable.
- 5.18 At the top end of the market, schemes are achieving around £2 million per hectare at 30% affordable housing and nearing £1 million per hectare at the bottom end.
- 5.19 There will be instances where the development of four dwellings replaces a single house (demolition). This situation will be more favourable to the provision of affordable housing although we believe that a target range for these types of sites should be quite modest.

Case study C – Development of 16 dwellings on a 0.32 ha site

- 5.20 A number of schemes in the District fall between the two current thresholds of 15 and 25 dwellings. We have modelled here the development of three-bedroom terraced and semi-detached houses and four-bedroom detached houses.

Table 5.4 Development of 16 dwellings

	% Affordable Housing			
	0%	20%	30%	40%
Medway Rural	£1.23 m	£850,000	£660,000	£470,000
	£3.84	£2.66	£2.06	£1.47
Chatham West & Rochester	£1.08 m	£725,000	£546,000	£367,000
	£3.38	£2.27	£1.71	£1.15
Gillingham North and West	£770,000	£461,000	£305,000	£149,000
	£2.41	£1.44	£0.95	£0.47

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)

- 5.21 Case Study C generates some substantial residual values. At 30% affordable housing, the residual value is over £2 million per hectare in Medway Rural. In Gillingham the residual value per hectare is approaching £1 million.
- 5.22 This type of site may come forward from employment or transport/parking land. A 40% affordable housing target in Chatham West and Rochester would be expected to clear industrial land values (see Table 3.8)

Commentary on the results

- 5.23 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.
- 5.24 Sites with a low number of dwellings (smaller sites) are no less viable than sites with a larger number. They can be shown to generate higher land values than larger sites. This means that where existing use value is relatively low as we think will be the case for example, with backland, infill or garden land, the Council could pursue a robust approach to obtaining affordable housing and other s106 contributions.
- 5.25 The analysis of extant permissions suggests that a high proportion of sites in the District will come from residential land. We believe this means gardens, backland or amenity land.
- 5.26 Schemes which involve the redevelopment of one dwelling with either one or two new dwellings will be difficult to deliver with an affordable housing contribution because of the high existing use value. There will however be some circumstances particularly in higher value areas where an affordable housing contribution will be viable.

6 MAIN FINDINGS AND CONCLUSIONS

Key findings

Market value areas

- 6.1 Our analysis of house prices in Medway indicated that the local authority area can be divided into seven market value areas: High Value Medway, Medway Rural, Southerly Settlements, Chatham West and Rochester, Strood, Gillingham North and West, and Chatham South and East.
- 6.2 There is a significant difference in house prices across the market value areas and these are reflected in the residual values for the different scenarios we tested. We found that residual value is dependent not only on location but also on the density adopted.

Residual values and scenario testing

- 6.3 Almost exclusively, residual values were greatest at the development scenario for the 50 dwellings per hectare (dph) scheme. This reflects the fact that in locations such as Medway, high-density development may not always be the best way to optimise residual values.
- 6.4 Taking the 40 dph scenario as a likely benchmark for many schemes in the area, residual values at 25% affordable housing vary from £3.35 million per hectare in High Value Medway to £0.56 million per hectare in Chatham South and East. These values are substantially above the local industrial land value in the highest value sub markets although at 25% affordable housing in Chatham South and East, the residual is below the industrial value benchmark.
- 6.5 A pattern can be identified across the market value areas which shows three broader sub markets; first, High Value Medway, second, Medway Rural and Southerly Settlements along with Chatham West and Rochester, then third, Strood, Gillingham and Chatham South and East. This broad division could potentially form the basis of a split affordable housing target.
- 6.6 All the results described above are based on nil grant and assumed that the intermediate affordable element of the affordable housing was Newbuild Homebuy.
- 6.7 The introduction of grant significantly improves residual values across the local authority area. It matters more proportionately in lower value areas. We understand that the council has been successful in the past in attracting grant to support affordable housing.
- 6.8 The analysis shows that increasing the proportion of intermediate affordable housing from 25% to 50% (of the total affordable element) will improve residual values.
- 6.9 It should be emphasised however that these are 'viability solutions' in isolation. Increasing the volume of intermediate housing in high value areas and the volume of Social Rent in low value areas may intensify tenure concentration and therefore work against the objective of mixed communities.
- 6.10 At the higher level of s106 contributions, the impact on residual values is greatest in the weaker sub markets.

Site supply and small sites

- 6.11 The analysis of the supply of sites in Medway suggests that small sites do not make a significant contribution to the council's land supply – around 12% of all new dwellings with extant permissions are likely to come from sites of fifteen and less dwellings. Less than 4% of all dwellings are likely to be built on sites of 5 dwellings or less.
- 6.12 A significant number of dwellings will be developed on larger sites. Thirty-seven (37%) of extant permissions will come from sites with capacity for greater than 500 dwellings.
- 6.13 We looked also at the pattern of site supply on the main and the smaller settlements. In the main three settlements of Chatham, Gillingham and Rochester, only 8% of dwellings will be built on sites of less than 15 dwellings. In the smaller settlements and other locations (other than the main three towns), there is greater reliance on small sites with 26% of all dwellings being built on sites of less than 15 dwellings. Nevertheless 66% of all dwellings will be built on sites of more than 25 dwellings

Small sites and viability

- 6.14 If the District wished to consider a threshold below the current national indicative minimum of 15 dwellings in the urban areas (and indeed a lower threshold in the rural areas), the information provided in this report about viability of small sites would become important as part of the evidence for a reduced threshold. It is important to highlight that the development industry workshop did not conclude that small sites are systematically more or less viable to develop than larger sites.

Small sites and management issues

- 6.15 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 (very) small numbers of affordable homes is acceptable to housing associations.

Use of payments in lieu

- 6.16 Where a financial payment in lieu of on-site provision of affordable housing (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 and 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 value areas

in Medway at the alternative levels of affordable housing tested and have considered these in the context of a range of factors including current residential land values, existing use values, historic delivery and the need to deliver housing as a whole within the District.

6.19 Our analysis of residual values has led us to suggest three main options for setting affordable housing proportions for spatial planning policy purposes which would be a reasonable policy conclusion from the viability information presented. In coming to our conclusions, we again note that viability is not the only consideration that the local authority will need to take into account in deciding on its policies and that it will need to consider the priority given to achieving affordable housing delivery to help address the high level of need for affordable housing in the District. The three options are:

- Maintain the current policy target of 25% as set out in the council's current planning framework. This would provide continuity.
- Introduce a split target which seeks a higher level of affordable housing in the high value locations of the local authority area. A broad indicative split would work between the urban areas including Chatham, Gillingham, Strood and Rochester where we think that 25% affordable housing, supported by grant in the weaker locations would be appropriate, and on the other hand the more rural areas of Medway Rural and Southerly Settlements as shown in Map 1 and listed in Table 3.1, where we feel that a 30% affordable housing target would be viable.
- A third option would follow the second option but set a higher target for High Value Medway. We think a 35% target here would not be unviable.

6.20 A single percentage target across the District is simple and leaves no room for doubt about the authority's requirements and at 25%, would be a continuation of the current policy. However, it would rely on grant being available in the weaker sub markets and hence a split target recognising the inherent variation across the area might be a more appropriate solution.

Viability on individual sites

6.21 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.

6.22 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 obligations.

Thresholds

- 6.23 There is a strong need for affordable housing in Medway. Smaller sites (i.e. below the national indicative minimum of 15 dwellings) however do not make up a significant contribution to the overall site supply when the district as a whole is considered.
- 6.24 Given the level of need for affordable housing in the District and the lack of any evidence to indicate that the viability of smaller sites is a particular problem, there is nevertheless a strong argument for reducing the threshold from 25 units in the urban areas down to 15 in line with the PPS3 level.
- 6.25 However, the council can rely on larger sites to deliver the bulk of its housing, and on this basis a high level of affordable housing should be delivered on these larger sites. On this basis, the case for a reduction below 15 dwellings is less strong.

Commuted sums

- 6.26 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

- 6.27 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, and seeking higher quality affordable housing (e.g. a higher level of the Code for Sustainable Homes).

The current housing market

- 6.28 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 October 2009.
- 6.29 Our analysis of long-term house price trends suggests that the housing market is now marginally below the long-term trajectory. This means that our analysis is 'conservative' in nature.
- 6.30 We think it likely however that developers will increasingly run an argument during 2009 and 2010 that the affordable housing and the 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.

6.31 Currently it is difficult to see the direction of travel over the longer run. Historically, prices have risen by around 3% per annum above inflation. These sorts of rises if emulated over the Plan period should allow the authority to take a very robust view towards affordable housing policy.

Appendix 1

MEDWAY AND GRAVESHAM AFFORDABLE HOUSING SECTION 106 VIABILITY STUDY WORKSHOP NOTES

Workshop Notes

A workshop was held on the morning of 9th April at Medway Civic Offices. Representatives of the development industry, landowners and agents, housing associations and district councils, Three Dragons and ORS were in attendance.

Three Dragons and the local authorities would like to thank all those in attendance for their inputs to the study. Full details of those present are in Appendix A:

The purpose of the meeting was to explain and get agreement to the methodology and approach used by Three Dragons in carrying out viability appraisal. Three Dragons gave a presentation summarising the methodology and outlining the process of higher level and detailed testing which would be carried out to determine viability targets.

Three Dragons explained that the project would provide the local authorities with an Affordable Housing Toolkit to assist the process of negotiations on viability and Section 106 contributions. Experience has shown that this is used most effectively when this tool is also available to local developers and landowners.

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

Key issues

1 Basis for interpreting viability

There was no objection in principle to the overriding method for assessing viability proposed by Three Dragons. This measures viability by reference to residual scheme value less the existing or alternative use value of a site.

The report by Three Dragons will enable the local authorities to set broad policies. Individual schemes will be appraised on a scheme specific basis by the local authorities taking account of site conditions and market viability. This is of particular importance in the present volatile market in which house prices are falling nationally but a recovery can be anticipated during the life of the core strategy and relevant DPDs.

Viability testing for policy-making purposes will be based on the trend of house prices but at a scheme specific level local authorities will need to take into account actual house prices for the particular scheme.

Feedback from the workshop emphasised the importance of existing and alternative use values and the range of contamination issues associated with development of brownfield sites in Medway and Gravesham.

2 Overall methodology

Three Dragons explained that the approach to the study will be two-staged with the first stage focusing on testing a notional one hectare site, assuming different development mixes and different percentages of affordable housing, and the second stage looking at a range of generic site types ranging from large greenfield through to smaller brownfield regeneration sites. A demonstration of the model was given.

Data sources (e.g. HMLR for house prices and BCIS for build costs) used for policy development were discussed. The need for best primary data sources based on a large sample was understood and agreed. Individual schemes would be analysed using scheme specific information.

3 Sub markets

A key part of the study will involve the analysis of viability at a sub market level. Sub markets will be defined primarily by house prices. The PowerPoint presentation shows a map of draft areas although these are subject to further analysis. Participants were invited to submit comments on sub markets by email to Andrew Golland.

Consideration was given to whether the use of differential affordable housing targets responsive to house price differentials in different parts of a local authority might be a proper policy response for some or all authorities. The Three Dragons viability study will demonstrate the effect of different AH targets in different locations but this is ultimately a policy decision for individual local authorities.

4. Housing market fluctuation and landowners expectations

Landowners' willingness to release land for development depends on whether they take a long or short-term view. A minority of landowners/developers have been bringing forward loss leader schemes which do not cover land acquisition costs.

£1m per acre (£2.5m per hectare) had been the going rate for residential land. There is no standard premium on existing use values.

SEEDA and Medway Council are large landowners in the area.

5 Density and development mix

A template of development mixes was demonstrated showing proposed mixes of house types at different densities.

Flats are not currently being provided in Gravesham but are still being developed in Medway.

Full details of proposed mixes are attached and participants are invited to submit illustrative schemes that may be helpful in framing the testing process.

6. Thresholds and the viability of smaller sites

A range of views was expressed in relation to thresholds and the viability of small sites. Twenty five per cent (25%) of sites in Kent are below 10 units. This includes sites in both urban and rural areas.

The logic of a 15 dwelling threshold as in PPS3 was questioned. The economics do not change at this point. There were arguments for the use of commuted sum contributions from very small sites although housing associations present did not report difficulties in managing small numbers of units on scattered sites within the same local authority area.

Abnormals are more complex on small sites (examples please). Site set-up costs (eg admin and overheads) do not vary between sites so small sites are proportionately more expensive than larger sites.

It was suggested that in the present financial climate small sites were more likely to deliver than larger sites

Any policy on thresholds must be linked to overall land supply and the study would be considering the actual and anticipated supply of land by size of site

7. Calculation of commuted sums

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

8. Development costs

Three Dragons presented the proposed page that will be used for the testing framework. This is included in the PowerPoint presentation. It was explained that the base build costs per square metre would be calculated from the BCIS data source. The other development costs (professional fees, internal overheads, profit margins, etc) however were those which Three Dragons intended to use for base viability testing.

Contamination and remediation costs were higher in urban Medway and Gravesham than in greenfield locations. Known problems include decontamination, flood risk, newts, sloping sites, and archaeological remains. The extent to which all sites were contaminated would feed through into higher base build costs as recorded by BCIS. However participants were requested to provide examples of the range of remediation costs which had recently been incurred so that these factors could be taken account of in the detailed site specific appraisal.

Whilst contamination was an issue, it was expected that this would be reflected in reduced land values rather than taken as a direct hit on affordable housing provision.

Code for Sustainable Homes: CLG is very keen that Thames Gateway developments should be sustainable (see the eco-assessment of the Thames Gateway Delivery Plan). Research by Savills and Cyril Sweet for EP/HC suggests

that the costs of delivering the higher levels of the Code for Sustainable Homes are considerable. The research will need to demonstrate whether these are achievable taking into account wider planning obligations and development costs and house prices achievable in Medway and Gravesham.

Lifetime Homes: Experience among RSLs is that Lifetime Homes are typically 5-10% bigger than standard house types but not as large as wheelchair units.

9. Other Section 106 contributions

The level of planning gain package was discussed. This can range from £5,000 per dwelling to £18,000 (plus free land) or even higher. There might need to be trade-offs between affordable housing and wider S106 obligations. Certainty as to planning obligations and defined affordable housing obligations is beneficial to developers in negotiation with landowners.

The threshold for other S106 contributions is 10 units (as opposed to the affordable housing threshold which is 15 units).

This factor would need to be taken into account when modelling smaller sites.

10. Affordable housing issues

RSLs are being offered sites for 100% affordable housing. These could be small difficult sites or larger sites which developers did not wish to take forward in the current market.

Intermediate tenure provision is changing from low cost home ownership to intermediate rent. The analysis will model the authority's standard policy position as well as alternative options.

It was stated in the workshop that Intermediate Rent products produce the same revenue to the developer as social housing with grant because the grant is adjusted to compensate.

It was suggested that when developers sell a 75% share with full payment required within 10 years this is an affordable product. However PPS3 (Annex B) makes it clear that affordable housing must be available at a price determined by local incomes and must remain affordable into the future without time limit.

"Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

– Meet the needs of eligible households including availability at a cost low enough for them to afford determined with regard to local incomes and local house prices. Include provision for the home to remain at an affordable price for future eligible households or if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision".

PPS3 Annex B

Current grant rates by tenure are £60-100,000 per unit for social rent and £30,000 per unit for intermediate rent and HomeBuy.

11. Rural issues

Medway is predominantly urban but Gravesham has a significant rural area. Parishes in the rural area want more affordable housing.

Appendix 2 Three Dragons model: Method statement

The Toolkit 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 which is the industry's 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 on 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 Toolkit 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 landowner's interest.

Key data assumptions

Market areas and prices:

MEDWAY														
Sub Market	Detached			Semis			Terraces			Flats		Bungalows		
	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	4 Bed	3 Bed	2 Bed	3 Bed	2 Bed	1 Bed	3 Bed	2 Bed
High Value Medway	£490,000	£425,000	£360,000	£305,000	£275,000	£300,000	£275,000	£250,000	£230,000	£235,000	£215,000	£150,000	£330,000	£365,000
Medway Rural	£385,000	£335,000	£285,000	£250,000	£225,000	£245,000	£225,000	£205,000	£185,000	£190,000	£185,000	£125,000	£265,000	£295,000
Southerly settlements	£380,000	£330,000	£280,000	£245,000	£220,000	£240,000	£220,000	£200,000	£180,000	£200,000	£175,000	£120,000	£260,000	£290,000
Chatham West and Rochester	£365,000	£320,000	£270,000	£235,000	£215,000	£235,000	£210,000	£195,000	£175,000	£180,000	£160,000	£110,000	£255,000	£280,000
Strood	£340,000	£295,000	£250,000	£220,000	£200,000	£215,000	£195,000	£180,000	£165,000	£165,000	£150,000	£105,000	£235,000	£260,000
Gillingham North and West	£330,000	£290,000	£245,000	£210,000	£190,000	£210,000	£190,000	£175,000	£155,000	£160,000	£145,000	£100,000	£230,000	£250,000
Chatham South & East	£300,000	£265,000	£225,000	£195,000	£175,000	£195,000	£175,000	£160,000	£145,000	£150,000	£140,000	£95,000	£210,000	£230,000

The development mixes were as follows:

	Density (DPH)				
	30	40	50	80	100
1 Bed Flat			5	20	25
2 Bed Flat		5	5	40	45
2 Bed Terrace	10	10	15	20	20
3 Bed Terrace	15	15	20	20	10
3 Bed Semi	35	30	25		
3 Bed Detached	25	25	20		
4 Bed Detached	15	15	10		
5 Bed Detached					
	100	100	100	100	100

Affordable housing targets:

20%;
25%;
30%;
35%,
40%.

Affordable housing split: 60% to 40% Social Rent to Shared Ownership

Appendix 3 Results – Residual values without grant scenarios (£ million per hectare)

30 DPH						
	0%	20%	25%	30%	35%	40%
High Value Medway	£3.50	£2.75	£2.57	£2.38	£2.19	£2.00
Medway Rural	£2.15	£1.58	£1.44	£1.30	£1.10	£1.02
Southerly Settlements	£2.04	£1.49	£1.35	£1.22	£1.08	£0.94
Chatham West and Rochester	£1.81	£1.36	£1.22	£1.09	£0.95	£0.83
Strood	£1.50	£1.03	£0.90	£0.78	£0.67	£0.55
Gillingham North & West	£1.35	£0.88	£0.77	£0.66	£0.54	£0.42
Chatham South & East	£0.99	£0.56	£0.45	£0.35	£0.25	£0.14
40 DPH						
	0%	20%	25%	30%	35%	40%
High Value Medway	£4.59	£3.60	£3.35	£3.06	£2.85	£2.60
Medway Rural	£2.81	£2.05	£1.86	£1.67	£1.49	£1.30
Southerly Settlements	£2.68	£1.94	£1.76	£1.58	£1.39	£1.21
Chatham West and Rochester	£2.45	£1.74	£1.56	£1.39	£1.21	£1.03
Strood	£1.94	£1.31	£1.14	£0.98	£0.82	£0.67
Gillingham North & West	£1.74	£1.13	£0.97	£0.82	£0.67	£0.51
Chatham South & East	£1.24	£0.69	£0.56	£0.42	£0.29	£0.15
50 DPH						
	0%	20%	25%	30%	35%	40%
High Value Medway	£5.25	£4.07	£3.77	£3.48	£3.19	£2.89
Medway Rural	£3.20	£2.29	£2.06	£1.84	£1.61	£1.39
Southerly Settlements	£3.05	£2.17	£1.95	£1.73	£1.50	£1.29
Chatham West and Rochester	£2.75	£2.07	£1.70	£1.49	£1.28	£1.07
Strood	£2.19	£1.42	£1.22	£1.04	£0.85	£0.65
Gillingham North & West	£1.93	£1.20	£1.01	£0.83	£0.65	£0.46
Chatham South & East	£1.37	£0.71	£0.54	£0.38	£0.22	£0.05
80 DPH						
	0%	20%	25%	30%	35%	40%
High Value Medway	£5.23	£3.66	£3.27	£2.88	£2.48	£2.10
Medway Rural	£3.16	£1.87	£1.55	£1.23	£0.90	£0.58
Southerly Settlements	£2.75	£1.51	£1.21	£0.90	£0.59	£0.28
Chatham West and Rochester	£2.16	£1.00	£0.71	£0.42	£0.14	£0.15
Strood	£1.57	£0.50	£0.23	-£0.05	-£0.32	-£0.59
Gillingham North & West	£1.22	£0.18	-£0.07	-£0.33	-£0.59	-£0.85
Chatham South & East	£0.74	-£0.23	-£0.47	-£0.71	-£0.95	-£1.19

100 DPH						
	0%	20%	25%	30%	35%	40%
High Value Medway	£6.08	£4.18	£3.70	£3.22	£2.75	£2.27
Medway Rural	£3.63	£2.05	£1.66	£1.26	£0.86	£0.47
Southerly Settlements	£3.10	£1.59	£1.21	£0.83	£0.46	£0.08
Chatham West and Rochester	£2.30	£0.90	£0.55	£0.20	-£0.15	-£0.50
Strood	£1.62	£0.31	-£0.02	-£0.35	-£0.68	-£1.00
Gillingham North & West	£1.18	-£0.07	-£0.39	-£0.70	-£1.02	-£1.32
Chatham South & East	£0.66	-£0.52	-£0.82	-£1.12	-£1.40	-£1.71

Worked example; one-hectare site at 40 dph at 30% affordable housing in Strood

1 - SITE IDENTIFICATION

Site Details

Site Address

Site Reference

Application Number

Scheme Description

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

3 - BASIC SITE INFORMATION

Site Area

Total Size of Site In Hectares (You must enter a value in here)

Density / Number of Dwellings

Enter a number of dwellings (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

%

Resulting Number of Dwellings	<input type="text" value="40"/>	<input type="checkbox"/> Tick if this a rural development
Resulting Density	<input type="text" value="40"/> dph	

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

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	2.0	67	60	n/a	2
2	2 Bed Terraces	2	House	4.0	76	65	n/a	n/a
3	3 Bed Terraces	3	House	6.0	84	80	n/a	n/a
4	3 Bed Semis	3	House	12.0	86	90	n/a	n/a
5	3 Bed Detached	3	House	10.0	90	110	n/a	n/a
6	4 Bed Detached	4	House	6.0	110	135	n/a	n/a
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total Number of units				40				

5 - MARKET VALUES

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

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

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

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

100 %

Reset button to return to base market value

Ref.	Unit Type	No of Bed-Rooms	Market Value	Adjusted Market Value
1	2 Bed Flats	2	£150,000	£150,000
2	2 Bed Terraces	2	£165,000	£165,000
3	3 Bed Terraces	3	£180,000	£180,000
4	3 Bed Semis	3	£200,000	£200,000
5	3 Bed Detached	3	£250,000	£250,000
6	4 Bed Detached	4	£295,000	£295,000
7				
8				
9				
10				
11				
12				
13				
14				
15				

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](#)

Ref.	Description	SALE	AFFORDABLE				Required No. of Units
			Social rent	New Build HomeBuy	Intermediate rent	Discount Market	
		70%	18%	12%			
1	2 Bed Flats	1.4	0.4	0.2			2.0
2	2 Bed Terraces	2.8	0.7	0.5			4.0
3	3 Bed Terraces	4.2	1.1	0.7			6.0
4	3 Bed Semis	8.4	2.2	1.4			12.0
5	3 Bed Detached	7.0	1.8	1.2			10.0
6	4 Bed Detached	4.2	1.1	0.7			6.0
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
Total		28.0	7.2	4.8			40.0

New Build HomeBuy	Percentage Purchased	40%
	Rental limit on unbought share	100%
Percentage purchased by purchaser for Discount Market		
Local Sale	Average Income	
	Income Multiplier	

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8 - SOCIAL AND INTERMEDIATE RENT

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST [Clear Tables](#)

This is a custom scheme, default rents are not applicable. Please enter your own values into the white cells

[View Default Rents ->](#)

Ref.	Description	Social Rent Values (per week)			Intermediate Rent Values (per week)			
		No. of units	Default Rents	User Rents	No. of units	Market Rent	Adjust 75%	User Rents
1	2 Bed Flats	0.36	£ -	£ 70.00		£ -	£ -	
2	2 Bed Terraces	0.72	£ -	£ 74.00		£ -	£ -	
3	3 Bed Terraces	1.08	£ -	£ 82.00		£ -	£ -	
4	3 Bed Semis	2.16	£ -	£ 86.00		£ -	£ -	
5	3 Bed Detached	1.80	£ -	£ 90.00		£ -	£ -	
6	4 Bed Detached	1.08	£ -	£ 94.00		£ -	£ -	
7			£ -			£ -	£ -	
8			£ -			£ -	£ -	
9			£ -			£ -	£ -	
10			£ -			£ -	£ -	
11			£ -			£ -	£ -	
12			£ -			£ -	£ -	
13			£ -			£ -	£ -	
14			£ -			£ -	£ -	
15			£ -			£ -	£ -	
16			£ -			£ -	£ -	
17			£ -			£ -	£ -	
18			£ -			£ -	£ -	
19			£ -			£ -	£ -	
20			£ -			£ -	£ -	

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9 - AFFORDABLE HOUSNG COSTS AND CAPITALISATION FACTORS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear Table

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

Social Rent		Toolkit Values	User Values	
Costs per annum	Management & Maintenance	£ 1,000		per annum
	Voids/bad debts	3.00%		of gross rent
	Repairs reserve	£ 500		per annum
Capitalisation		6.00%		of net rent

New Build HomeBuy		Toolkit Values	User Values	
Costs per annum	Rental Factor	2.75%		of share
Capitalisation		6.00%		of net rent

Intermediate Rent		Toolkit Values	User Values	
Costs per annum	Management costs	6.00%		of gross rent
	Maintenance Costs	£ 500		per dwelling
	Voids/bad debts	5.00%		of gross rent
	Repairs Reserve	1.00%		of gross rent
Capitalisation		6.00%		of net rent

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10 - DEVELOPMENT COSTS

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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	£1,049	
Flats (6+ storeys)	£1,545	
Flats (5 & less storeys)	£1,115	£1,334
Houses <= 75m2	£999	£1,067
Houses > 75m2	£901	£930

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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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)
	Enter Total?	User Total	Sale	Affordable				
				Social rent	New Build HomeBuy	Intermediate rent	Discount Market	
Education Contribution	<input type="checkbox"/>							
Highway Works	<input type="checkbox"/>							
Contribution to public transport	<input type="checkbox"/>							
Contribution to community facilities	<input type="checkbox"/>							
Provision for open space	<input type="checkbox"/>							
Contribution to public realm	<input type="checkbox"/>							
Contribution to public art	<input type="checkbox"/>							
Environmental improvements	<input type="checkbox"/>							
Town centre improvements	<input type="checkbox"/>							
Waterfront Improvements	<input type="checkbox"/>							
Support for employment development	<input type="checkbox"/>							
Employment related training	<input type="checkbox"/>							
<Enter Planning Obligation Description here>	<input type="checkbox"/>							
<Enter Planning Obligation Description here>	<input type="checkbox"/>							
<Enter Planning Obligation Description here>	<input type="checkbox"/>							

Obligations package per unit

Contribution from Commercial

Total for Scheme	£440,000
Total for Scheme per hectare	£440,000
Total for Scheme divided by total number of units	£11,000
Total for Scheme divided by number of sale units	£16,714

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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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17 - ONCOSTS FOR AFFORDABLE HOUSING

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST [Clear page](#)

If applicable, the user can provide information about oncosts. You have one of 3 options: i) use the Toolkit default percentages ii) enter your own % iii) enter your own oncost value (in £s) per unit. If there are no oncosts clear the tick box called 'Apply Oncosts'.

Apply Oncosts

Oncosts are based on a percentage of development costs (not including returns to the developer)

	Affordable Housing Tenures			Total
	Social rent	New Build HomeBuy	Intermediate rent	No. Of Affordable Units
Number of units	7.2	4.8		12
i) Default oncosts rate (%)	6%	6%		6%
ii) User oncosts (%)				
iii) User oncosts By Unit (£)				
Oncosts per Unit	£ 5,963	£ 5,963	£ -	
Total oncosts for Affordable Housing	£ 42,935	£ 28,624	£ -	
Total Oncosts for Affordable Housing	£ 71,559			

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TOTAL NUMBER OF UNITS	
Dwellings	40
% Wheelchair Units	

DENSITY (per hectare)	
Dwellings	40.0

AFFORDABLE UNITS		
	Quantity	% of All Units
Total	12.0	30%
Social rent	7.2	18%
Intermediate	4.8	12%

REVENUE AND COSTS	
Total scheme revenue	£ 7,069,000
Total scheme costs	£ 5,978,000

Contribution to revenue from:	
Market housing	£ 6,097,000
Affordable Housing	£ 972,000
- Social rent	£ 295,000
- New Build HomeBuy	£ 677,000
- Intermediate Rent	£ -
- Discount Market	£ -
- Local Sale	£ -
Capital Contribution	£ -
Commercial Elements	£ -

RESIDUAL VALUE	
Whole scheme	£ 1,091,000
Per hectare	£ 1,091,000
Per dwelling	£ 27,000
Per market dwelling	£ 39,000

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

Contribution to costs from:	
Market housing	£ 4,278,000
Affordable Housing	£ 1,260,000
- Social rent	£ 756,000
- New Build HomeBuy	£ 504,000
- Intermediate Rent	£ -
- Discount Market	£ -
- Local Sale	£ -
Land Finance	£ -
Planning Obligations	£ 440,000
Total Exceptional 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	£ - £ -

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