



POPULATION AND HOUSING

DEPOSIT LOCAL DEVELOPMENT PLAN UP TO 2021

SUPPLEMENTARY PAPER 4: AFFORDABLE HOUSING VIABILITY ASSESSMENT

September 2009

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The Caerphilly County Borough Council Viability Assessment has been used as a pilot for the approach set out within the South East Wales Strategic Planning Group Guidance produced by Three Dragons.

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1 Introduction

- 1.1 The aim of this Affordable Housing Viability Assessment (AHVA) is to bring up to date the evidence base informing Affordable Housing policies in the Caerphilly County Borough Deposit Local Development Plan (LDP).
- 1.2 There are two main levers available to local planning authorities when seeking to increase the supply of affordable housing. These levers are 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).
- 1.3 Within this context, this AHVA seeks to demonstrate, on the basis of a robust evaluation of the financial viability of notional residential developments, what target/s would be viable in the study area/s, as well as considering what would be an appropriate site size threshold above which affordable housing should be sought.
- 1.4 Clearly, it is important that the LDP includes targets that are viable. Setting targets that are too high could result in development being stifled, resulting in no housing – affordable or otherwise – being delivered. If the targets are set too low an opportunity to maximise affordable housing delivery in response to significant levels of affordable housing levels will be missed.
- 1.5 In determining area specific targets this assessment will look at various scenarios to examine viability across the County Borough taking into account a number of variables including:
 - density;
 - sub-markets;
 - the level, mix and tenure of affordable housing;
 - other planning obligations;
 - the availability of grant funding;
 - the impact of the Code for Sustainable Homes requirements; and
 - economic conditions.
- 1.6 In the consideration of the site size threshold, account will be taken of the types of sites granted consent and the viability of delivering affordable housing at the identified threshold.
- 1.7 It is important to note that the purpose of this study is to inform policy decisions on where to set target and thresholds. It is recognised that at planning application stage, a more detailed assessment of the viability of affordable housing and other requirements should be considered on a site specific basis taking into account the most up-to-date information.

2 Policy Context

2.1 Ministerial Interim Planning Policy Statement 01/2006 Housing

2.1.1 Paragraph 9.2.14 of the Housing Ministerial Interim Planning Policy Statement (MIPPS) identifies that “*a community’s need for affordable housing is a material planning consideration which must be taken into account in formulating development plan policies*”. The guidance states that local authorities should promote mixed tenure communities.

2.1.2 The MIPPS states that development plans should include an authority wide target for affordable housing, which is based on the Local Housing Market Assessment and identify the expected contributions from various policy approaches included within the development plan. Paragraph 9.2.15 goes on to state “*the target should take account of the anticipated levels of finance available for affordable housing, including public subsidy, and the level of developer contribution that can realistically be sought*”.

2.2 Technical Advice Note 2: Planning and Affordable Housing (2006)

2.2.1 In Paragraph 10.4 of TAN 2, it is stated that “*When setting site-capacity thresholds and site specific targets local planning authorities should balance the need for affordable housing against site viability. This may involve making informed assumptions about the levels of finance available for affordable housing and the type of affordable housing to be provided*”. In light of this, it is considered appropriate to undertake a robust assessment of viability to inform site-specific targets and thresholds.

2.2.2 TAN 2 also states that local planning authorities should also take into account the impact of delivering the affordable housing target on the objective of creating sustainable communities across the plan area and in the individual parts of the plan area.

2.3 One Wales: A Progressive Agenda for the Government of Wales

2.3.1 The provision of affordable housing is one of the key priorities of the Welsh Assembly Government. The strategy recognises that the shortage of affordable housing, to rent or to buy, is one of the greatest challenges facing many communities in Wales. Within this context, the One Wales Government seeks to increase the supply of affordable housing through a number of measures, most notably through requiring all sizable new development to include a percentage of affordable housing reflecting local need as well as encouraging the release of public sector land for affordable housing.

2.4 Unitary Development Plan

2.4.1 The Council Approved Unitary Development Plan (UDP) sets out a threshold of 35 units above which affordable housing will be sought. However, it is evident from a consideration of the types of sites that have been granted consent within the County Borough that this high threshold has resulted in a

significant number of opportunities to secure affordable housing on smaller sites (under 35 dwellings) being missed.

- 2.4.2 In line with WAG guidance, the Caerphilly Affordable Housing Delivery Statement (June 2009) has provided an opportunity to introduce an interim policy in advance of the adoption of the LDP to reduce the UDP threshold from 35 dwellings to 10 dwellings. However, due to its recent publication, the Delivery Statement policy has not delivered any additional affordable units to date. It has however enabled the Council to commence negotiations for affordable housing with developers on sites where it would not have previously been possible to secure any units.
- 2.4.3 In the longer term, it is important that the LDP includes a threshold which seeks to ensure that viable opportunities to secure affordable housing below a more appropriate threshold are realised, whilst balancing this with creating sustainable communities.
- 2.4.4 Due to the high UDP threshold, affordable housing through Section 106 has only been secured on large sites, and these units have been predominantly in the social rented sector. Historically, many Section 106 schemes have used Social Housing Grant. However, in line with WAG guidance, there is a move away from this and it is anticipated that in the future this will not be the case, with the limited amount of grant available being directed towards RSLs own build programmes rather than Section 106 sites.

2.5 Housing Need

- 2.5.1 The Council commissioned Fordham Research to prepare a Local Housing Market Assessment (LHMA) for Caerphilly County Borough as part of the evidence base for the LDP. This LHMA, completed in 2007, indicated that there was a need for 516 affordable units per annum. The greatest shortfall of affordable housing is identified within the 'South' sub-market area (418 units per annum), which, in geographical terms, is the Caerphilly Basin and Lower Islwyn. A substantial level of need (169 units per annum) also exists in the 'Middle' sub-market (the Mid-Valleys A472 corridor). Whilst overall there was a net surplus in the 'North' sub-market (Upper Rhymney Valley), the LHMA concluded that there were still pockets of need within this area.
- 2.5.2 It is recognised that a need of 516 units per annum cannot be met through the planning system, as this figure is only slightly lower than the annual house-building requirement in the LDP and would mean that almost all new house-building would have to be affordable. However, this level of need clearly indicates that it is legitimate to seek to maximise the number of units that can be achieved through the planning system by introducing targets and thresholds that will achieve viable levels of affordable housing.
- 2.5.3 The LHMA makes recommendations that, on the basis of need, 40% affordable housing would be justified in the South and Middle markets,

although a lower level is recommended in the North sub-market. The study also recommends that a threshold of 10-15 dwellings should be introduced.

- 2.5.4 As part of the Council's ongoing commitment to maintain an up-to-date evidence base on affordable housing, an update of the LHMA was concluded in late 2008. The updated information from the LHMA identified that, despite overall decreases in house prices, affordable housing need had increased to 706 units per annum. This increase can be explained by the increase in unemployment and the difficulty in people being able to access finance in the current economic climate. In this context, it is therefore considered valid to continue to seek to maximise affordable housing contributions to meet need, despite the fall in house prices.

2.6 Local Development Plan

- 2.6.1 On the basis of the conclusions of the LHMA, area specific targets on affordable housing have been included within the Deposit Local Development Plan. These targets are:

- 40% in the Southern and Northern Connections Corridors; and
- 25% in the Heads of the Valleys Regeneration Area.

- 2.6.2 Although based upon recommendations by Fordham Research, who are experts in this field, these targets have not yet been tested to determine whether they are viable. Whilst these targets can be justified on the basis of the significant levels of affordable housing need, this AHVA will consider the suitability of the targets in terms of viability.

- 2.6.3 The LDP also includes an overall Borough-wide target based on the number of units that can realistically be delivered by the planning system which is calculated by applying area specific targets to the housing allocations in the plan that are not yet committed. Any proposed reduction in the affordable housing targets for specific areas as a result of this AHVA will have an impact on how this target is calculated and it is therefore possible that this overall target may need to be reviewed in response to the findings of this study. This is not a matter for this AVHS, but full consideration of this can be found in BP6 Supplementary Paper 5 on the Affordable Housing Target, which forms part of the evidence base for the LDP.

- 2.6.4 In addition to the area specific and Borough-wide targets, the LDP affordable housing policy framework also sets out a threshold of 10 dwellings, over which affordable housing will be sought as part of planning obligations. This target is based on the lowest point of the recommendations in the LHMA, as well as being the threshold for a 'major' site in both planning application terms and as part of the annual Joint Housing Land Availability Study. The viability of this threshold of 10 dwellings and further justification for it on the basis of an analysis of site supply will be considered as part of this AHVA.

3 Methodology

3.1 Guidance on Preparing Affordable Housing Viability Studies

- 3.1.1 The South East Wales Strategic Planning Group (SEWSPG) commissioned Three Dragons to produce a good practice guide to enable local authorities in South East Wales to undertake viability assessments in a robust and consistent manner.
- 3.1.2 The Three Dragons guide has been developed in consultation with members of a sub-group set up to take forward this viability work. Members of this group included the Home Builders Federation (HBF) and other representatives from the private house building sector, the Welsh Assembly Government, Registered Social Landlords that operate in the region and local authority representatives from Caerphilly and Rhondda Cynon Taff.
- 3.1.3 The guide sets out the stages involved in undertaking a viability assessment, and provides justification for the assumptions that should be used and the variables that should be tested. Whilst the best practice approach promoted in the guide encourages consistency across South East Wales local authorities, it is recognised that some variables can be locally specific and therefore the guide also identifies those areas where the local authority can choose to deviate from using any default information on the basis of specific local evidence.
- 3.1.4 The methodology identified in the guide assumes that the testing will be undertaken using the Three Dragons Development Appraisal Toolkit (DAT). The DAT is well suited to this type of policy option analysis and scenario testing. The model is explained in more detail in Appendix 1, which includes a description of the key assumptions used.
- 3.1.5 The methodology set out in the guide reflects the methodology used to inform viability assessments for a number of local authorities in England. The Planning Inspectorate has found this approach to be sound as part of Local Development Framework Examinations in England.
- 3.1.6 The Caerphilly AVHS has been prepared in accordance with the good practice guide and, where it is deemed more appropriate to use locally-specific data rather than default values, justification has been provided.

3.2 Viability – starting points

- 3.2.1 Three Dragons promote the use of 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.

3.2.2 Figure 1 below shows diagrammatically the underlying principles of the approach. Scheme costs are taken from scheme revenue to arrive at a gross development value. Scheme costs assume a profit to the developer.

3.2.3 If the scheme has to meet other planning obligations, then these have to be deducted from the gross residual value, leaving a net residual value. It is this net residual value that is the primary focus in the economic analysis shown in the report.

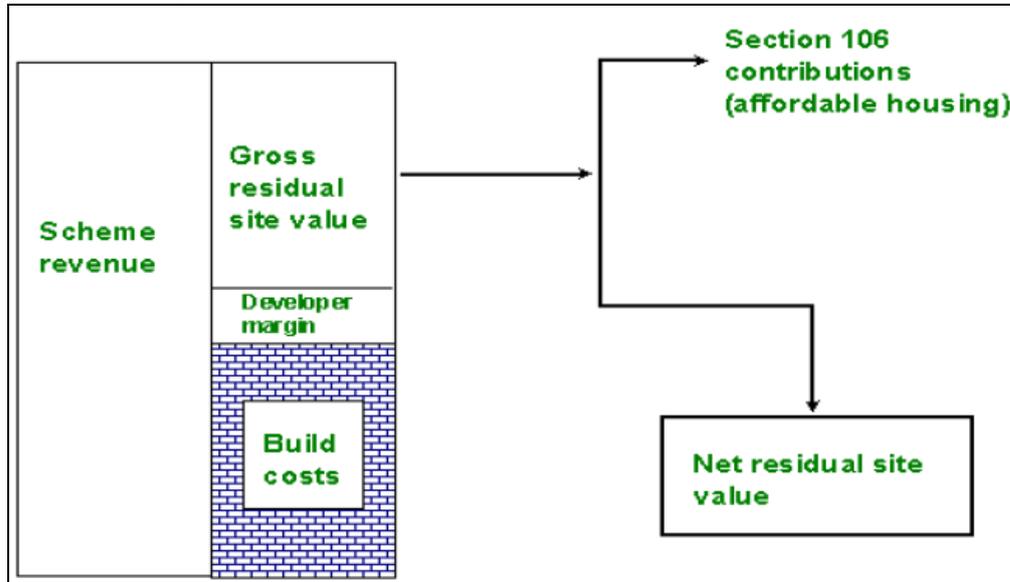


Figure 1 - Theory of the Section 106 process

3.2.4 The residual value is the sum of money that is available to be shared between the developer and the landowner. It is a surplus that remains after all development costs, except land costs, have been met from revenue. Development costs include a standard return for the developer and contractor. The residual value will have to cover the costs of land acquisition. Any surplus remaining after land acquisition becomes 'super-normal' profit for the developer. The residual value is thus not the same as the land costs, although land costs will invariably make up the larger part of the residual. For development to be economically viable the residual must be large enough to at least cover the cost of acquiring the site.

3.3 Land Valuation

3.3.1 In developing policy and in site specific negotiations it is not enough to simply review notional residual values for given locations. It is also important to consider alternative use values. Land owner decisions about whether to bring forward land will reflect their view on whether the potential new housing development would generate more value than an alternative use, including the current use.

3.3.2 In order to inform the comparison between the existing use value and the residual value generated by a development, the Council commissioned the District Valuation Office to obtain figures on the existing use values for a 1

hectare site for four main types of land – agricultural, commercial (office/retail), industrial and residential for each of the sub-market areas. As of the 1st July 2009, the values provided were:

Area	Agricultural	Commercial	Industrial	Residential
Caerphilly	20,000	315,000	225,000	1,650,000
Blackwood	18,000	280,000	200,000	1,150,000
Pontllanfraith & Y.M.	18,000	250,000	180,000	1,150,000
Rest of Caerphilly	15,000	245,000	175,000	850,000
Newbridge	18,000	280,000	200,000	925,000
Rhymney Valley	13,000	200,000	160,000	575,000

Figure 2 – Existing use values per 1 hectare site (1st July 2009)

Source - DVS

- 3.3.3 In order to determine whether a site would come forward as a viable development, landowners would normally expect a reasonable return above the existing use value. The evidence of what this return would be is mixed. However, commonly a 20% to 30% uplift in value above an existing brownfield use would be anticipated, with a higher uplift for agricultural land. Following discussions with the HBF as part of the work to inform the preparation of the Three Dragons guidance, a position of 25% above an existing land value has been determined as viable for the purpose of this policy testing.
- 3.3.4 This report will compare the residual value with the existing use value of industrial land, plus a 25% uplift. The reason for considering industrial land value as opposed to higher value uses such as commercial or residential, is that this has been the most common type of land to come forward for housing, as evidenced in the site supply analysis. In addition this is the type of land use that is likely to continue to come forward for housing in the future, having regard for the allocations in the LDP.
- 3.3.5 There has been only one major application for a commercial to residential scheme in recent years, indicating that such a change is not commonplace. Furthermore, the proposal in question is for a mix of uses including commercial use, rather than a purely commercial to residential type of development.
- 3.3.6 There have also been very few residential to residential applications granted consent in recent years (a total of 4 consents in 3 years), indicating that this is not a prominent feature of the sub-markets in Caerphilly. In addition, there are no housing allocations of this nature in the Deposit LDP. It is therefore considered that it is unnecessary to make any comparison of the viability of a residential to residential development within this study.

3.4 High Level Testing –Sub-Market Areas

3.4.1 The DAT identifies six sub-market areas in Caerphilly County Borough. These reflect areas where house prices differ, based on a robust consideration of HM Land Registry house price data for existing and new sales values as a base. The sub-markets have been developed using postcode sectors and are:

Caerphilly	CF83 1; CF83 2; CF83 3; CF83 8
Blackwood	NP11 3; NP12 1; NP12 3
Pontllanfraith & Ystrad Mynach	NP12 2; CF82 7
Rest of Caerphilly	NP11 6; NP11 7; NP12 0; CF82 8; CF83 4
Newbridge	NP11 4; NP11 5
Rhymni Valley	NP22 5; NP24 6; CF81 9

Figure 3 – Sub-markets based on postcode sectors

3.4.2 The areas are not necessarily co-incident with housing market assessment areas, which take account of more factors than only house prices, but can be viewed as 'viability areas'.

3.4.3 Given the variation of house prices across the County Borough, and therefore the associated differences in viability, it was deemed appropriate to test all six of the sub-markets. Appendix 2 provides a map of the sub-market areas.

3.5 Policy Option Testing Assumptions

3.5.1 A number of different scenarios were tested for the viability testing, using a range of assumptions as recommended by the good practice guide:

- A 1 hectare site;
- Testing using current house price data based on HM Land Registry data and Building Cost Information Service build costs (which take account of building to Code for Sustainable Homes - Code Level 3). These figures have been adjusted to reflect longer term trends;
- Seven levels of affordable housing – 10%, 15%, 20%, 25%, 30%, 35% and 40%. The affordable housing element in each case was split between 75% social rent and 25% intermediate housing;
- All affordable housing would be delivered without Social Housing Grant or any other form of public subsidy;
- Three different densities with default mixes of property type taken from the DAT:
 - Lower density development at 20 dwellings per hectare (dph) comprising:
 - 10% 3 bed terrace,
 - 10% 3 bed semi detached,
 - 10% 4 bed semi detached,
 - 20% 3 bed detached,
 - 30% 4 bed detached
 - 20% 5 bed detached
 - Medium density development at 35 dph comprising:
 - 10% 2 bed flat

- 15% 2 bed terrace
- 20% 3 bed terrace
- 10% 3 bed semi detached
- 10% 4 bed semi detached
- 10% 3 bed detached
- 15% 4 bed detached
- 10% 5 bed detached
- Higher density development at 50 dph comprising:
 - 15% 1 bed flat
 - 20% 2 bed flat
 - 25% 2 bed terrace
 - 30% 3 bed terrace
 - 5% 3 bed semi detached
 - 5% 4 bed semi detached

3.5.2 Although affordable housing is usually the most significant factor affecting site viability, other Section 106 obligations also have an impact on the viability of development. To test this, assumptions have been made on contributions towards other planning obligations based on past levels of obligations secured:

- **Caerphilly sub-market** - £8,500 per dwelling comprising:
 - Highways - £5,500 per dwelling
 - Leisure - £1,000 per dwelling
 - Education - £2,000 per dwelling
- **All other sub-markets** - £5,000 per dwelling comprising:
 - Highways - £2,000 per dwelling
 - Leisure - £1,000 per dwelling
 - Education - £2,000 per dwelling

3.5.3 TAN 2 states that there is a strong presumption that affordable housing will be provided on the application site so that it contributes to the development of socially mixed communities. Indeed, this is common practice within Caerphilly County Borough and therefore testing will focus on on-site provision rather than commuted sums.

4 Affordable Housing Targets - Results and Analysis

4.1 Medium Density

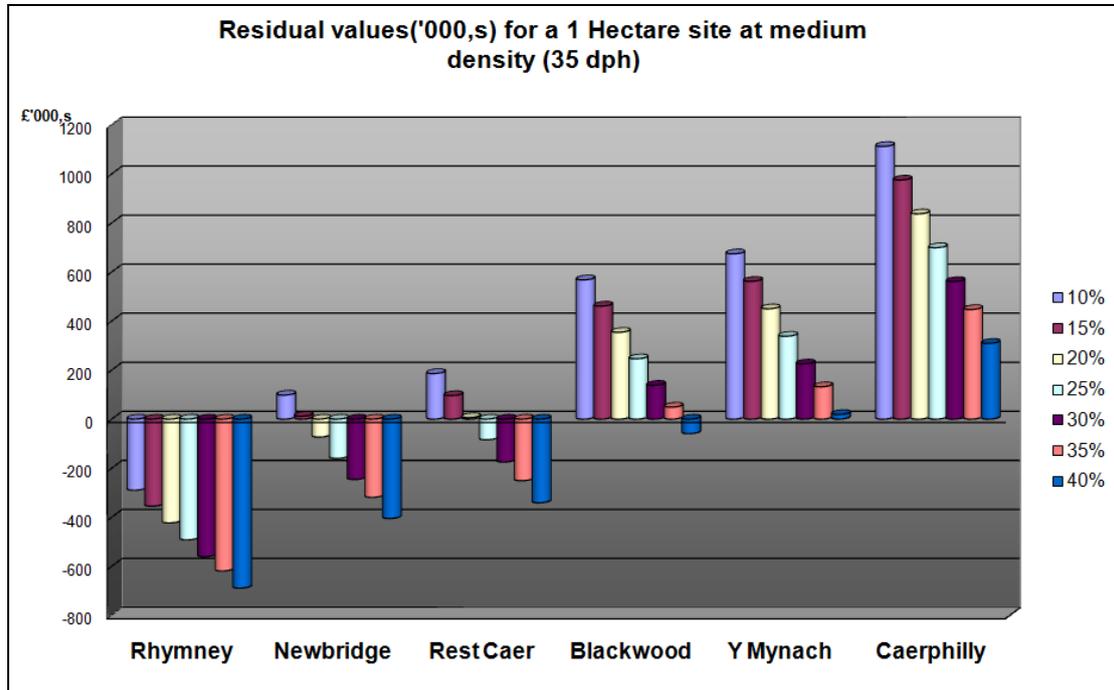


Figure 4 - Residual site values for a medium density site

- 4.1.1 The results for a medium density site are considered first, as this density (35 dwellings per hectare) reflects the average number of units per hectare being achieved in the County Borough based on past completions. Furthermore, this density has also been used to calculate the capacity of sites that have been considered through the LDP process.
- 4.1.2 Figure 4 above illustrates that there are some clear differences across the six sub-markets. Notably, at a density of 35dph, three of the market areas actually generate negative values when any significant affordable housing is introduced. Indeed, even at as low as 10% affordable housing, the residual values in the Rhymney, Newbridge and Rest of Caerphilly sub-markets fall below the existing use value plus uplift.
- 4.1.3 On the other hand, the markets of Blackwood and Ystrad Mynach/Pontllanfraith show strong residual values up to 20-30%. Caerphilly is clearly a much stronger market than the others, indicating a large positive value at even 40% affordable housing. The findings of the individual markets will be considered in greater depth later in this analysis.

4.2 Lower Density

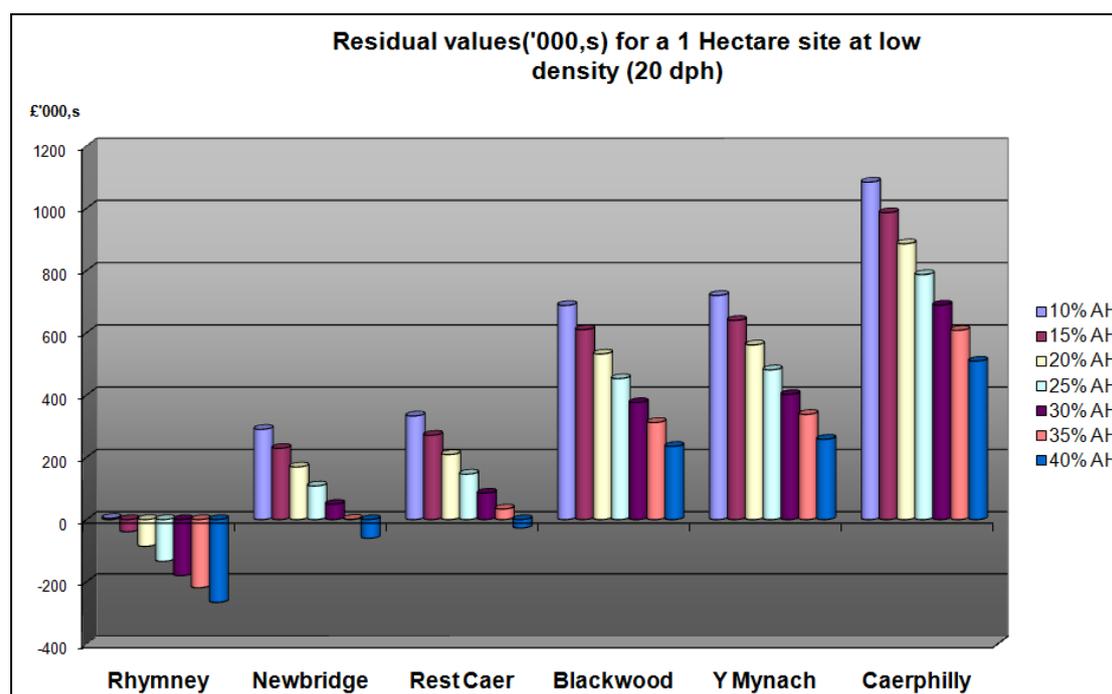


Figure 5 – Residual site values for a low density site

- 4.2.1 Figure 5 above shows the residual value of land at the lowest density that has been tested (20 dwellings per hectare). The data shows, somewhat surprisingly, that a lower density would actually result in developments becoming more viable, although there are still negative values in the Rhymney market area.
- 4.2.2 Whilst logic would suggest that the more houses built on a site (i.e. the higher the density), the more the residual value would be, this does not appear to be the case. It would appear that in Caerphilly County Borough the type of dwellings that are built, play a critical part in the residual value. In the current market, build costs for apartments and smaller houses are high when compared to the sale prices for such dwellings, resulting in less residual value, or in some cases even a negative result where build costs are greater than the price that dwellings can be sold for. Conversely, the selling prices for larger property types are still sufficient to cover build costs, resulting in a greater residual value. In light of this, in the current market it is more profitable to build larger dwellings at a lower density than it is to build smaller properties at a higher density.

4.3 Higher Density

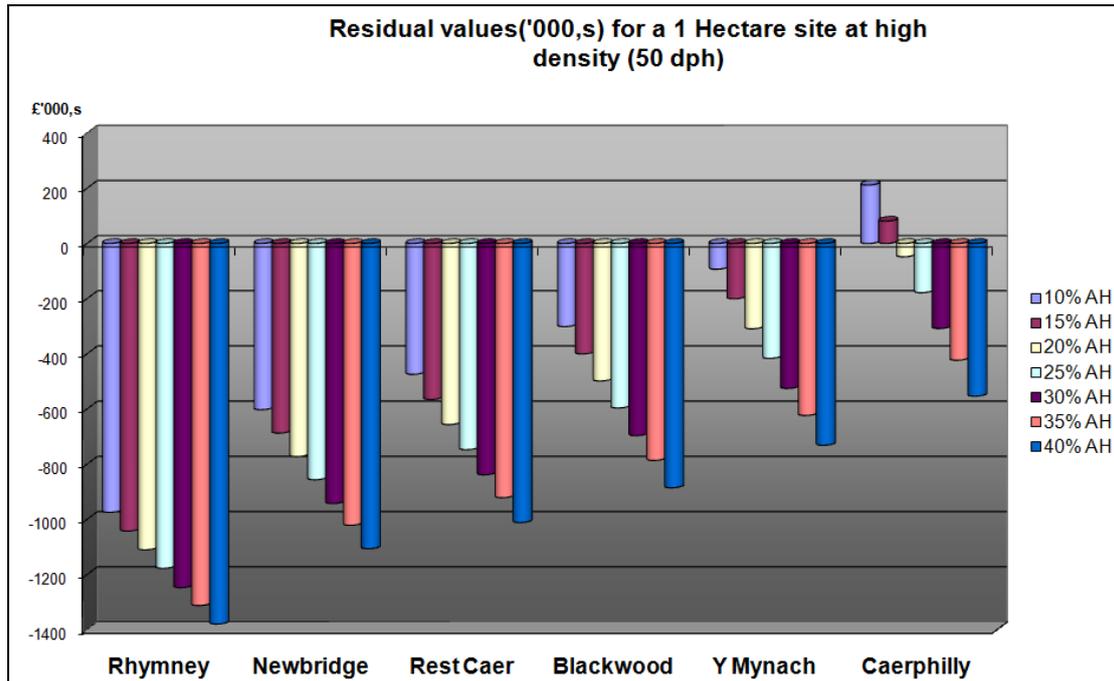


Figure 6 – Residual site values for a higher density site

- 4.3.1 The results for a higher density development (50dph), as shown in Figure 6 above, indicate that in all but the most buoyant market of Caerphilly, an increase in density would result in negative values. In other words, developers would make a significant loss if they were to develop at a higher density in most parts of Caerphilly as the development costs would exceed the sale values. This is because a higher density development inherently means smaller property sizes, which appear to be making a loss or generating a very low residual value in the present climate.
- 4.3.2 The result of this is that it is unlikely that developers will bring forward higher density sites, particularly where a significant number of flats are included, as it would not be viable for them to do so in the current market. However, this situation reflects past trends as, with the exception of a small number of apartment blocks in Caerphilly town centre and, to a lesser extent, within the other towns of Blackwood and Newbridge, the general trend has been for larger dwelling types in recent years, with flats only being provided on a few sites, most commonly as a 'flat over garage' product as opposed to an apartment block per se.
- 4.3.3 It is therefore more appropriate to give the greatest credence to the results of the 35dph density as this is more reflective of the types of density being delivered in Caerphilly in the recent past and therefore it is likely that similar development densities would continue to be provided in the future, having regard to the types of sites that have been granted consent recently.

4.4 Sub-Market Analysis

4.4.1 TAN 2 (Paragraph 10.7) identifies that it may be appropriate to set targets for the indicative proportion of affordable housing on a sub-area basis rather than for the County Borough as a whole. Given that the density analysis identifies such significant variation in the six sub-markets identified in Caerphilly, such an approach would be justified and it is therefore important to consider each of these markets in turn in order to draw conclusions on the appropriate policy approaches for these specific areas.

4.5 Caerphilly

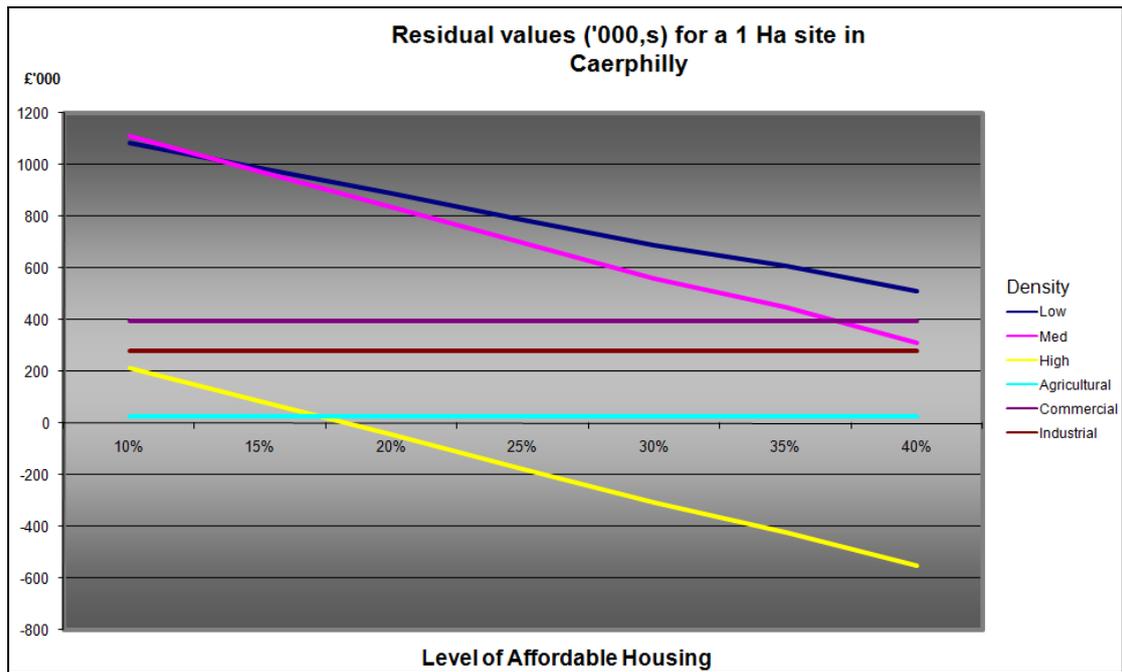


Figure 7 – Residual Values in Caerphilly

4.5.1 The highest value sub-market area is Caerphilly. If a comparison is made between the residual value and the existing industrial value (as the most common type of brownfield site) plus a 25% uplift (the value demarcated by the brown line above), it will be noted that at a medium density, it will be viable for 40% affordable housing to be achieved as the residual value is higher than the industrial use value. Even if the medium density value was considered against the alternative use of commercial, a 35% affordable housing requirement would be possible.

4.6 Ystrad Mynach/Pontllanfraith

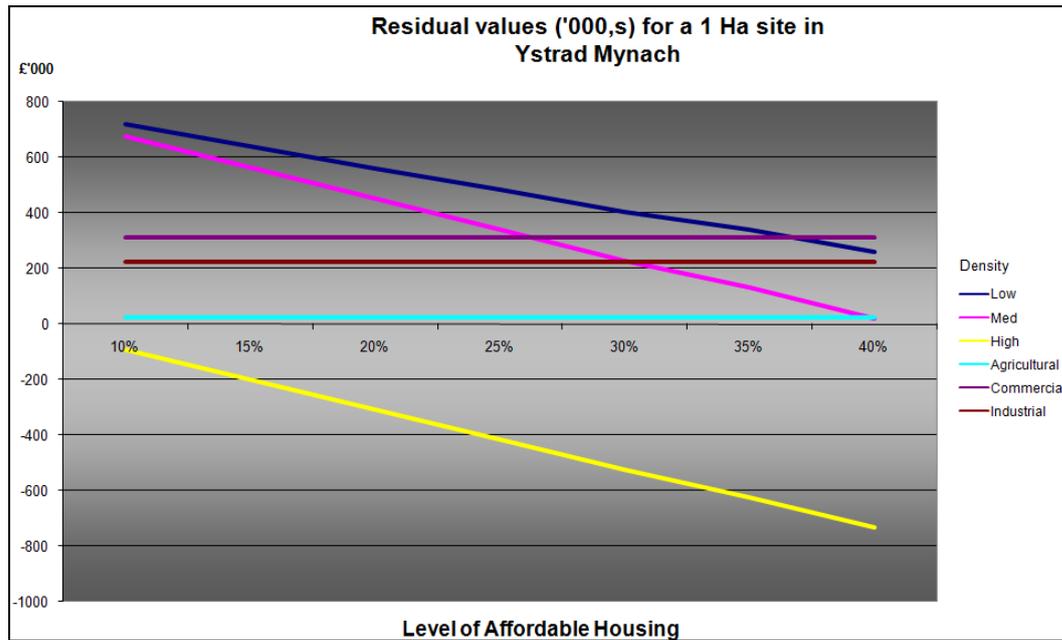


Figure 8 – Residual Values in Ystrad Mynach/Pontllanfraith

4.6.1 The market area of Ystrad Mynach and Pontllanfraith is not as high in value as Caerphilly but it will still be viable to secure a significant level of affordable housing without using Social Housing Grant or other forms of subsidy. Figure 8 demonstrates that the residual value of a notional medium density development with 30% affordable housing, would be exactly the same value as an existing use with the industrial value plus uplift. This would mean that 30% is notionally viable.

4.7 Blackwood

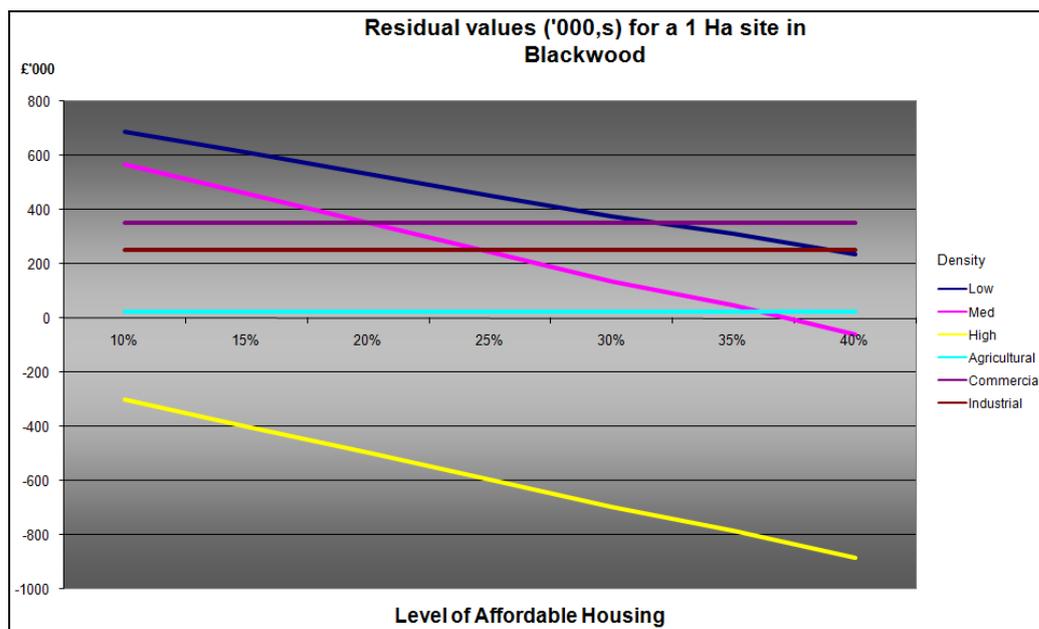


Figure 9 – Residual Values in Blackwood

4.7.1 When a comparison is made between Blackwood and the adjoining sub-market of Ystrad Mynach/Pontllanfraith, it will be noted that 30% would not be viable in Blackwood, whilst 20% can be delivered comfortably. However, when 25% affordable housing is considered, the residual value falls only just below (by £4000) the existing industrial use value plus uplift. Whilst theoretically this would mean the development would not be viable as per the parameters set out here, it is only very marginally below the requirement. Indeed, if the notional planning obligation requirement figure was reduced by just £200 per dwelling (from £5000 to £4800 per dwelling), a viable result would be returned.

4.7.2 It is also worth noting that industrial land prices in Blackwood are slightly higher than Ystrad Mynach/Pontllanfraith, which is probably due to the availability of high quality employment land within Oakdale, which is located within the Blackwood area.

4.8 Rest Of Caerphilly

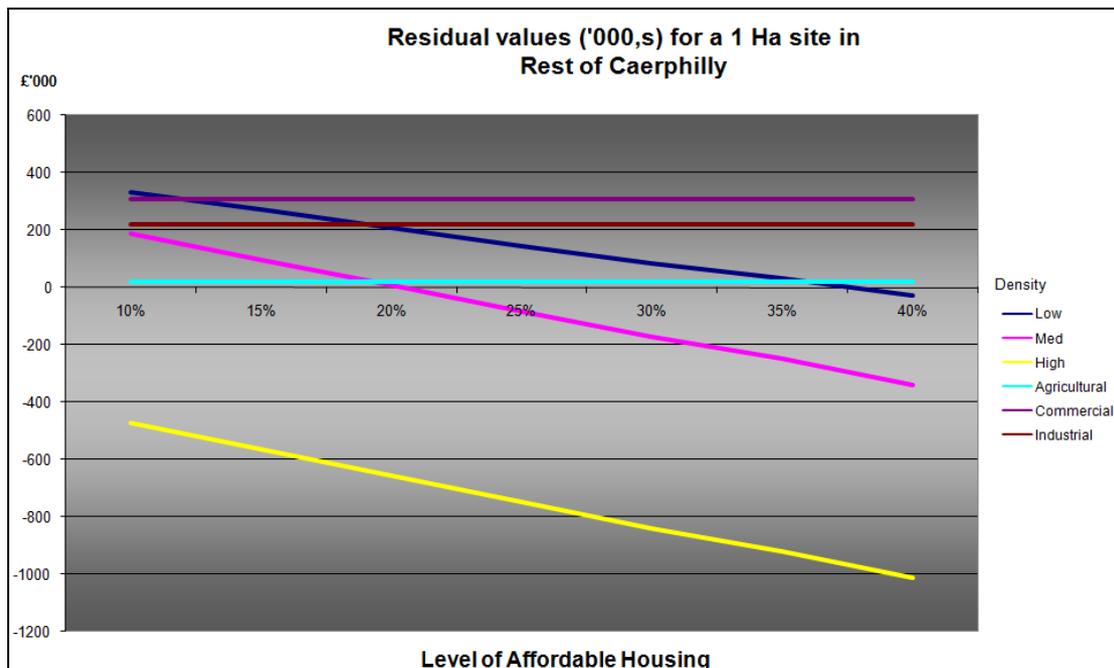


Figure 10 – Residual Values in Rest of Caerphilly

4.8.1 In the Rest of Caerphilly market area, which broadly comprises the Upper Sirhowy Valley, the Aber Valley and Lower Islwyn, the evidence suggests that in a non-Grant funded scenario, no affordable housing level would be viable. However, it is worth noting two things. The first is that grant could potentially be used in this area to allow for a mix of housing tenures as a means of creating mixed communities. This issue is explored in more detail elsewhere in this paper.

4.8.2 The second point is that the medium density residual for the Rest of Caerphilly is only marginally lower than the industrial use value (only £32,000) and, if other planning obligations were to be sought at a lower rate than had been tested (for example an average of £4000 per dwelling as opposed to £5000), 10% affordable housing would become viable.

4.8.3 This is relevant as all of the areas identified within the Rest of Caerphilly have some element of affordable housing need. This is most acute in Lower Islwyn, which forms part of the 'South' along with Caerphilly, where there is a need for over 400 affordable units per annum. There is therefore a specific desire to address need and deliver mixed tenure communities in this area.

4.9 Newbridge

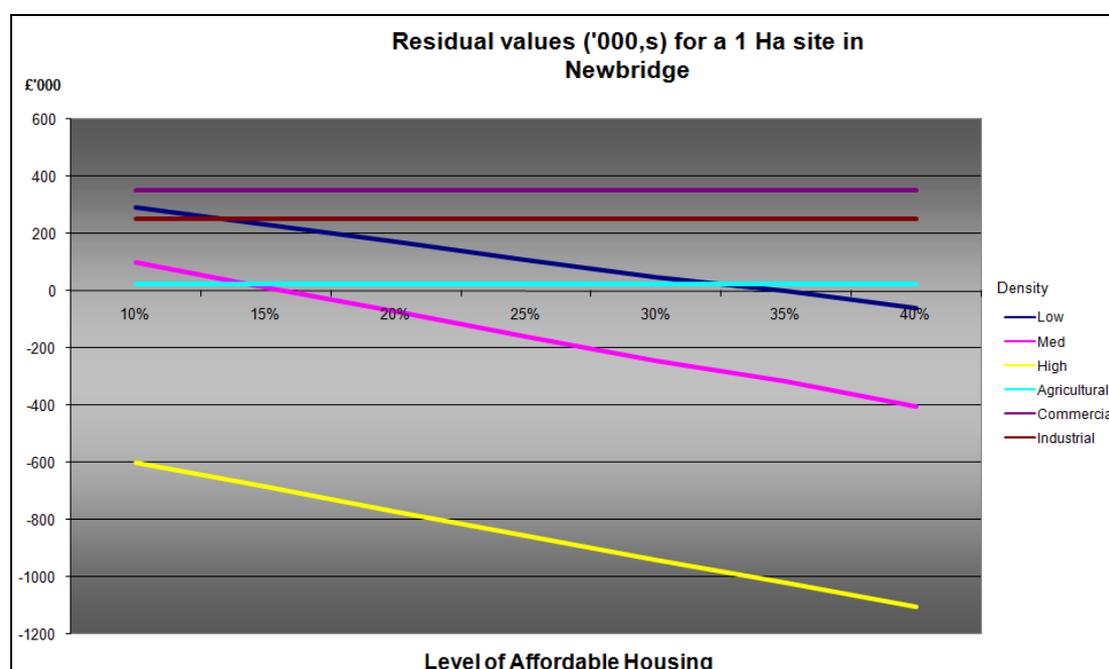


Figure 11 – Residual Values in Newbridge

4.9.1 The figures in Newbridge indicate that it would not be viable to provide any affordable housing in the medium density scenario as 10% affordable housing is the only test that returns a positive figure for affordable housing and this is below the existing use value of industrial plus uplift.

4.9.2 As is the case with the Rest of Caerphilly sub-market results, the use of grant and/or reductions in other planning obligation requirements could potentially increase the affordable housing requirements as the residual values alone are not sufficient to provide affordable housing in this area. If a lower level of obligations is provided 10% affordable housing would be viable.

4.10 Rhymney

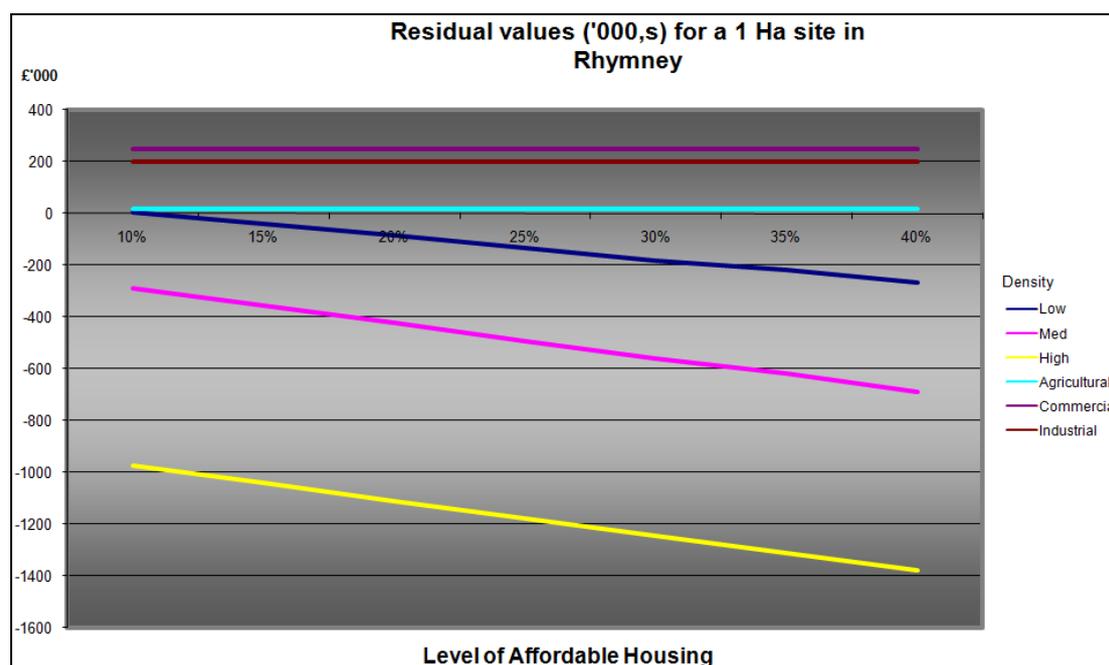


Figure 12 – Residual Values in Rhymney

4.10.1 The analysis demonstrates that within the current market, no affordable housing could be secured in the Rhymney sub-market, even at a low density as house prices are so low currently that build costs exceed them for all development scenarios except low density with 10% affordable housing.

4.10.2 Grant could offer a means of making development viable, which is something that is explored elsewhere, but it should be noted that overall, there is a surplus of affordable housing in this area, albeit with pockets of need, so consideration needs to be given as to whether this is the best area to direct Social Housing Grant to.

4.10.3 Overall, however, it does look like the inclusion of any kind of affordable housing target in Rhymney would be inappropriate as it is likely to further constrain development in an already constrained market.

4.11 Change in Economic Conditions

4.11.1 It is well documented that house prices across the UK have fallen significantly since the peak of the market in late 2007. Given the rapid change in economic circumstances, it is important to consider how the viability of securing affordable housing will change in light of further market changes, whether positive or negative.

4.11.2 In response to this, a sensitivity test has been carried out for a medium density (35dph) site in all market areas with a 30% affordable housing requirement. An increase in house prices by 10% and 20% from current values as well as a 10% decrease in house prices was tested. As part of this

testing, build costs were also adjusted in line with Three Dragons evidence that for each 10% increase/decrease in house prices, build costs would change by 7%. The results of this test are shown in Figure 13.

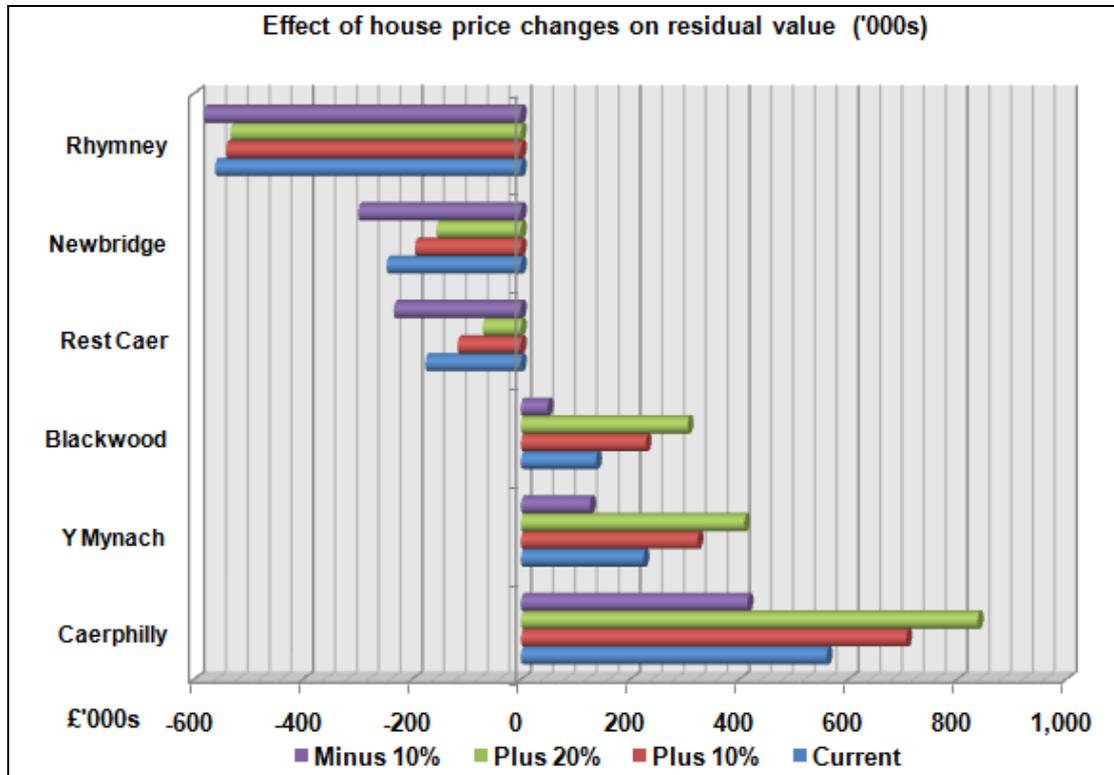


Figure 13 – Change in residual values due to house price changes in all market areas (35dph 30% affordable housing)

4.11.3 Figure 13 demonstrates that in all market areas an increase in house prices will result in an increase in residual value, but the significance of the increase in residual value is dependent on the market. Within the Caerphilly market, for every 10% increase or decrease from current market values, the residual value increases or decreases by approximately £150,000 as house prices are at a higher level and therefore an increase would generate proportionally more revenue than in areas where house prices are lower. Clearly, an increase in house prices would not affect viability. However, even with a 10% drop in house prices, 30% affordable housing would generate a residual value of £400,000, which is significantly greater than the current existing industrial use value (plus uplift) of £281,250.

4.11.4 In reality, it is not appropriate to compare the current (1st July 2009) existing use value (industrial plus 25% uplift) to a residual value which reflects changes in house prices as the inter-relationship between house prices and the land market means that, if house prices increase, land prices will also increase. The opposite is also true. This is illustrated in Figure 14, which shows changes in industrial land values in Wales over time. It will be noted that peak land values were being achieved in 2007/8, with a significant drop in value in late 2008/early 2009. This reflects the experience of the housing

market. The result of this is that in a further 10% decrease in house prices scenario, existing land values are also likely to be lower meaning that a drop in house prices does not necessarily mean that the proportion of affordable housing that is viable at the current time will become unviable unless the residual value becomes too low or negative. Past evidence suggests that it is unlikely that values will ever drop below a certain level and that landowners are likely to hold back land until prices increase. It is difficult to ascertain what this level might be.

4.12 Change in Industrial Land prices Autumn 1986 to January 2009

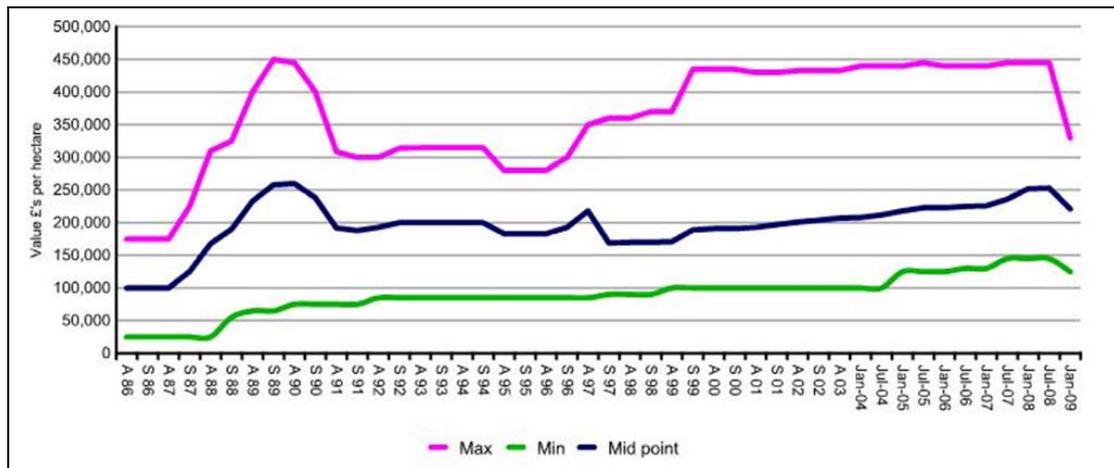


Figure 14 - Change in Industrial Land prices in Wales Autumn 1986 to Jan 2009

Source: Valuation Office Property Market Report

4.12.1 It is important to note that a decrease in house prices by 10% test is the worst case scenario as many economists believe that the current prices, which have decreased in some areas of Caerphilly by 20% since the late 2007 peak, represent the bottom of the market and that house prices can only rise again. Indeed, in a HBF survey of July 2009, there were upturn signs in the housing market¹ and the Council of Mortgage Lenders identified that there were signs that the worst for the housing market has passed². It is therefore important that conclusions are based on the situation now rather than a worst case scenario that may never happen.

4.12.2 In the second highest market of Ystrad Mynach/Pontllanfraith, it has already been demonstrated that 30% in this area would just about be viable. However, if house prices were to increase by 10% this would equate to an approximate £100,000 increase in residual value up to £325,000. Whilst the price of land may also increase, it is likely to be the case that 30% or even a higher level of affordable housing could be supported should house prices increase. Conversely, if house prices were to decrease by a further 10%, the

¹ Source: BBC News (18th July 2009) <http://news.bbc.co.uk/1/hi/uk/8157072.stm>

² Source: Council of Mortgage Lenders Market Commentary (20th July 2009)

<http://www.cml.org.uk/cml/publications/marketcommentary>

residual value at 30% affordable housing would drop to £127,000 and it is questionable whether industrial land values would fall that low, meaning that 30% may not be viable if house prices were to drop by a further 10%. On the other hand, with a 10% drop in house prices, 25% affordable would result in the residual value falling only marginally below the existing use value plus uplift of £225,000, which is itself a value that could also decrease.

4.12.3 In Blackwood, the situation is very similar to that of Ystrad Mynach/Pontllanfraith, with each change of 10% representing approximately a £100,000 change in residual value. An increase in house prices will result in a significant increase in residual values whereas a drop would mean that current viable rates (20-25%) may no longer be viable, depending on land values.

4.12.4 The other three areas – Rhymney, Rest of Caerphilly and Newbridge all have negative values at 30% affordable housing so it is difficult to draw conclusions on this basis. However, broadly speaking a 10% change in values equates to a £50,000 change in residual value in Rest of Caerphilly and Newbridge and only £20,000 in Rhymney, as prices are already so low. It is more appropriate to consider what would happen with a 10% affordable housing requirement, still at 35 dph, as this is a more realistic level of what could be achieved in these lower values area. The results of this are shown in Figure 15.



Figure 15 – Change in residual values due to house price changes in lower house prices areas (35dph 10% affordable housing)

4.12.5 The chart above shows that in Rhymney even with a 20% increase in house prices, 10% affordable housing would not be viable. However, if house prices

were to increase by just 10% in Rest of Caerphilly, 10% affordable housing without grant could be provided comfortably, provided land prices did not increase too significantly as the residual value would be in excess of £300,000 compared to a current existing use value of £218,750.

4.12.6 In Newbridge, where industrial land prices are higher than in the Rest of Caerphilly, a 10% increase in house prices is still unlikely to be viable. However, a 20% increase in house prices may well render 10% affordable housing viable in Newbridge without grant, depending on the associated rise in land costs.

4.13 Use of Social Housing Grant

4.13.1 As Social Housing Grant is a limited resource, it is reasonable to assume that it would not be available for every Section 106 scheme and therefore the assumption has been made in the testing that no grant is available. However, as a sensitivity test, the impact of using Social Housing Grant on viability has been looked at. A medium density (35dph) site with 30% affordable housing has been examined against the non-grant scenario for the purposes of comparison.

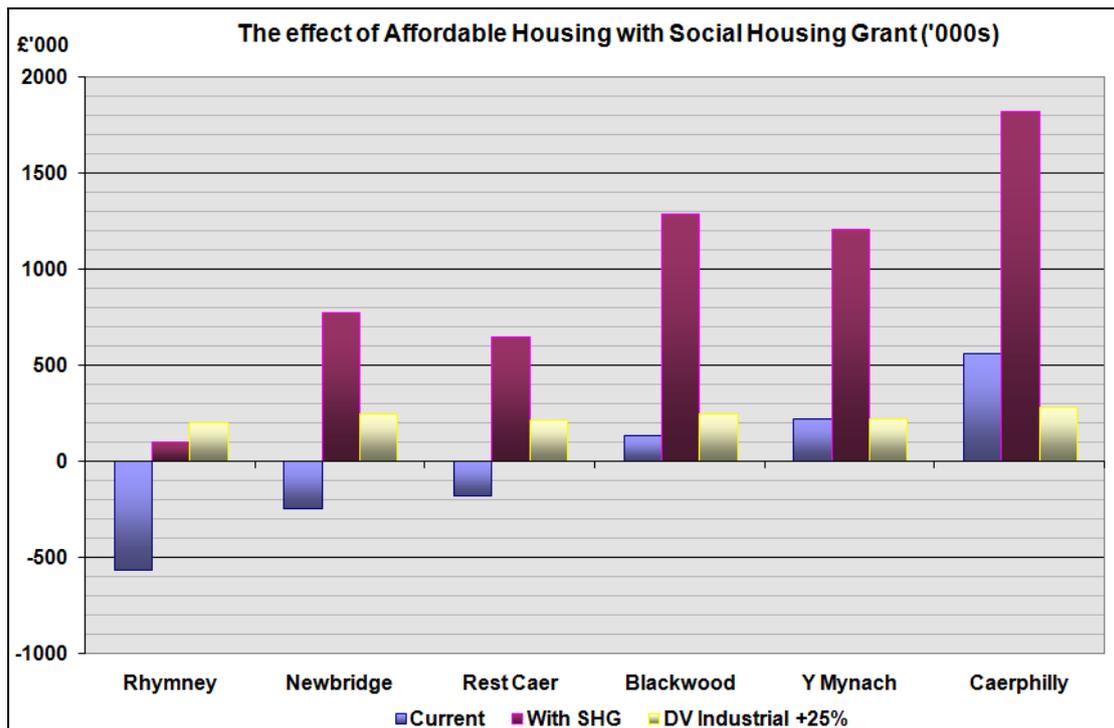


Figure 16 – The effect of Affordable Housing with Social Housing Grant

4.13.2 As Figure 16 illustrates, the inclusion of Social Housing Grant within a scheme has a dramatic impact on viability in all market areas. Indeed, with 30% affordable housing, Social Housing Grant exceeds the existing use value plus uplift in all market areas except that of Rhymney.

- 4.13.3 The reason why the results are so positive is that the current Acceptable Cost Guidance (ACG) figures issued by WAG are generous compared to market price. In light of this it means that by including high proportions of affordable housing, developers would potential be receiving a greater receipt per unit than without affordable housing.
- 4.13.4 Given that Social Housing Grant is limited, it is more appropriate for it to be directed towards RSL's own build programmes rather than through Section 106 where the funding of dwellings would partly come from the residual value of the land as opposed to public subsidy, therefore resulting in the developers making a contribution toward the provision of affordable housing. This can be supported in the Caerphilly, Ystrad Mynach/Pontllanfraith and Blackwood markets.
- 4.13.5 However, what is clear from the findings is that in the lower market areas of Newbridge and Rest of Caerphilly, residual values do not support even the lowest tested level of affordable housing (10%) at the current time (although an increase in house prices or lower level of planning obligations may change this). In this context, it may be necessary to use Social Housing Grant to fund affordable housing in these areas, particularly as these are both market areas that have a shortfall of affordable housing. It would therefore be desirable to address need and create mixed tenure communities in these areas.
- 4.13.6 It is important to note, however, that even though the use of Social Housing Grant would mean that 40% affordable housing in these areas can be supported, it is not necessarily desirable for 40% to be promoted on all Section 106 sites as this would focus most, if not all, Social Housing Grant funding for the County Borough on sites in these areas, whereas it would be more desirable to balance Section 106 sites with funding RSL build programmes that relate to sites across the area. In this context, a more realistic figure of 10 to 20% may be more appropriate in these areas.
- 4.13.7 Rhymney is an exception to this as even with Social Housing Grant at 30% a 35 dph development would not be viable.

4.14 Planning Obligations

- 4.14.1 As with affordable housing requirements, the level of planning obligations is something that is within the control of the local authority. The level required can have a dramatic impact on viability and, in order to inform policy approaches for other obligation requirements, it is important to look at the impact of a higher or lower level of planning obligations on viability. The rate tested reflects the standard level of obligations that have been secured in the past. A figure of £5,000 per dwelling has been used in all market areas with the exception of Caerphilly, where £8,500 has been tested to reflect the fact that a strategic highways contribution is successfully being implemented in this area.

4.14.2 In line with national planning guidance, planning obligations should be necessary, relevant to planning and directly related to the proposed development. It is therefore the case that some obligations requirements, such as education contributions, will only be sought where necessary to do so, for example because there are no surplus places in the local school. In light of this, planning obligation packages may well be lower on some sites. Conversely, on some sites higher levels could be sought due to site-specific requirements. However, this is not a matter for high-level policy testing but rather something to be considered on a site-by-site basis at planning application stage.

4.14.3 At the higher testing level, the effect of both increasing and decreasing planning obligations has been looked at to identify what effect this may have on planning obligations. Two testing scenarios have been considered – an increase in obligations in the five markets excluding Caerphilly to £9,000 rather than £5,000 to reflect a higher level of education contribution and an increase from £8,500 to £15,000 in the Caerphilly Basin to reflect higher contributions towards education and the strategic highways network. In addition, in the lower and middle market areas the affect of asking for no obligations is considered.

4.14.4 Charts have been produced for the higher, middle and lower value market areas to examine the different effects a higher level of affordable housing would have.

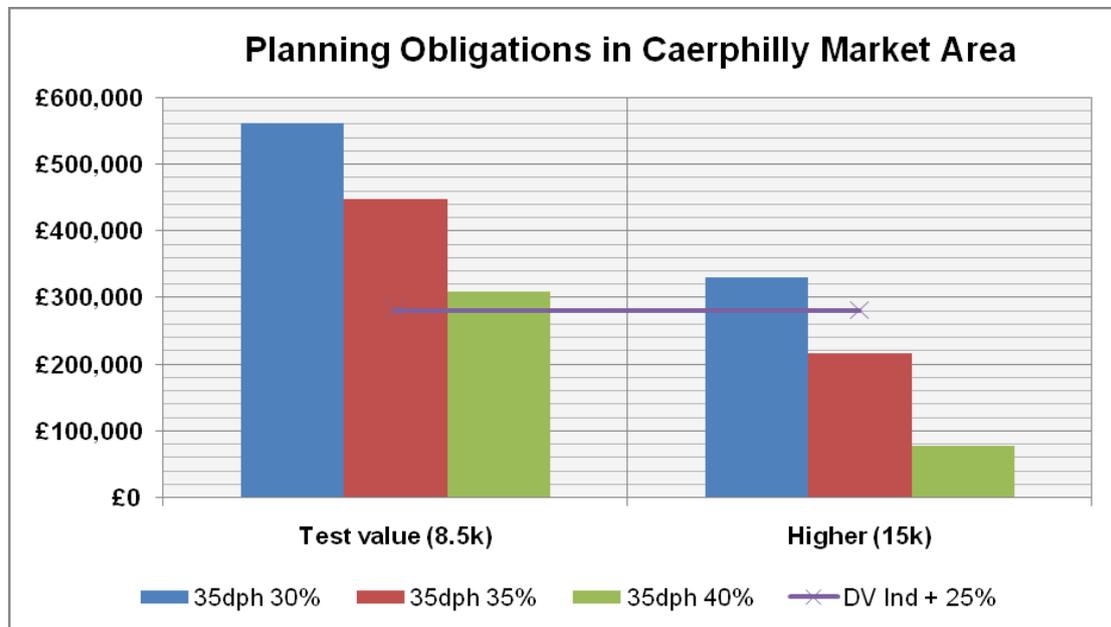


Figure 17 – The effect of planning obligations on Caerphilly market

4.14.5 Figure 17 illustrates that in Caerphilly with the current level of obligations (£8,500) 40% affordable housing is viable as the value exceeds the existing use value (purple line). If planning obligations are increased to £15,000 in line with an aspirational figure proposed as part of the LDP process, this

would result in neither 40% nor 35% affordable housing being viable. Only 30% affordable housing would be viable in this situation.

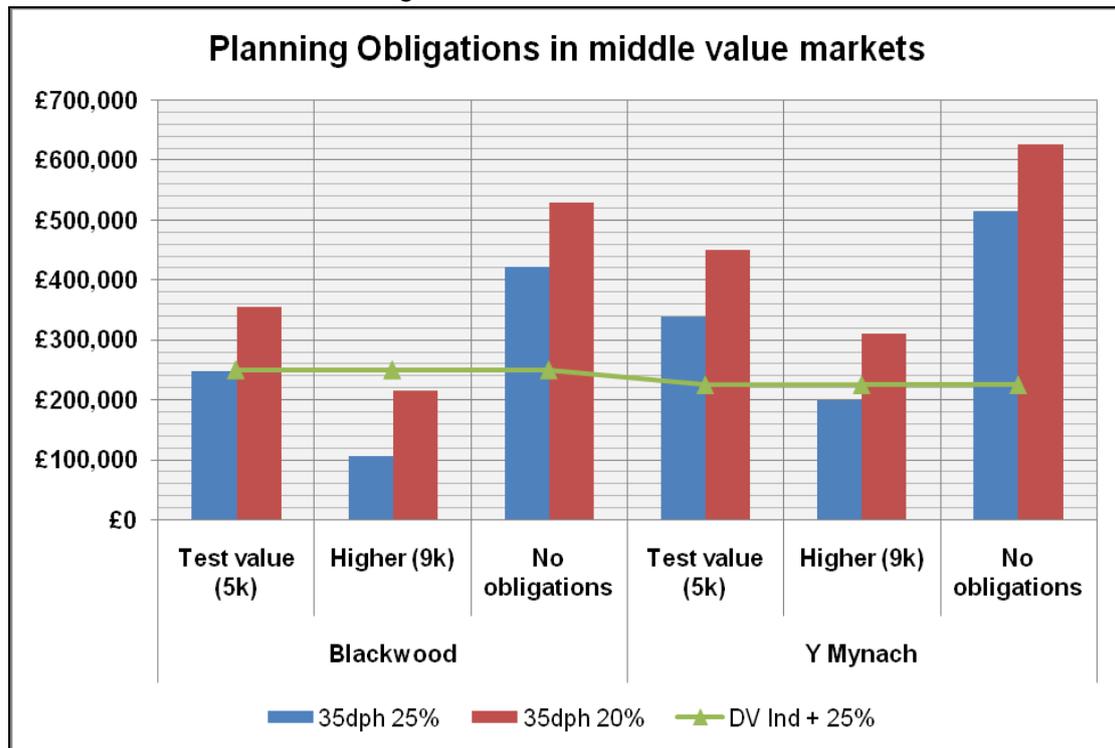


Figure 18 – The effect of planning obligations on middle value markets of Ystrad Mynach/Pontllanfraith and Blackwood

4.14.6 In the medium value markets of Ystrad Mynach/Pontllanfraith and Blackwood, 20% and 25% affordable housing was looked at for the current value and aspirational higher value of £9,000 as well as no obligations except affordable housing scenario. In Ystrad Mynach/Pontllanfraith, if the higher obligations were introduced only 20% affordable housing would be viable as opposed to the 30% that is viable now. If no other obligations were sought, it would be possible to achieve 35%.

4.14.7 In Blackwood, the higher level of planning obligations would result in 20% affordable housing becoming unviable. Only 15% would be achievable. On the other hand, if no other planning obligations were implemented, it would mean that 30% would be viable.

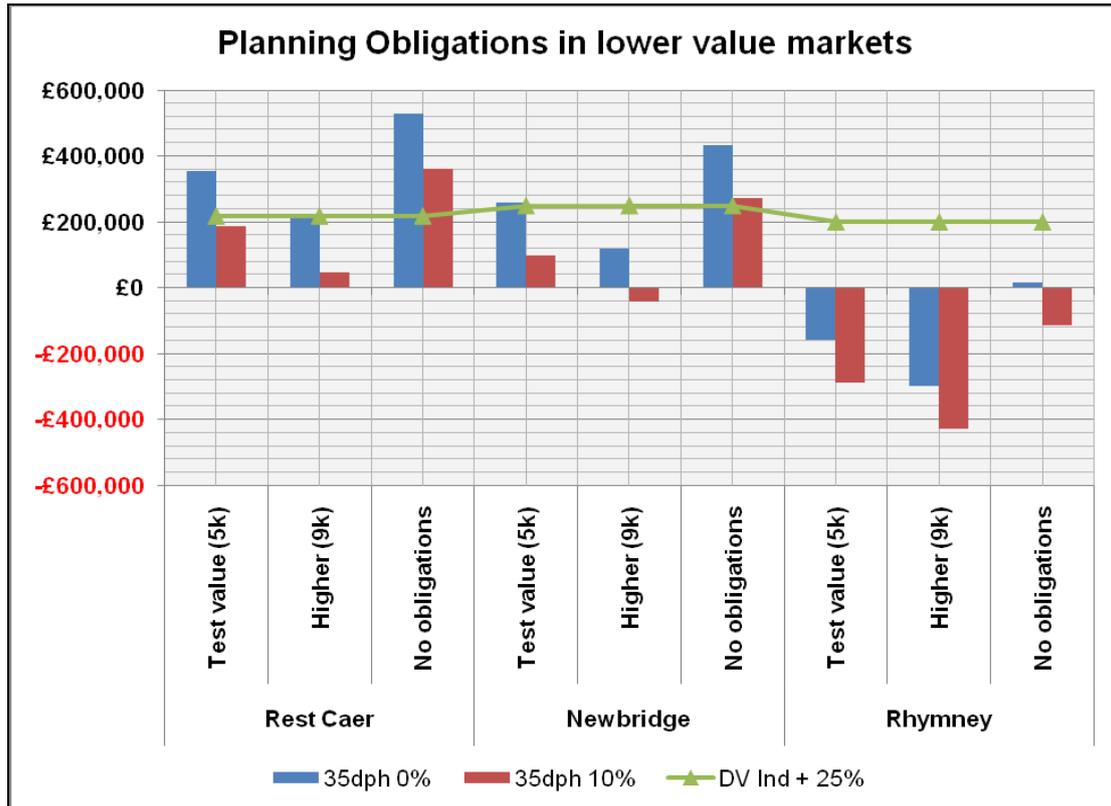


Figure 19 – The effect of planning obligations on lower value markets of Rest of Caerphilly, Newbridge and Rhymney

4.14.8 In the lower markets areas, there are some differing results. As in the case of other tests, Rhymney’s results are negative. However, if no affordable housing and no other planning obligations are sought, the results are positive, although below the DV existing use value.

4.14.9 In the Rest of Caerphilly sub-market, development would be marginally viable if a higher level of planning obligations was implemented but only if there is no affordable housing. If no other planning obligations are secured 10% affordable housing would be viable without grant. Indeed, if obligations were reduced to only £4000, this would result in development being viable with 10% affordable housing. This therefore means that in some scenarios where the priority is affordable housing above over obligations, affordable housing can be sought without grant, although this will of course depend on site-specific priorities at the time that a planning application is submitted.

4.14.10 In Newbridge, similar conclusions can be drawn. 10% affordable housing can only be achieved if there are no other planning obligation requirements. An increase in obligations would, however, render any development to be unviable irrespective of affordable housing requirement.

4.15 Viability in Rhymney

- 4.15.1 As has been demonstrated throughout all of the viability testing, the results in Rhymney have been consistently lower than other market areas in the County Borough. Indeed, in most testing scenarios the values were negative.
- 4.15.2 However, with regards to viability in Rhymney, two important points should be noted. The first is that, due to the topography of the Upper Rhymney Valley, there are fewer large sites suitable for development compared to other parts of the County Borough. This has led to a prevalence of smaller developments by local house-builders rather than national house-builders. Smaller builders will have fewer overheads than larger companies, therefore reducing development costs.
- 4.15.3 The second point to recognise is that, whilst the build costs identified as part of the testing reflected both brownfield and greenfield sites, if the types of sites allocated in the Rhymney market area are examined, it will be noted that there are more greenfield sites than in other areas as the LDP seeks to promote development opportunities in this part of the County Borough. Actual development costs for greenfield sites may be lower.
- 4.15.4 In the interests of applying consistent testing criteria across the six market areas, it was not appropriate to factor in specific considerations for this area, but the reality is that some development is viable in this area. Indeed, this has been demonstrated by the very fact that a wide range of sites have been developed in recent years.
- 4.15.5 In fact, in a low density test (20dph) with no affordable housing and no other obligations the residual value is equal to the existing use value plus 25% uplift, meaning that this type of site may be viable.
- 4.15.6 What is evident, however, is that it would not be appropriate, even with grant funding, to seek affordable housing in the Rhymney market area.

4.16 Code for Sustainable Homes Level 4

- 4.16.1 The costs for developing to Code for Sustainable Homes Level 3 have been factored in to the build costs data as the BCIS information from which these build costs are ascertained is derived primarily from RSL data, with these RSLs already building to Code Level 3. However, given that a requirement to meet Code Level 4 is likely to be introduced during the lifetime of the LDP, it is important that the costs associated with this are taken into account. It has been advised by Three Dragons the cost of meeting Code Level 4 would be approximately £4,000 per dwelling and this has been factored into the build costs information.
- 4.16.2 A 35dph 30% affordable housing scenario has been tested for each of the six market areas, as illustrated in the Figure below.

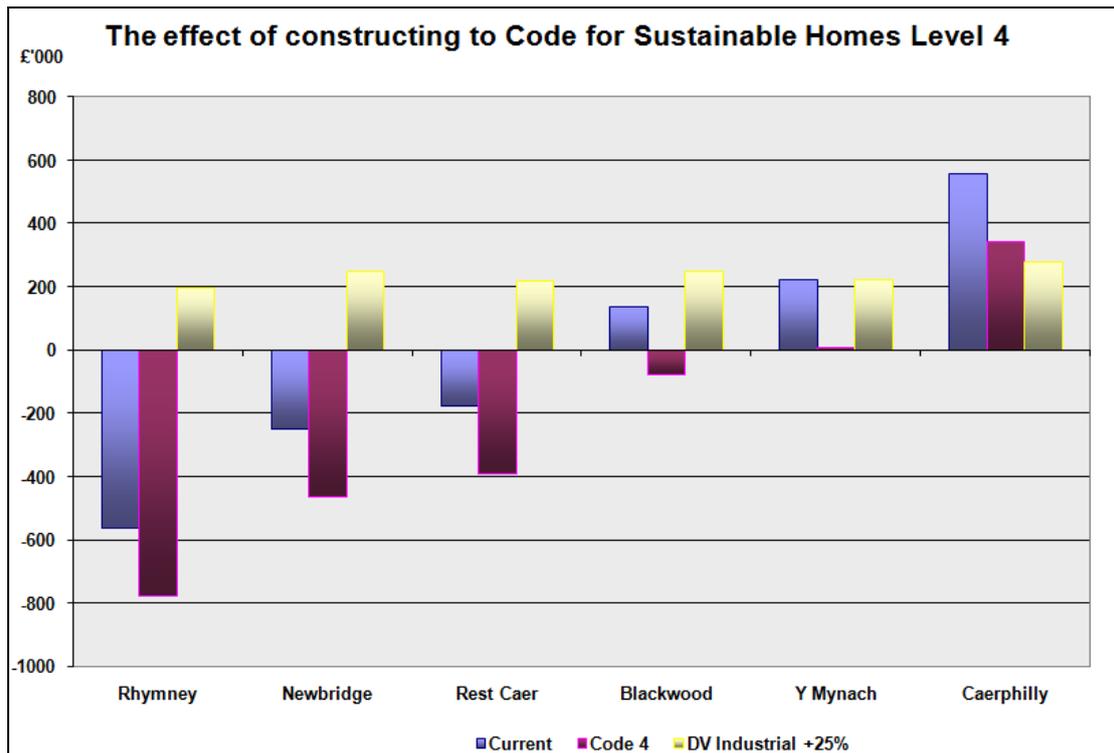


Figure 20 – The effect on viability of constructing to Code Level 4

4.16.3 It is evident that the increase in build costs associated with meeting a higher level of Code for Sustainable Homes will have an impact on viability. As expected at 30% affordable housing the three lowest market areas remain negative. However, for the first time in the sensitivity testing, a negative residual value is produced in Blackwood, with Ystrad Mynach/Pontllanfraith only marginally positive.

4.16.4 Caerphilly returns a viable result at 30% affordable housing but 35% or 40% affordable housing would no longer be viable.

4.16.5 It is important to note that the earlier developments to meet Code Level 4 are likely to be more costly as there are initial costs associated with research and piloting new technologies. In the longer term the costs are likely to decrease over time. However, it is evident that the requirements of the Code is likely to have an impact on viability and, whilst it is not an issue for the purpose of this Viability Assessment as the requirement to meet Code Level 4 is aspirational rather than mandatory, it will be necessary in the future to reconsider the impact of meeting the Code in future reviews of this information.

4.17 Conclusions on high level testing

4.17.1 There is no single percentage of affordable housing which works well in all situations due to the significant differences in the housing markets across the County Borough. However, TAN 2 does promote the use of different targets for different areas as appropriate.

- 4.17.2 The sensitivity analysis indicates that different factors will affect viability. However, it is important to draw conclusions on policies on the basis of the current situation rather than other factors such as potential changes to the house prices as such factors are uncertain.
- 4.17.3 On this basis, it is clear from the findings that, with the exception of Caerphilly, the area specific targets identified in the Deposit LDP (40% in the Southern and Northern Connections Corridors and 25% in the Heads of the Valleys Regeneration Area) are too high to be viable and therefore the evidence indicates that the targets should be reduced in most areas.
- 4.17.4 Based on the findings of this AHVS a 40% affordable housing target in Caerphilly is justified as residual values clearly support this. Furthermore, this is supported by evidence from the LHMA that indicates that 40% could be justified in the area given the substantial need that exists for affordable housing.
- 4.17.5 Even though house prices, and therefore residual values, are slightly different, there is logic in looking at the two market areas of Ystrad Mynach/Pontllanfraith and Blackwood together as geographically there is no separation between the two areas and the inclusion of a common target across these areas would lead to easier implementation. This area broadly relates to the Northern Connections Corridor area identified in the LDP Strategy, with the exception of the Newbridge area.
- 4.17.6 The findings in Ystrad Mynach/Pontllanfraith indicated that 30% was viable, albeit by the narrowest of margins, whereas 20% was viable in Blackwood, although the residual value was high enough to indicate that 25% would be possible if there was a small reduction in the per dwelling planning obligations requirements. Given the desirability of having a common target for both areas, it is considered that 25% would be an acceptable level as it would be comfortably above existing use value in Ystrad Mynach/Pontllanfraith as to ensure that sites come forward, whilst still being at a reasonable level in Blackwood. It should be noted that the 25% above existing value is for policy testing purposes and is purely notional. Landowners may sell sites for less (or more) than this figure. The figure of £4,000 is so marginal when all development costs are taken into account that a 25% requirement in Blackwood is unlikely to stop landowners bringing land to the market when 30% would be viable in an adjoining market area. Furthermore, it has been demonstrated that an increase in house prices by 10% would certainly make this viable. In the interests of ensuring that affordable housing is maximised, it is therefore recommended that a figure of 25% be included within the plan for these two areas.
- 4.17.7 In the Rest of Caerphilly (which equates to Lower Islwyn, the Upper Sirhowy Valley and the Aber Valley) a viable development with 10% affordable housing can only be achieved in this area if other planning obligations are reduced. Similarly, this is the case in Newbridge. On the basis that a viable

development can be achieved with 10% affordable housing, and these are all areas within which there is significant affordable housing need, there is justification for including an affordable housing target for these areas, namely 10%. It is recognised that each site coming forward within this area will need to be considered on a site-by-site basis to determine priorities with respect of planning obligations and, in some circumstances, it will not be appropriate to seek an affordable housing contribution. Notwithstanding this, the inclusion of a target within the plan will ensure that affordable housing can be sought on those occasions where it is appropriate.

- 4.17.8 Specific regard needs to be given to the Upper Sirhowy Valley, which falls within Rest of Caerphilly in terms of market area but, in terms of the LDP Strategy and the regional Heads of the Valleys Programme, is located within the Heads of the Valleys Area, where the Council seeks to promote development opportunities in order to facilitate regeneration. In this context, it would be appropriate if there is a similar policy stance in this area to that employed in the Rhymney market area, which broadly equates to the Upper Rhymney Valley part of the Heads of the Valleys Regeneration Area.
- 4.17.9 In Rhymney, all the evidence in this Viability Assessment suggests that seeking an affordable housing requirement in this area would not be justified at the current point in time. However, this position will need to be reviewed as part of the LDP review process to consider whether this stance remains valid should the market improve significantly.
- 4.17.10 It is evident from the findings that Social Housing Grant will have a major impact on the amount of affordable housing that can be delivered. However, given that Social Housing Grant is a limited resource, it should not be relied upon to deliver affordable housing through Section 106. This Viability Assessment gives a steer that if Grant is available to be used on Section 106 sites, this money should be directed towards the Rest of Caerphilly market area (namely Lower Islwyn and the Aber Valley) as well as Newbridge. If Social Housing Grant is used it may be appropriate to secure higher levels of affordable housing than the recommended requirements, although this will be a matter to be considered at planning application stage.

5 Site size thresholds

5.1 Site size thresholds, along with the percentage of affordable housing sought in mixed tenure schemes, are the two key 'policy levers' which can be used to increase the amount of affordable housing delivered through the planning system. Where the supply of housing sites is dominated by very large sites, then a low threshold will serve little useful purpose but where an authority relies heavily on smaller sites, the level at which the threshold is set will have a major bearing on how much affordable housing is provided.

5.2 The guidance is TAN 2 does not identify an indicative minimum site size threshold (as is the case in England in PPS3 Housing). However, it does identify that:

“information from a Joint Housing Land Availability Study could form the basis for determining site-capacity thresholds. This will indicate the proportion of housing completions expected to be provided on different size sites. If, for example, 90% of all housing completions are expected from sites of less than 5 units, then it may be appropriate to seek affordable housing on sites of 3 or more dwellings. However, site viability will be a critical factor to be considered in determining thresholds, particularly on small sites”. (Para 10.6)

5.3 In response to this, as a means of understanding the nature of land supply for housing in Caerphilly County Borough, an analysis of permissions granted over the three years 2006/7 to 2008/09 has been undertaken. It is considered more appropriate to consider all permissions rather than only those that are included within the schedule of sites in the Joint Housing Land Availability (JHLAS) study as the JHLAS sites are only sites of 10 or more dwellings.

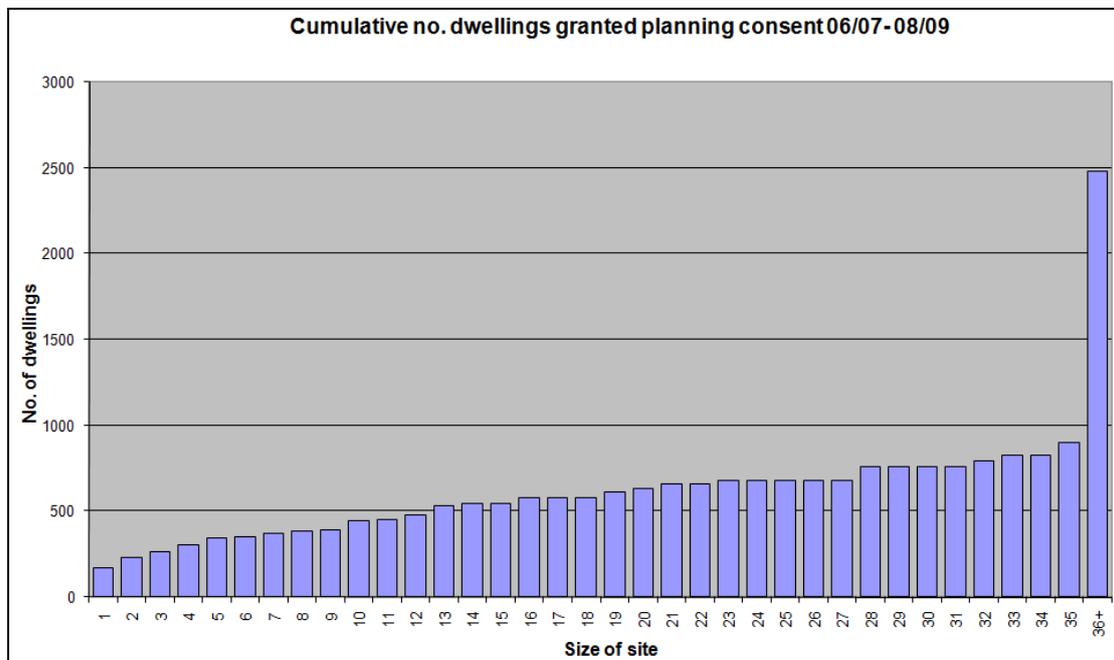


Figure 21 – The cumulative number of dwellings granted planning consent

- 5.4 Figure 21 illustrates cumulatively the number of dwellings that have received consent by site size. It is evident that the majority of units that have been granted consent have been on very large sites of over 35 dwellings. In fact, the sites in question were actually far larger than 35 with many of the sites in question actually exceeding 100 units.
- 5.5 With regards to this analysis, it would appear that there is no clear step change where sites of a particular size are more common. However, given that smaller sites (i.e those under 10 dwellings) make up a relatively small proportion of the overall dwellings with planning consent (less than 500 out of a total of 2,500 with consent), there is no real justification to set a threshold any lower than the 10 units recommended in the LHMA and included within the Deposit LDP.
- 5.6 This is looked at in further detail in Figure 2 below, which considers different threshold sizes, (5-25 units) and illustrates how many units as a percentage of overall dwellings would be on sites with a size exceeding the threshold, therefore meaning that affordable housing could be sought.

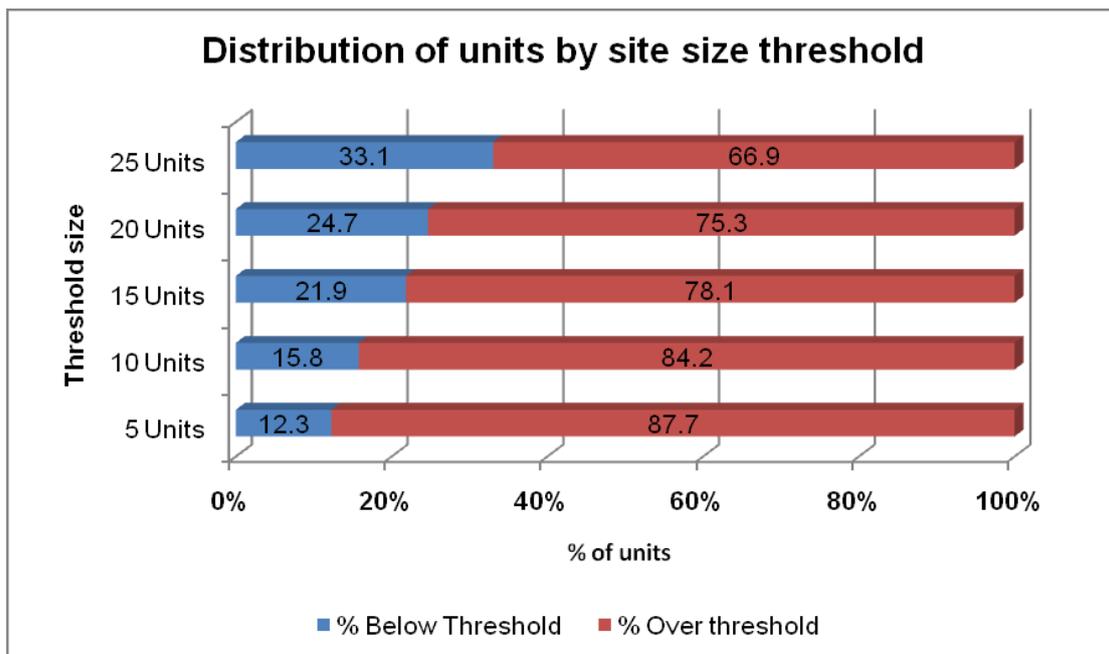


Figure 22 – Distribution of units by site size threshold

- 5.7 If a threshold of 10 dwellings was included, it would mean that affordable housing could be sought on sites which comprise 84.2% of all dwellings granted consent.
- 5.8 If the threshold was increased to 15 dwellings, it would result in 6% fewer dwellings on sites upon which affordable housing could be sought. Given that the level of need for affordable housing is so significant, a decision to increase the threshold above the current rate of 10 (as set out within the Affordable Housing Delivery Statement and Deposit LDP) would need to be

supported by significant evidence, but this does not appear to be the case. Following the same logic, thresholds of 20 and 25 would also result in less affordable housing potentially being sought.

- 5.9 If the threshold was reduced to 5 units, this would result in the ability to seek affordable housing on 3.5% more sites than if the threshold was 10. It is therefore the case that reducing the threshold to 5 will in reality generate very few additional affordable dwellings. Such a policy approach is more appropriate in rural authorities where sites of 5 dwellings make up a larger proportion of overall housing consents than they do in Caerphilly.
- 5.10 There are also other factors that need to be considered which can be used to defend a threshold of 10 as opposed to 5 dwellings. The first relates to implementation of the policy. As will be noted from the previous section, in some parts of the County Borough only 10% affordable housing can be justified. If 10% affordable housing is applied to a 10 dwelling site, this would equate to one dwelling. However, on a 5 dwelling site this would only equate to half a dwelling, meaning on-site provision, which is encouraged in national guidance would not be possible and commuted sums may be necessary.
- 5.11 The second issue is that the majority, if not all, smaller sites (5 to 10 dwellings) are built by local builders as opposed to national developers. The requirement for affordable housing on these types of sites may stifle development in areas where these smaller development schemes play an important role in diversifying housing types in areas that have little choice.
- 5.12 Furthermore, as previously mentioned a 10 dwelling threshold would correspond with the classification of a major site in the JHLAS and in planning applications and would accord with the recommendations of the LHMA. Furthermore 10 dwellings is the minimum capacity for a site to be allocated in the LDP. On this basis it is considered that a 10 dwelling threshold can be justified and is appropriate provided this level is viable. This will be examined in the next section.
- 5.13 Figure 23 illustrates the distribution of units granted consent by site size. There are broad similarities across all market areas, although it should be noted that both Newbridge and Ystrad Mynach/Pontllanfraith have a slightly higher proportion of small sites (under 10 dwellings) than other areas – approximately 25%. In the case of Ystrad Mynach, this may not reflect reality as one of the largest sites in the County Borough – Penallta Colliery - is located within this sub-market area for which consent was granted over 3 years ago so does not feature in this analysis. The site is currently being developed. Irrespective of this, there is no evidence from this data that it is necessary to introduce different thresholds across different market areas as all areas have primarily large sites upon which affordable housing could be sought subject to viability.

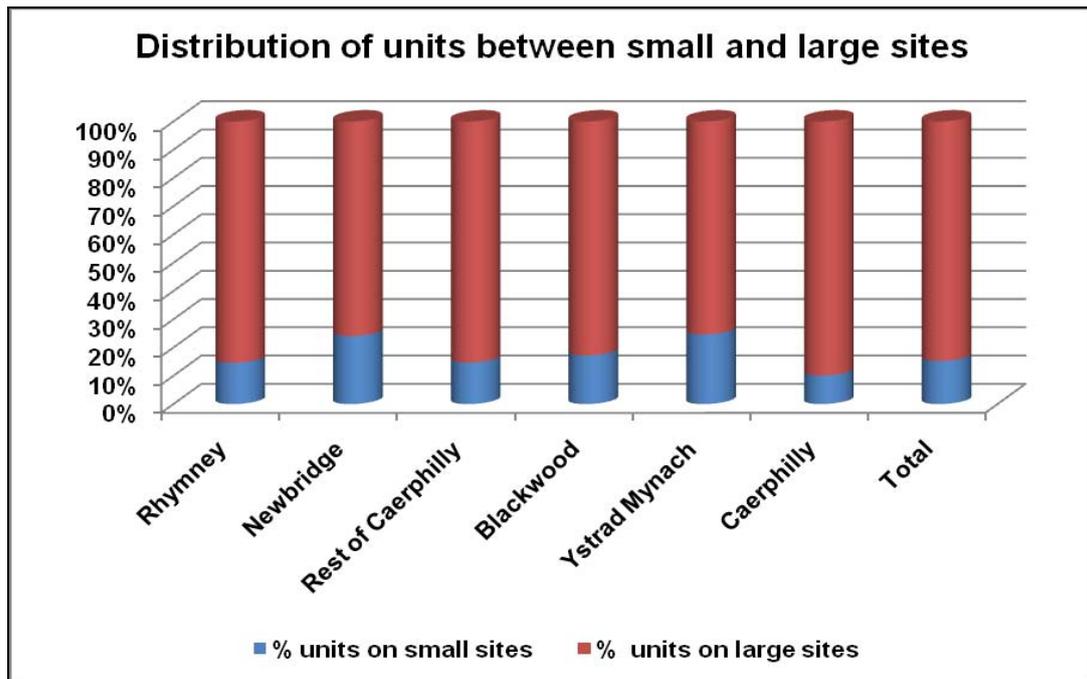


Figure 23– Distribution of units between small and large sites by sub-market

5.14 In this context, it is also important to note that in addition to the units that already have planning consent, provision is made within the LDP for large allocations (10 or more units) in all market areas, which will mean that land is available on which to secure affordable housing using a 10 dwelling threshold.

6 Small sites and Viability

6.1 Background

6.1.1 As part of the high level testing, a 1 hectare site was tested. However, given that the current LDP stance (which equates to 0.3ha at a density of 35dph) is a threshold of 10 dwellings, affordable housing will feasibly be sought on sites that are smaller than 1 hectare. Consideration therefore needs to be given to how this may affect viability.

6.1.2 The principles for assessing the viability of small sites are exactly the same as for assessing large sites. The relationship between revenue and costs may vary but the judgement on whether a site (small or otherwise) is viable will depend on the 'gap' between the existing site use value and the value of the land with the benefit of the planning permission.

6.2 Sources of Land Supply

6.2.1 Through consideration of data that is available as part of the annual Joint Housing Land Availability Study (JHLAS) it is possible to determine the types of applications that had been granted planning consent for housing in the past three years.

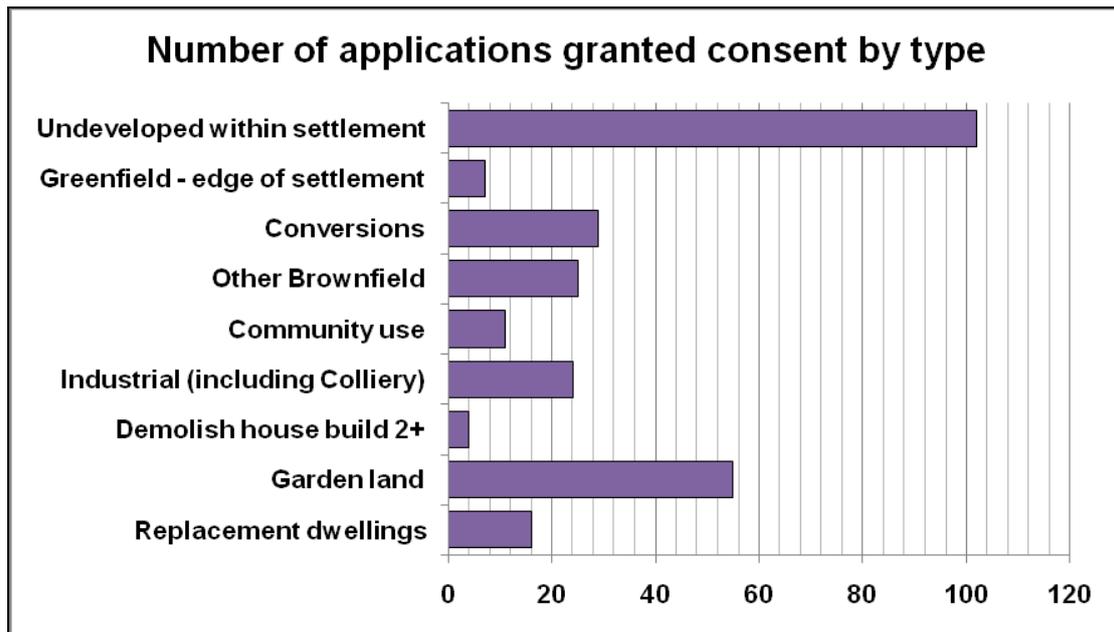


Figure 24 – Number of applications granted consent by type

- 6.2.2 As can be seen in Figure 24, the most common type of applications granted consent have been to develop previously undeveloped land within defined settlements. Sites included within this category are primarily small in size but include infill plots, areas of under-used land etc but not land that was originally within the curtilage of a dwelling as this has been classified as 'garden land.' Such types of development are particularly common in the mid valleys areas and northern parts of the County Borough where, in line with the strategy of the UDP, the settlement boundaries have been drawn loosely to encourage development in these areas allowing small scale sites on undeveloped land to come forward within settlements.
- 6.2.3 In addition to the small scale greenfield sites, there has also been a prevalence of more significant greenfield sites on the edge of settlements coming forward. These are the larger greenfield sites at the edge of settlements, many of which are sites that have been allocated for housing within the development plan.
- 6.2.4 In addition, a high proportion of sites that have been given consent are sites made available through the selling off of garden land. Sites of this nature generally only provide one or two plots. This type of site differs from the category 'demolish house build two or more', where the original house is lost. These residential to residential sites make up only a very small proportion of sites granted consent (4 in 3 years), although the ones that have come forward have been for the replacement of one large house with substantial garden with either a large number of houses or flats. The low level of applications of this nature may be due to the nature of the housing market operating in the area, the existing housing stock, which is characterised by terraces in many parts of the County Borough, and the topography, which limits opportunities of this nature due to a lack of suitable land.

6.2.5 Other major sources of housing have been replacement dwellings, where there is no net gain in housing, and conversions, primarily through the subdivision of a dwelling into flats and the conversion of shops into flats, as well as a small number of barn conversions.

6.2.6 In addition, the redevelopment of brownfield sites makes up a large number of residential applications, primarily on industrial sites and sites last used for community use but now surplus to requirements, namely schools, churches etc. Housing has also been approved on a whole range of other brownfield sites such as pubs, petrol stations and garages.

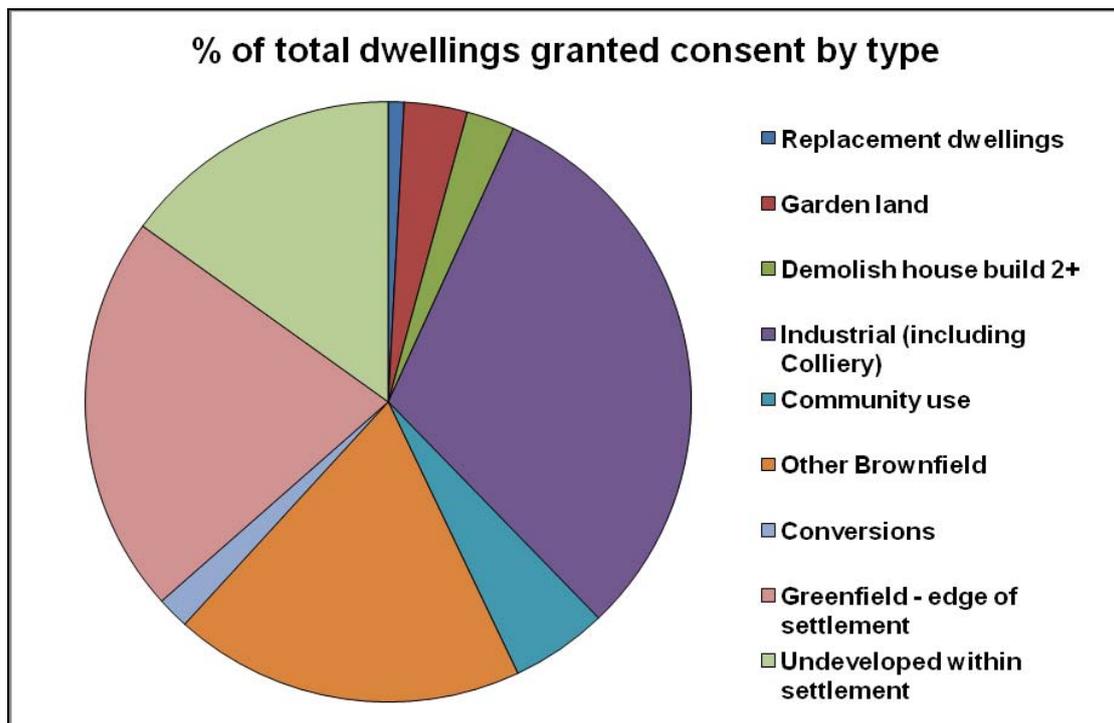


Figure 25 –Percentage of dwellings granted consent by type

6.2.7 Whilst the frequency of applications for housing by type gives a clear indication that there are a range of sources, what is more important from the perspective of setting thresholds is how many dwellings are coming forward by type of site. What is clear from a consideration of Figure 25, alongside Figure 24, is that even though a high proportion of applications are being submitted on garden land, this only makes up a small amount of the overall units with consent as most sites are only one or two dwellings. It has already been identified that these would fall below the threshold and therefore it would not be necessary to test the viability of such sites as affordable housing would not be sought on them.

6.2.8 What is clear is that the majority of units are coming from industrial or colliery sites, other brownfield sites and greenfield sites (either edge of settlement or

undeveloped land within settlements). These sites are primarily larger than the small single plot garden developments and conversions.

6.3 Small Site Analysis

6.3.1 In light of the findings of the site supply analysis it is considered necessary to look in more detail at the viability of a 10 dwelling site with an existing industrial use as this is the largest source for housing land. As it is considered that greenfield sites will generally generate a higher residual value than brownfield sites, it is unnecessary to look at these in depth as it is likely that such sites are viable in accordance with the policy.

6.3.2 As the industrial sites that have come forward in recent years for housing have been distributed across the County Borough, it is necessary to look at the viability of sites in different areas. For the purposes of this analysis three areas have been identified – namely the highest value area of Caerphilly, the middle value area of Ystrad Mynach and the lower value area of Rest of Caerphilly. Given that the evidence suggests that it would be unviable to seek affordable housing in Rhymney, no test needs to be carried out in this area. For testing purposes an industrial site of 10 dwellings with a density of 35dph (which equates to 0.3 hectares) will be examined with the assumption that no grant will be provided and that planning obligations will be delivered at the standard rate. Given that 'other brownfield' sites include such a variety of previous uses (former schools, petrol stations, pubs etc) there is likely to be insufficient data upon which to ascertain an accurate existing use value. It is therefore not possible to test other brownfield uses than industrial at this high level testing stage as the frequency of particular uses coming forward is low. This is something that can be considered at planning application stage.

6.3.3 For the purposes of this assessment, it has been assumed that build costs are 10% higher for a 0.3ha site than it they would be for a 1ha site in order to examine the worst case scenario. This approach is for policy testing purposes only as it is not the accepted position that build costs would necessarily be any higher for small sites than large sites. Whilst clearly there may be economies of scale associated with the development of large sites, small sites are primarily developed by smaller local house builders that are likely to have fewer overheads than major house building companies.

6.3.4 As a result of the DAT modelling of these case study areas, the findings have been classified as follows:

- V – Viable (more than 25% increase over existing use value)
- MV – Marginally viable (10% to 25% increase over existing use value)
- NV – Not viable (less than 10% increase over existing use value)

Affordable housing provision								
	0%	10%	15%	20%	25%	30%	35%	40%
Caerphilly	V	V	V	V	V	V	V	V
Ystrad Mynach	V	V	V	V	V	V	NV	NV
Rest of Caerphilly	V	V	NV	NV	NV	NV	NV	NV

Figure 26 - Results of small sites analysis – 0.3ha industrial site

- 6.3.5 It is illustrated in the Figure above that a 0.3ha site will be viable in Caerphilly with 40% affordable housing, which reflects the findings of a 1ha site. In the Ystrad Mynach sub-market 30% will be viable, which broadly corresponds with the findings of a 1ha site, although the residual for a small site is pro rata more than a large site.
- 6.3.6 In the Rest of Caerphilly sub-market 10% affordable housing would be viable in this scenario even with the assumed higher build costs. This indicates that in this sub-market small sites would be more viable than a 1ha site. This is due to differences in the unit mixes for a small site – primarily 3 and 4 bed dwellings – compared to a greater mix of dwelling types including some lower value smaller houses and flats on larger sites.
- 6.3.7 The findings that small sites are in fact more viable than large sites across all case study areas conforms with the findings of a report which was commissioned by Three Dragons from the Royal Institution of Chartered Surveyors' Building Cost Information Service which found little evidence to suggest that site values fall with smaller sites. The report found that *'scheme size is not a critical or consistent factor determining market value. This is more likely to be influenced by location and access to facilities.'*
- 6.3.8 Indeed, evidence from the Valuation Office (see Figure 27) generally opposes the hypothesis that small sites are less viable than large ones. The table shows that in nearly all the locations shown from across Wales (except Cardiff and Camarthen), small sites have the same or a higher value than large sites.

WALES			
REGION	Small Sites (sites for less than five houses)	Bulk Land (sites in excess of two hectares)	Sites for flats or maisonettes
	£s per hectare	£s per hectare	£s per hectare
Cardiff	2,700,000	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

Figure 27 – Residential Building Land Figures for Wales January 2009

Source: Valuation Office Property Market Report

- 6.3.9 The implications of this small site analysis are important for policy making. Notably, what is evident is that setting a threshold for 10 dwellings cannot only be justified in respect of an analysis of site size thresholds and other planning objectives, but this is also viable.
- 6.3.10 It is noted that industrial land is not the highest existing land value, but as the biggest source of site supply, it is a robust basis for assessment. There may well be applications for higher existing uses such as residential or commercial submitted, which may have a higher use value, but these are not common and it would therefore be inappropriate to base a policy on a higher existing use value. The build costs used in the testing may well be higher than they are in reality, meaning that the residual values could also be able to support a higher land value than industrial.
- 6.3.11 Conversely, greenfield or undeveloped land is likely to have a lower existing use value than industrial, although the percentage above existing use value that a landowner would accept would also be greater. Notwithstanding that, the evidence suggests that this major source of land for housing would also be viable for small sites as well as large.

7 Conclusions

7.1 Affordable Housing Targets

- 7.1.1 The analysis undertaken to determine the proportion of affordable housing to be sought indicates significant variation in housing markets in Caerphilly. In light of this, the inclusion of one target for all sub-markets in the County Borough would be unsuitable. In accordance with TAN 2, it would therefore be appropriate to set different targets for different areas.
- 7.1.2 It is also evident from the analysis that, unless Social Housing Grant is used, the targets as identified in the Deposit LDP (40% in the Southern and Northern Connections Corridor) is not viable, except in the Caerphilly Basin. Even with grant, 25% in Heads of the Valley Regeneration Area would not be viable. It is appropriate to draw conclusions on the basis of the findings
- 7.1.3 The Southern Connections Corridor comprises three distinct areas – the Caerphilly Basin, the Aber Valley and Lower Islwyn. However, the analysis has indicated that, for the purposes of house prices and viability, these areas are not comparable, meaning that Caerphilly Basin should be considered differently from Aber Valley and Lower Islwyn, which both fall with the Rest of Caerphilly sub-market.
- 7.1.4 In the Caerphilly Basin, the evidence suggests that 40% affordable housing would be viable without grant. Given the substantial affordable housing need in this area, the retention of the 40% target in this area is justified on the basis of need.
- 7.1.5 In geographical terms it is appropriate to consider the Ystrad Mynach/Pontllanfraith market areas alongside the contiguous Blackwood as the two markets form part of a wider conurbation. In this area 25% would be viable. Both areas form part of the Northern Connections Corridor, along with Newbridge, although, in the interests of viability, a different policy approach is required in Newbridge based on the evidence.
- 7.1.6 In Newbridge and Rest of Caerphilly, 10% can be provided, although viability would be significantly improved and opportunities to deliver affordable housing would be increased if grant is focused on these markets and/or the level of planning obligations is reduced.
- 7.1.7 The Rhymney area forms part of the Heads of the Valleys Regeneration Area alongside the Upper Sirhowy Valley, which lies within the Rest of Caerphilly sub-market. It is therefore appropriate to consider these areas collectively in establishing the policy approach. Based on the analysis it is clear that in the current market it would be inappropriate to seek affordable housing contributions.
- 7.1.8 In light of the above, it is recommended that the affordable housing policy in the Deposit Local Development Plan be amended as follows:

Where there is evidence of need, the Council will seek to negotiate the following affordable housing targets of:

- ***40% of the total number of dwellings proposed on sites within the Caerphilly Basin (excluding Aber Valley);***

- **25% in the Northern Connections Corridor (excluding Newbridge); and**
- **10% in the Rest of Caerphilly County Borough (including Newbridge but excluding the Heads of the Valleys Regeneration Area)**

7.1.9 It is recognised that the housing market is dynamic and experiences significant fluctuations. However, it is important that when setting the affordable housing targets they are based on current evidence whilst still being sufficiently flexible to allow for changes in the future. As such, whilst the results of the high level policy certainly give a steer as to what is viable, they are only indicative. The provision of these targets does not negate the need for an examination of site economics at planning application stage when all the variables are known. If circumstances change, it may be the case that these targets be increased or decreased accordingly at planning application stage to take into account the most up to date information.

7.1.10 Indeed, the findings of the sensitivity analysis indicated that factors such as an increase or decrease in planning obligations, the use of grant, the increase in build costs to meet higher levels of the Code for Sustainable Homes and changes in house prices would all have a significant effect on the viability of developments.

7.2 Thresholds and Small Sites

7.2.1 In line with TAN 2 guidance, an analysis has been undertaken on information from the JHLAS to determine the types and size of sites that have come forward over the past three years. This analysis has identified that the retention of the current threshold of 10 would mean that a proportion of affordable housing could be sought from 84.2% of all dwellings. There is no justification for increasing this threshold above 10 as this would remove the ability to secure affordable housing on a number of sites. Given the significant shortfall in affordable housing in the County Borough, such an approach would be inappropriate. If the threshold was reduced to 5 instead of 10, this would only bring forward an additional 3.5% of dwellings on which affordable housing can be sought.

7.2.2 There is further justification for the use of a threshold of 10 dwellings in planning terms as this threshold also reflects the threshold for a large site in the JHLAS and the definition of a major site in planning application terms. Furthermore, a site size of 10 also equates to the minimum size of site allocated in the LDP.

7.2.3 Analysis has been undertaken on the viability of the threshold of 10 and equivalent site size of 0.3ha and this has identified that sites coming forward for 10 dwellings would be viable. In fact, the residual value of a 0.3ha site may well be higher pro rata than that of a 1ha site. Overall therefore the findings of the study are that it is justified for the threshold of 10 to remain within the Deposit LDP.

Appendix 1

Model used for Viability Assessment

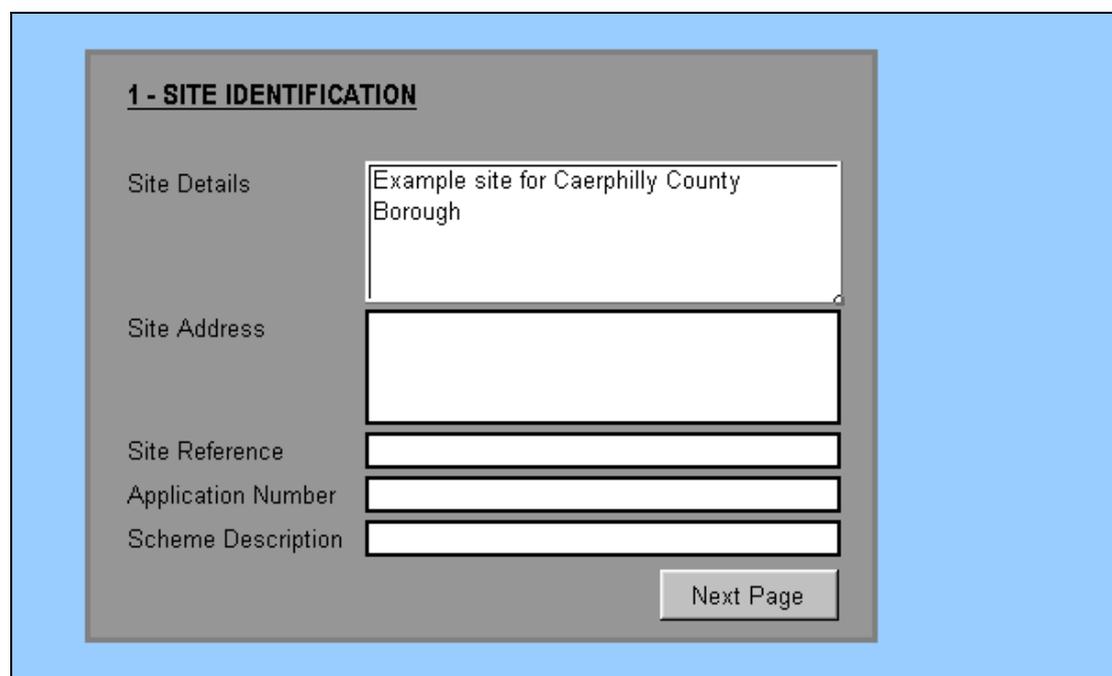
The following key screenshots are for a scheme example of a 35 dwelling per hectare housing scheme.

The Three Dragons appraisal used here is a generic version and the figures included in the screenshots do not represent any particular scenario tested in the study; they simply show the 'framework' for the Toolkit.

The Toolkit uses a residual development methodology to arrive at net site values, taking the difference between scheme revenues and scheme costs and any Section 106 contributions relating to the scheme.

The sequence of screenshots set out below follows through a series of steps which allows key data to be inputted relating to development values and costs.

The 'Site Identification' sheet sets out the type of scheme involved.



1 - SITE IDENTIFICATION

Site Details	Example site for Caerphilly County Borough
Site Address	
Site Reference	
Application Number	
Scheme Description	

Next Page

The 'Site Location' screen allows the user to select the local authority, house price area and Acceptable Cost Guidance Band on which the testing will be based.

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: Caerphilly

ACG Band: 4

House Price Area: Pontllanfraith & Ystrad Mynach

Previous Page Next Page

The 'Basic Site Information' sheet sets up the site size and density – here 35dph. For consistent testing a 1 hectare site was used throughout.

3 - BASIC SITE INFORMATION

Total Size of Site In Hectares: 1

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: 35

Enter your own density

Enter density: 35

Adjust density: 0% [Reset]

Resulting Number of Dwellings: 35

Resulting Density: 35 dph

Is this a rural development?

Bedspaces

Specify the number of bedspaces: []

Specify the number of habitable rooms: []

Previous Page Next Page

The 'Characteristics of Development' mix is selected here. For the purposes of testing the default units types have been selected, but it is considered that, for the densities tested, these are representative of the types of development coming forward in Caerphilly County Borough. The screenshot below shows a mix including 2 bed flats, 2 and 3 bed terraces or town houses and 3,4 and 5 bed detached.

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

The previous sheet establishes the development mix. The following sheet shows market values for the units identified in this mix. The values used in the toolkit reflect current market values based on Land Registry data for recent sales, which have been adjusted to reflect long-term property price trends as the default data in the most recent version of the toolkit at the time of the assessment (March 2008 data) was not reflective of the change in house prices in light of market conditions.

5 - MARKET VALUES

DAT default values may be used

Market Value price adjust (%) %

Ref.	Dwelling Type	No of Bed-Rooms	Market Value	Adjusted Market Value
1				
2				
3	2 Bed Flat	2	£95,000	£95,000
4				
5	2 Bed Terrace/Town House	2	£103,000	£103,000
6	3 Bed Terrace/Town House	3	£123,000	£123,000
7				
8				
9	3 Bed Semi Detached	3	£154,000	£154,000
10	4 Bed Semi Detached	4	£177,000	£177,000
11	3 Bed Detached	3	£203,000	£203,000
12	4 Bed Detached	4	£255,000	£255,000
13	5 Bed Detached	5	£293,000	£293,000
14				
15				
16				
17				
18				
19				
20				

The 'Tenure Mix' enables more detailed selection of the base development mix according to tenure. The example below illustrates a 20% affordable housing requirement as one of the middle scenarios tested, with a 75% social rented (15 units), 25% Homebuy (5 units) split.

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	
		30%	15%	5%		
1						
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

The seventh screen relates to any assumptions for wheelchair units. However, for the purposes of policy testing this field has been left blank as the inclusion of wheelchair units within the scheme is not a common type of unit delivered in Caerphilly.

The next screen relates to 'Social and Intermediate Rents'. These can be updated by entering user rents to reflect the current social rent values being charged by RSLs operating within the local authority area.

The development costs sheet highlights the base development costs including build costs. These have been updated from the default values in the latest version of the database to reflect current rates. Using data on build costs from the Building Cost Information Service.

11 - DEVELOPMENT COSTS

Depress this button to clear these tables

Build Costs per sq m

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

	Toolkit Values	User Values
Bungalows	£1,067	£1,145
Flats (16+ storeys)	£1,739	£2,004
Flats (6-15 storeys)	£1,408	£1,622
Flats (5 & less storeys)	£1,056	£1,155
Houses <= 75m2	£902	£975
Houses > 75m2	£792	£850

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

The next key screenshot relates to planning obligations, where a standard obligations package on a per unit basis can be entered (for example £5000 per dwelling as shown in the screenshot) or individual values based on specific obligation requirements such as education or highways.

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

	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

Total for Scheme	£175,000
Total for Scheme per hectare	£175,000
Total for Scheme divided by total number of units	£5,000
Total for Scheme divided by number of sale units	£6,250

A further screen identifies the capital contribution from other sources, such as lottery grants, European Union funding etc. For the purposes of policy testing these fields have been left blank.

There are further screens relate to grant scenarios. Selections can be made on the method for generating the capital value, the level of grant (as appropriate) and oncosts.

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

Finally, on the basis of all information selected, a residual value is generated. This value can then be compared against the existing use value to determine whether it is viable.

RESIDUAL VALUE		£ 305,000	Site	0
Total scheme revenue		£ 5,069,000	Address	
Total scheme costs		£ 4,764,000	Site	
			Details	Example site for Caerphilly County Borough
Residual	Per hectare	£ 305,000	Site Reference	0
	Per dwelling	£ 9,000	Application Number	0
	Per market dwelling	£ 11,000	Site Location	Caerphilly
	Per bedspace	No Info	Scheme Description	0
	Per habitable room	No Info		
Revenue	Market housing	£ 4,774,000	Total number of units	Dwellings 35
	Affordable Housing	£ 295,000	Bedrooms	No Info
	- Social rent	£ 118,000	Bedspaces	No Info
	- Homebuy	£ 177,000	% Wheelchair Units	0%
	- Intermediate Rent	£ -	Density (per hectare)	Dwellings 35.0
	- Equity Share	£ -	Bedrooms	No Info
	Capital Contribution	£ -	Bedspaces	No Info
	Commercial Elements	£ -		
Costs	Market housing	£ 3,829,000	Affordable Units	Quantity % of All Units
	Affordable Housing	£ 660,000	Total	7.0 20%
	- Social rent	£ 495,000	Social rent	5.3 15%
	- Homebuy	£ 165,000	Intermediate	1.8 5%
	- Intermediate Rent	£ -	Grant	Whole scheme £ -
	- Equity Share	£ -	Per Social Rental dwelling	£ -
	Planning Obligations	£ 175,000	Per HomeBuy dwelling	£ -
	Exceptional Development Costs	£ -		
Commercial Elements	£ -			
Alternative Site Values		Against residual		
Existing Use Value	£ 250,000	£ 65,000		
Acquisition Cost	£ -	£ -		
Alternative Use Value 1	£ -	£ -		
Alternative Use Value 2	£ -	£ -		
Alternative Use Value 3	£ -	£ -		

Appendix 2

Map of Sub-market areas used for testing

