

BDC/029

Braintree District Council

Affordable Housing Viability Assessment

Final Report

July 2015



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1 INTRODUCTION

Overview and objectives

- 1.1 Braintree District Council appointed Andrew Golland Associates to carry out an Affordable Housing Viability Study (AHVS). The Council requires an updated evidence base for a new Local Plan. The new Plan is required following the withdrawal of the Regional Spatial Strategy and a review of the Council's overall housing requirements in the light of the NPPF (National Planning Policy Framework).
- 1.2 The objectives of the 2015 AHVS are to produce findings that will allow the Council to have a robust evidence base for setting targets and thresholds. The study should reflect local market conditions and the report should show how sub market differences (for example by settlement or wider rural areas) lead to a sensitive and focused approach to local Affordable Housing policies.
- 1.3 The Council is building an evidence base alongside the viability work. A Strategic Housing Market Assessment (SHMA 2014) has been produced. The results indicate that a total of 761 – 883 new dwellings per year are required in the District to 2026. The SHMA will form part of the evidence base required for the Council making a judgement on its objectively assessed housing needs.
- 1.4 The Council has just completed its Issues and Scoping Consultation for the new Local Plan. This consultation dealt with broad strategic issues, and concluded on the 6th March 2015. Three key issues identified are:
 - Large numbers of new homes are required in the District to support the growing population;
 - The District may not have enough brownfield sites (those where buildings have previously been located) to accommodate the new homes that need to be provided;
 - The Council must balance new homes with protection of the natural and historic environment;

Policy position

Nationally

- 1.5 The National Planning Policy Framework (NPPF) (Para 173) states that local planning authorities should give careful attention to viability and costs in plan-making and decision-taking. The NPPF stresses the need for developers and land owners to have a competitive return when considering scheme viability.
- 1.6 Paragraph 174 of the NPPF states that local planning authorities should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan [and] in order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk.

Locally

- 1.7 The AHVS of 2009 set out two possible approaches to target setting:

Option one - a single target for the whole district. Given the relatively low values in some of the urban areas, this would need to be set relatively conservatively and a target of 30% would seem appropriate;

Option two - a 'split target' which recognises the very significant variation in house prices and residual values between urban and rural areas. The split target would be 40% in rural areas and 30% in the urban areas of Braintree, Halstead, the Hedinghams and Witham
- 1.8 Under both options, the proposed SUEs at Braintree and Witham should be planned for on the basis of a 30% target, subject to up to date scheme specific viability appraisals.
- 1.9 The 2009 report stated in relation to thresholds: in the urban parts of the district, the evidence on site supply indicates that the national indicative minimum threshold of 15 dwellings is appropriate. However, the profile of site supply in the rural areas (coupled with the high levels of need) indicates that adopting a low threshold is justified.

- 1.10 And: 'A threshold of 5 dwellings would capture about a third of the supply in rural areas but to really increase delivery of affordable housing would mean introducing a zero threshold'.
- 1.11 The Braintree DC Core Strategy (adopted September 2011), in Policy CS2, sets out an Affordable Housing target of 40% on rural areas excluding the parishes of Sible Hedingham and Great Notley and the proposed growth area of Rivenhall.
- 1.12 It sets out further a target of 30% Affordable Housing for sites in Braintree and Bocking and Witham, including the proposed growth areas and Halstead.
- 1.13 Policy CS2 sets out a threshold of 5 dwellings (0.16 hectares) in rural areas. This is defines as the 'whole District excluding the urban wards of Braintree and Bocking, Witham and Halstead. In those three larger urban areas, a threshold of 15 dwellings (0.5 hectares) is applied.

Community Infrastructure Levy (CIL)

- 1.14 The Council has not taken forward a CIL and this study is to look wholly at the issue of Affordable Housing and viability.

Research undertaken for this study

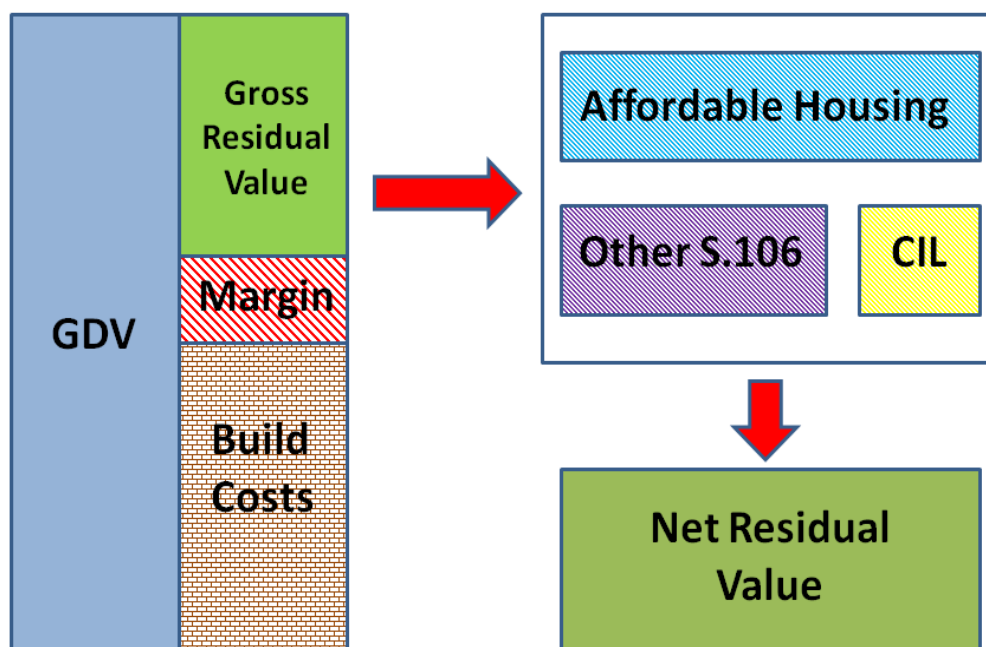
- 1.15 There were four main strands to the research undertaken to complete this study:
- Discussions with a project group of officers from the Council to help inform the structure of the research approach;
 - Analysis of information held by the authority, including that which described the types of sites coming forward;
 - Use of the Braintree DC Viability Toolkit to carry out High Level Testing and to analyse scheme viability;
 - A Workshop held with developers, land owners, their agents and representatives active in the District. The feedback notes from the Workshop are shown at Appendix 1 of this report.

2 METHODOLOGY

Viability – starting points

- 2.1 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates (scheme revenue) and what it costs to develop (build costs and developer margin). The model can take into account the impact on scheme residual value of affordable housing and other Section 106 contributions or CIL where this is being tested.
- 2.2 Figure 2.1 below shows diagrammatically the underlying principles of the approach. Scheme costs are deducted from scheme revenue to arrive at a gross residual value. Scheme costs assume a profit margin to the developer and the ‘build costs’ as shown in the diagram include such items as professional fees, finance costs, marketing fees and any overheads borne by the development company.

Figure 2.1 Viability, CIL and Affordable Housing

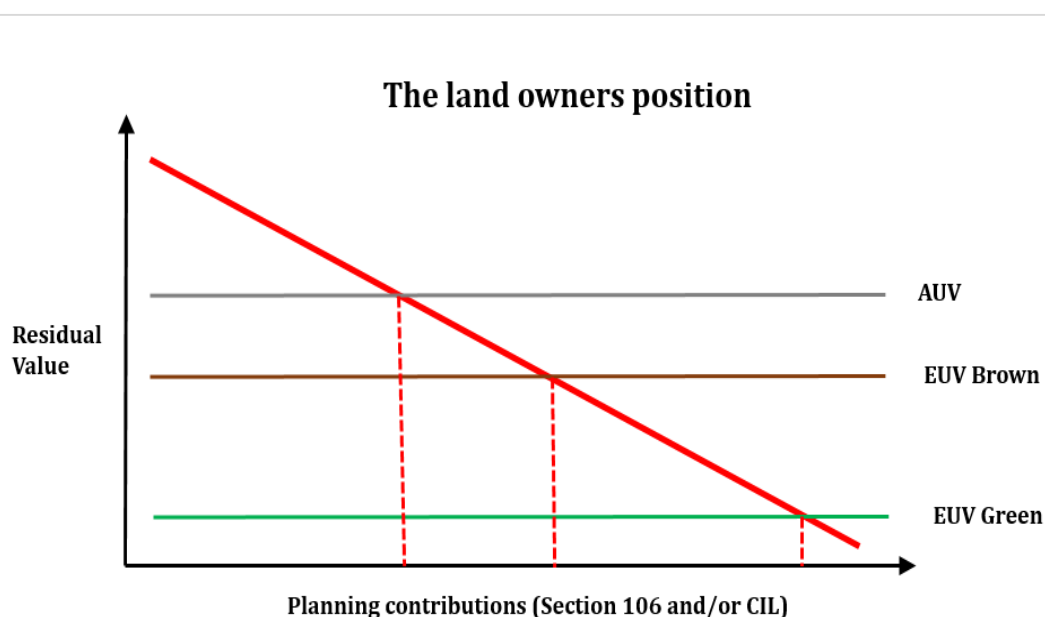


- 2.3 The gross residual value is the starting point for negotiations about the level and scope of Section 106 or CIL contribution. The contribution will normally be greatest in the form of affordable housing but other Section 106 items or CIL will also reduce the gross

residual value of the site. Once the Section 106 contributions/CIL have been deducted, this leaves a net residual value.

- 2.4 Calculating what is likely to be the value of a site given a specific planning permission, is only one factor in deciding what is viable.
- 2.5 A site is extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee that development happens. The Existing Use Value (EUV) of the site, or indeed a realistic alternative use value for a site will also play a role in the mind of the land owner in bringing the site forward and thus is a factor in deciding whether a site is likely to be brought forward for housing.
- 2.6 Figure 2.2 shows how this operates in theory. Residual value (RV) falls as planning contributions increase. The issue for the land owner will be the point at which RV is less than or equal to the land value benchmark.

Figure 2.2 Residual Value (RV) and the land owner's position



- 2.7 Above this point there will be a land owner return. The extent of this returns depends on the existing use value of the site (EUV). Some sites will be green field and some brown field. Normally brown field sites will have a higher EUV than green field but this does not always follow; for example where brown field land is heavily contaminated.

- 2.8 In some instances, an Alternative Use Value (AUV) will be appropriate to use. The conditions where this is the case are discussed in the Harman Review (2012) which looks at how local authorities may take viability on board when making plans.
- 2.9 The quantum of land owner return has been the subject of much discussion over the past few years. The NPPF, governing planning and viability in England requires local authorities to allow land owners a 'competitive' return, but it does not state what this is.
- 2.10 How affordable housing targets or CIL charges are set will be a function of a number of factors including the nature of land supply, residual value, comparable authority policies and the broader land supply situation. There is no specific 'equation' which specifies how a particular policy should be derived.

3 VIABILITY ANALYSIS: HIGH LEVEL TESTING

Introduction

- 3.1 This chapter of the report considers viability for residential schemes including affordable housing. It provides an understanding of how residual value varies under different housing market circumstances, different policy impacts and different development densities and mixes.
- 3.2 The chapter is important in calculating residual values against which land value benchmarks are set.

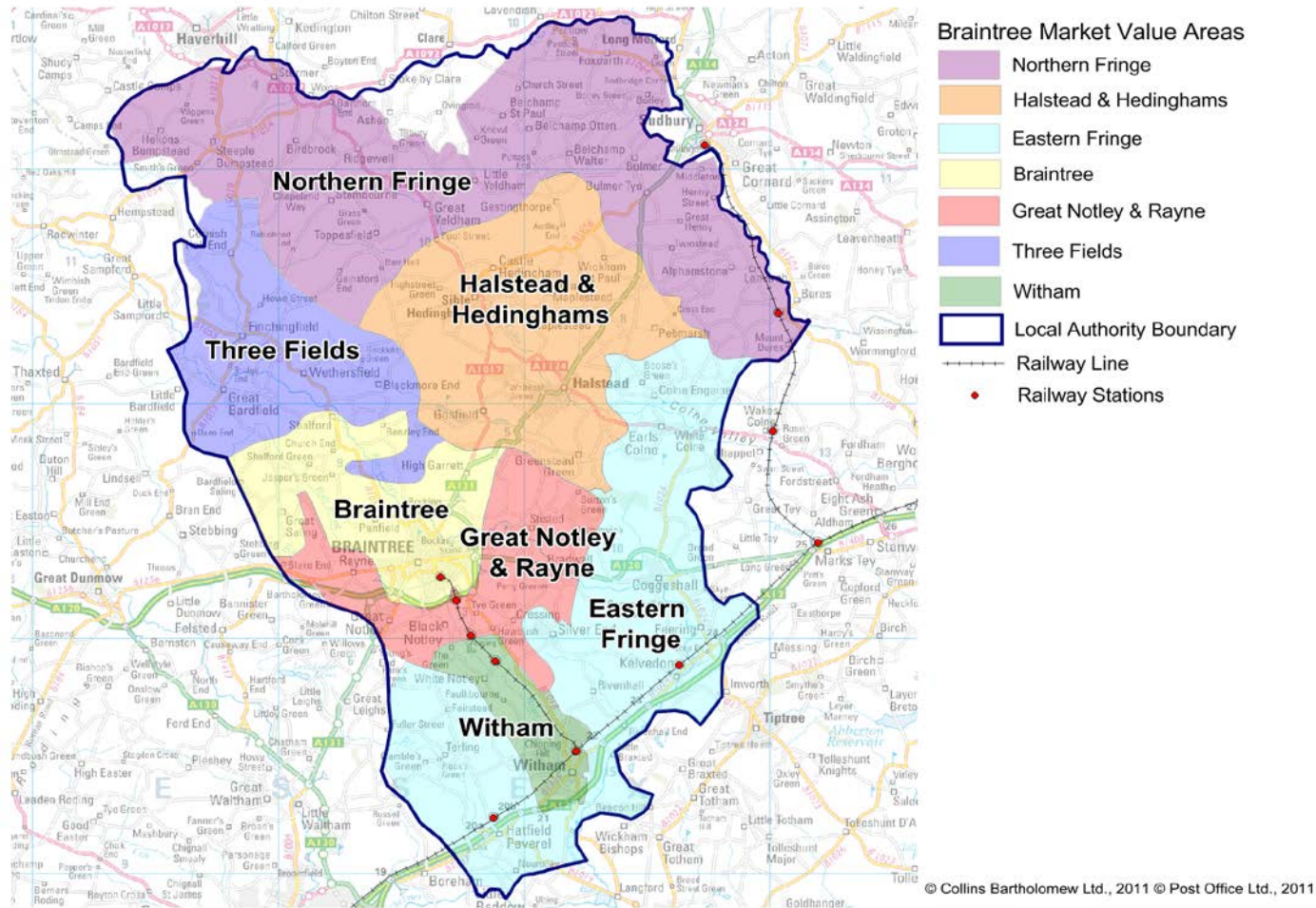
Sub Market areas

- 3.3 Location clearly plays a key role in determining viability and residual value is very sensitive to changes or differences in house prices.
- 3.4 A consistent approach has been taken to the the determination of sub market areas in line with the 2009 AHVS. The house price data has been updated and cross checked against recent new build and second hand sales. In addition, soundings were taken at the Stakeholder Workshop which in the main, verified the initial estimate of prices.
- 3.5 Table 3.1 below sets out the sub markets. As previously these are based on postcode sector areas.

Testing assumptions

- 3.6 The analysis is based on a range of policy tests. Specifically, affordable housing targets of 0% through to 50%, including 10%, 20%, 30%, 40% and 50%.
- 3.7 Residual values have been generated that reflect the Affordable Housing targets and also a contribution of £10,000 per unit to additional Section 106 items including for example, education, open space and highways.
- 3.8 There is no requirement in this study to develop a CIL strategy. However, a £10,000 per unit Section 106 equates to a £125 per square metre CIL based on an average unit size of 80 square metres. In so far that residual values are viable, this quantum of CIL would also be viable.

Map 3.1 Sub Markets: Braintree DC



- 3.9 As ever, and as discussed in Chapter 2 in particular, whether a scheme is viable will depend on the relationship between residual and the adopted land value benchmark (LVB)
- 3.10 A full range of schemes are tested here. Densities of 25 Dwellings per Hectare (dph), 30 dph, 35 dph, 40 dph and 50 dph have been tested for all (seven) sub markets. These are assumed to be net densities
- 3.11 The results are shown in full (Residual Value in £ million) at Appendix 3 for all sub markets and each density is looked at in turn below. The results reflect the following assumptions:
- Affordable Housing split 80% Affordable Rent: 20% Shared Ownership;
 - Profit margin 20% on GDV (Gross Development Value);
 - 6% return on the Affordable element of the scheme;
 - 3% marketing fees.

Residual values at 25 dph

- 3.12 Table 3.1 shows residual values for all sub markets at a density of 25 dwellings per hectare. It shows residual values at a range of Affordable Housing targets from 0% through to 50%. As is to be expected, residual value declines as the percentage of Affordable Housing within a scheme increases.

Table 3.1 Residual values (£ million per hectare) at 25 Dwellings per Hectare

25 DPH	0%	10%	20%	30%	40%	50%
Three Fields	£3.91	£3.52	£3.13	£2.74	£2.35	£1.96
Eastern Fringe	£3.08	£2.77	£2.46	£2.12	£1.85	£1.54
Great Notley	£2.74	£2.47	£2.19	£1.92	£1.65	£1.38
Northern Fringe	£2.24	£2.01	£1.79	£1.57	£1.34	£1.12
Braintree	£2.08	£1.87	£1.66	£1.46	£1.25	£1.04
Witham	£2.07	£1.87	£1.66	£1.45	£1.24	£1.03
Halstead	£1.97	£1.77	£1.58	£1.38	£1.18	£0.98

3.13 The table shows residual values on a per hectare basis. The policy is (broadly) for a 40% Affordable Housing contribution in the four higher value sub markets including Three Fields, Eastern Fringe, Great Notley (excluding the parish) and Northern Fringe. The remaining areas require a contribution of 30% Affordable Housing.

3.14 The range of RVs is broad, reflecting significant differences in house prices between the sub markets. These lead in turn to disproportionate differences in residual values.

3.15 For example, residual value at 50% Affordable Housing in Three Fields is virtually the same as RV at nil Affordable Housing in Halstead. Residual Value at Halstead at 50% Affordable Housing is nevertheless almost £1 million per hectare, a very significant figure.

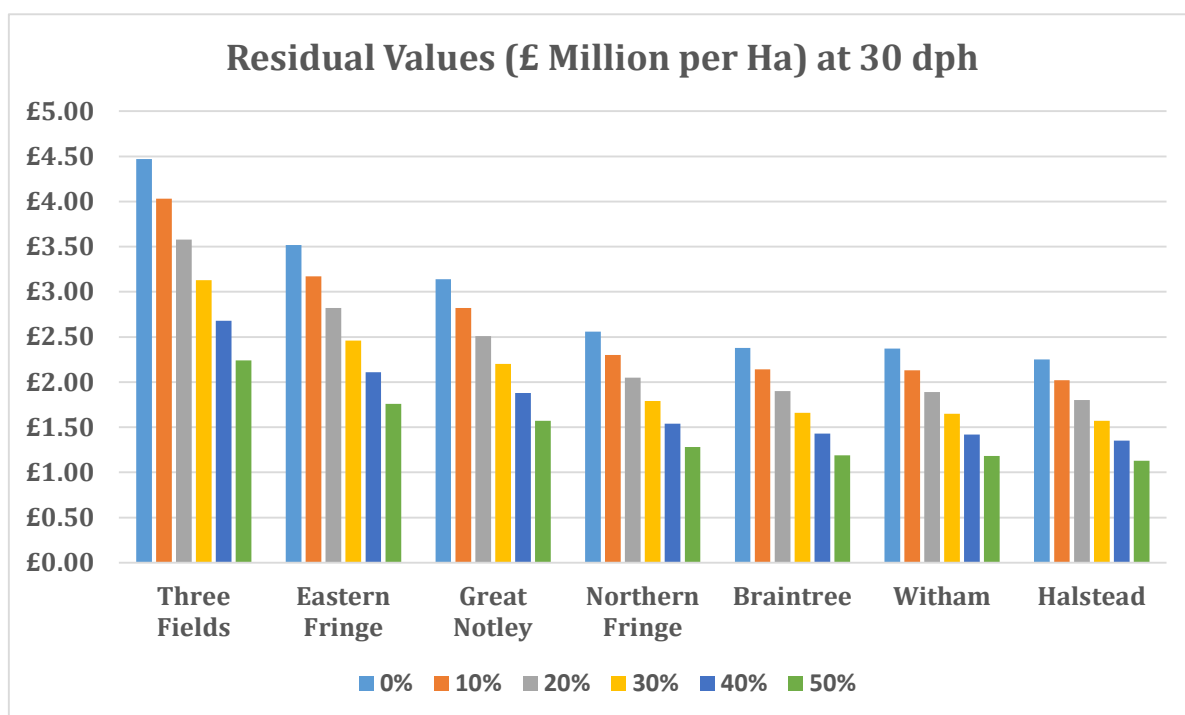
Residual values at 30 dph

3.16 Figure 3.1 shows residual values at 30 dph. Showing the residual values in graph form demonstrates very clearly the variances.

3.17 A mid to lower value market location such as Braintree generates strong RVs. At 30% Affordable Housing (policy position) the RV is approaching £1.7 million per hectare. At 40% Affordable Housing (policy position at Three Fields, the RV is £2.68 million per hectare and at Halstead, at 30% AH (policy position), the RV is £1.82 million per hectare.

3.18 Increasing density brings increased residual value between 25 dph and 30 dph. At 30% Affordable Housing, RV is £3.13 million per hectare in Three Fields (versus £2.74 million at 25 dph) and at Halstead £1.57 million (versus £1.38 million at 25 dph).

Figure 3.1 Residual value at 30 dph



Residual values at 35 dph

3.19 Increasing density does not change the general conclusion that there is a significant variance between sub markets. However, it does suggest that RVs generally increase as sites become more intensely developed.

3.20 Table 3.2 sets out the residual values for all sub markets at 35 dph.

Table 3.2 Residual values (£ million per hectare) at 35 dph

35 DPH	0%	10%	20%	30%	40%	50%
Three Fields	£5.13	£4.62	£4.10	£3.60	£4.10	£2.58
Eastern Fringe	£4.06	£3.69	£3.25	£2.85	£2.45	£2.05
Great Notley	£3.61	£3.25	£2.89	£2.53	£2.18	£1.82
Northern Fringe	£2.95	£2.66	£2.37	£2.08	£1.78	£1.49
Braintree	£2.74	£2.47	£2.20	£1.93	£1.66	£1.39
Witham	£2.73	£2.46	£2.19	£1.92	£1.65	£1.38
Halstead	£2.59	£2.34	£2.08	£1.82	£1.57	£1.31

3.21 As at the previous two densities, residual values are very robust. Shown below are the uplifts from green field existing use values (i.e. agricultural land to residential permission):

Three Fields

273 fold;

Eastern Fringe	163 fold;
Great Notley	145 fold;
Northern Fringe	119 fold;
Braintree	129 fold;
Witham	128 fold;
Halstead	121 fold.

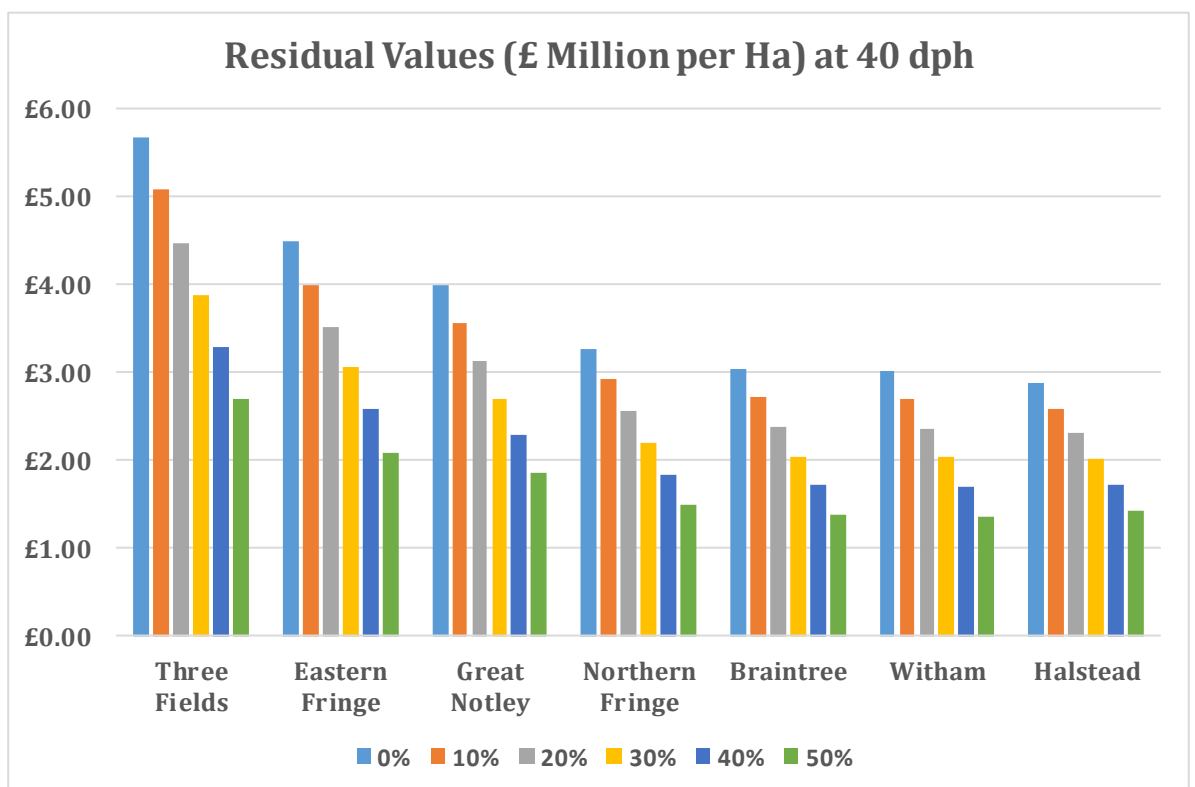
3.22 These uplifts are based on the current Affordable Housing Plan targets and agricultural existing use values at £15,000 per hectare.

Residual values at 40 dph

3.23 Figure 3.2 shows residual values per hectare for all sub markets at 40 dph.

3.24 As previously, the pattern or spread of values remains as for other density analyses. Residual values are now at their highest in all sub market areas.

Figure 3.2 Residual values per hectare at 50 dph



3.25 Residual value at Halstead at 40% Affordable Housing is £1.72 million per hectare. At Three Fields, RV is approaching £3 million at 50% Affordable Housing.

Residual values at 50 dph

Table 3.3 Residual values (£ million per hectare) at 50 dph

3.26 Table 3.3 shows residual values at 50 dph. At this density, a greater proportion of smaller units are likely to be included within the development mix.

50 DPH	0%	10%	20%	30%	40%	50%
Three Fields	£6.70	£6.00	£5.32	£4.62	£3.93	£3.29
Eastern Fringe	£5.27	£4.73	£4.18	£3.63	£3.08	£2.53
Great Notley	£4.69	£4.20	£3.71	£3.22	£2.73	£2.24
Northern Fringe	£3.83	£3.43	£3.02	£2.61	£2.21	£1.80
Braintree	£3.55	£3.18	£2.79	£2.42	£2.04	£1.66
Witham	£3.54	£3.17	£2.79	£2.41	£2.03	£1.65
Halstead	£3.55	£3.17	£2.79	£2.41	£2.04	£1.66

3.27 It is interesting to note however, that at higher density, residual values continue to rise. In some instances, where small units generate low returns as against costs, higher densities generate lower residual values.

Conclusions

3.28 The analysis in this chapter shows that:

- Residual value varies significantly by market location; this is not a different conclusion to that reached in the 2009 report; and indeed with other reports. Small differences in house prices lead to large differences in residual values.
- The results show very strong residual values. Given that the bulk of development will occur on green field sites, the uplift to residential value is very significant. At 35 dph in the Halstead sub market, residual value is £1.3 million, at 50% Affordable Housing. This provides over an 85 fold increase in value from agricultural land.
- Affordable Housing contributions will, because of the economics of development, very significantly increase land owner return. Whilst it impacts also on developer margin, competitive returns will still be available to developers.

- The results reflect a contribution of £10,000 per unit to cover other (than Affordable Housing) to cover other Section 106 items such as education, open space and highways. This is a CIL equivalent figure of £125 per square metre (although it should be stated that CIL, if set, could be required at significantly higher levels).

4 ANALYSIS OF STRATEGIC HOUSING SITES

Overview

- 4.1 The analysis in the preceding chapter provides the basis for setting Affordable Housing targets for residential use. That analysis is high level and covers most eventualities with respect to viability.
- 4.2 It is important however to look in some detail at key sites to gauge whether the High Level Testing findings are reflected in site specific analysis. This chapter looks at several key sites and draws conclusion on viability. The site selection is based on information provided by the Council; in part from allocations and in part from their Call for Sites process.
- 4.3 The sites looked at are:
- Land east of Great Notley;
 - Straits Mill, Braintree;
 - Towerlands Park, Braintree;
 - Land at Cressing Road, Witham;
 - Lodge Farm, Witham;
 - The Sleights, Halstead.

Land East of Great Notley, South of Braintree

Location

- 4.4 The site is located to the east of Great Notley (London Road) and to the South of the A120 which envelops Braintree to the South. The site is shown on the map below. The site is around 100 hectares.



Existing use

- 4.5 This is a green field site, which has an agricultural existing use. It is therefore low value.

Capacity and nature of development

- 4.6 The site is envisaged to be developed along Garden City/Garden Suburb principles, delivering up to 2,000 homes (based on a 50% developable area to account for Open Space, Community and hard/essential infrastructure).
- 4.7 The net density will therefore be around 40 dwellings per hectare. The Call for Sites submission suggests that once the essential infrastructure is on place, the site can deliver up to 250 dwellings per annum (from five house builders).
- 4.8 It is envisaged that family type housing will be developed.

Constraints

- 4.9 The land is controlled by a consortium and is being brought forward through the Council's call for sites.
- 4.10 Constraints include potential flooding: Some areas are highlighted at greater probability of Surface Water Flooding. This principally relates to existing field boundaries and is likely to indicate ditches/existing agricultural drainage.
- 4.11 There are mains services to the site although some upgrading and additional connections are needed.

Viability assumptions

- 4.12 The assumptions adopted in the High Level Testing have been used here, with anticipated selling prices at 50% between the Braintree and Great Notley sub markets.

Results

- 4.13 The results are shown in the screenshot below:

15 - Scheme Results (Residential Only)																																																									
Commercial revenue, costs, and residual values are recorded on P13 "Contribution from Commercial Elements"																																																									
<table border="1"> <thead> <tr> <th colspan="2">Site Reference Details</th> <th colspan="2">Site Details</th> </tr> </thead> <tbody> <tr> <td>Site Reference Number</td> <td>0</td> <td>Site</td> <td>Land East of Great Notley</td> </tr> <tr> <td>Application Number</td> <td>0</td> <td>Address</td> <td></td> </tr> <tr> <td>Site Location</td> <td>Braintree</td> <td>Site</td> <td></td> </tr> <tr> <td>Scheme Description</td> <td>0</td> <td>Details</td> <td>0</td> </tr> </tbody> </table>		Site Reference Details		Site Details		Site Reference Number	0	Site	Land East of Great Notley	Application Number	0	Address		Site Location	Braintree	Site		Scheme Description	0	Details	0																																				
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All values are rounded to the nearest £1000.																																																									

4.14 The residual value for the scheme of 2,000 dwellings is £105 million. The existing use value of the site, as agricultural land, is around £1.5 million. This represents an increase in value of some 70 fold. As such, this is a very viable scheme.

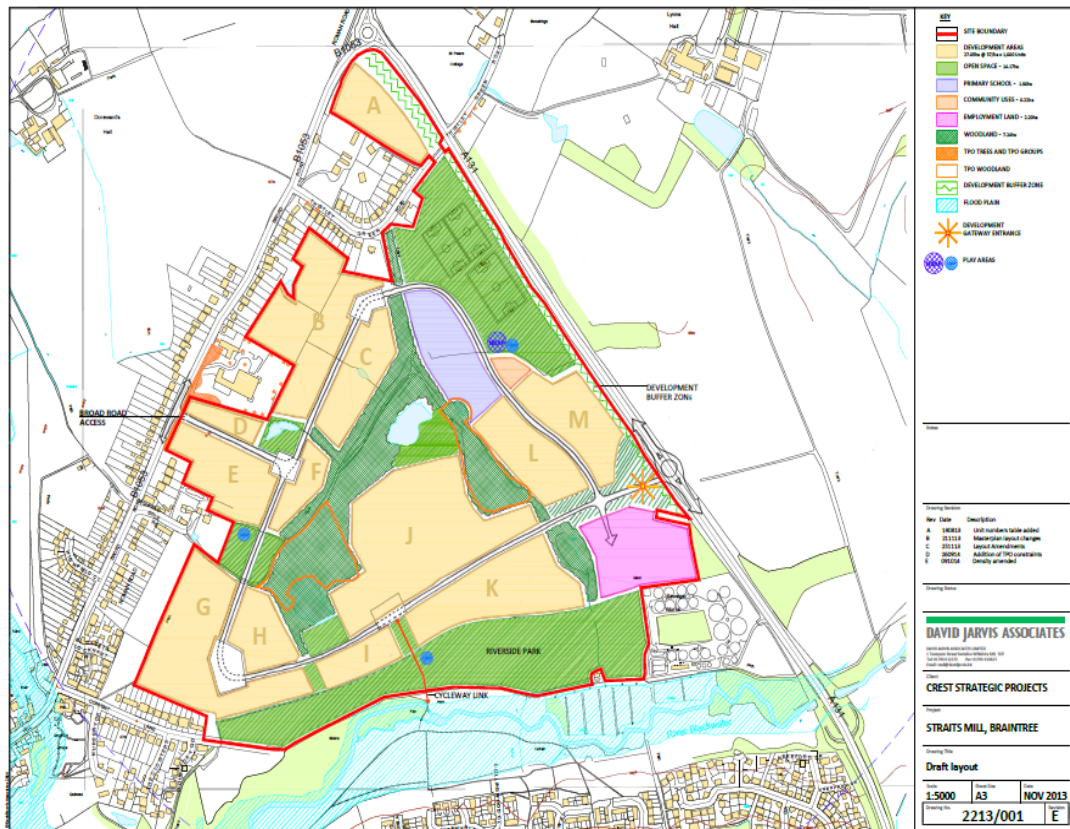
4.15 The following assumptions apply to the appraisal:

- Developer return at 20% on gross development value of the market housing;
- 30% Affordable Housing;
- An allowance of £250,000 per developable hectare for potential additional green field infrastructure costs;
- An allowance of £15,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and other Section 106 items other than Affordable Housing.

Straits Mill, Braintree

Location

4.16 The site is located to the north east of Braintree and to the west of the A131. To the south of the site is the River Mead. The site area is around 100 hectares. Primary access to the site will be from the A131 and from Broad Road to the west.



Existing use

- 4.17 The central portion of the site is occupied by the Straits Mill Industrial Estate, and the remainder is green field agricultural.
- 4.18 The industrial land occupies, as an estimate, around five hectares. Existing industrial uses would need to relocate for the development to progress.

Capacity and nature of development

- 4.19 The site is envisaged to be developed up to around 1,000 dwellings, including a mix of unit sizes and types (average unit size circa 80 square metres).
- 4.20 There is proposed to be 2.3 hectares of employment use included in the development. Also a small scale convenience store. A primary school is proposed as part of the scheme. Included in the proposal is a 60 bed Care Home.

for the industrial estate. The Council will need to interrogate this value in more detail. As such the scheme will represent an uplift of some £30 million. As such, this should be considered a viable scheme.

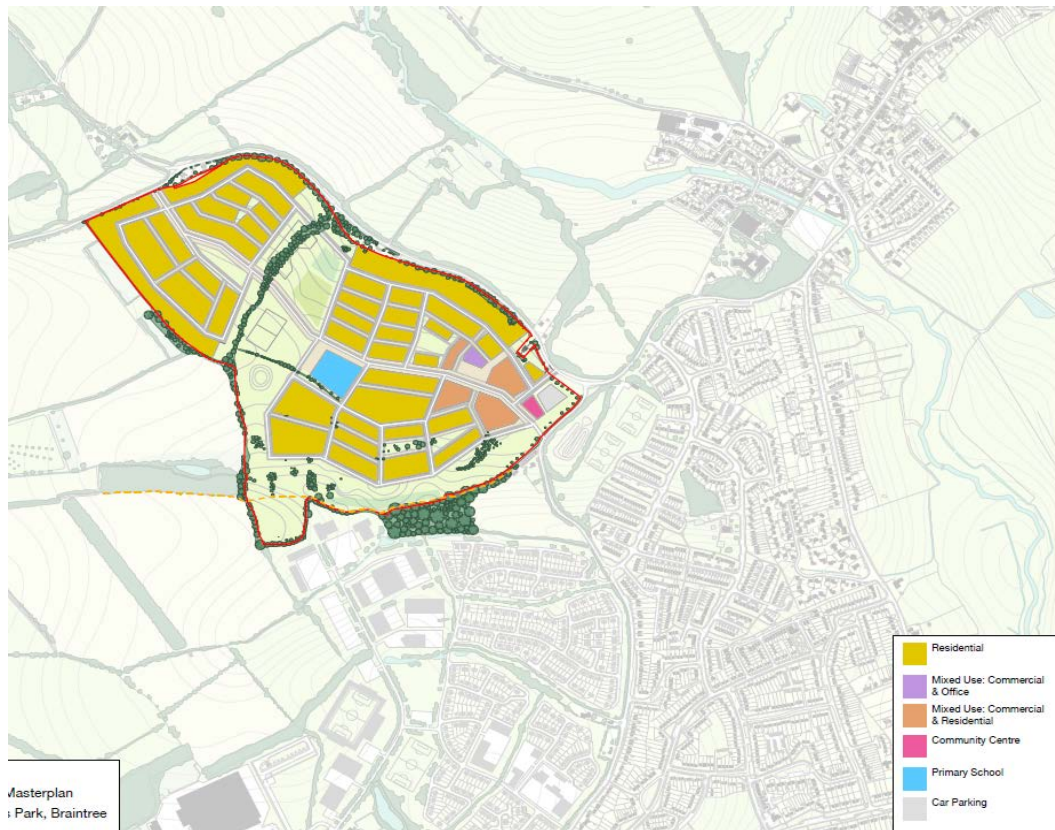
4.27 The following assumptions apply to the appraisal:

- Developer return at 20% on gross development value of the market housing;
- 30% Affordable Housing;
- An allowance of £250,000 per developable hectare for potential additional green field infrastructure costs;
- An allowance of £15,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and Section 106 items other than Affordable Housing;
- An allowance of £2 million for demolition costs for the existing industrial estate;
- There is a small new commercial development proposed for this site, which I have included on a cost neutral basis.

Towerlands Park

Location

4.28 The Towerlands Park site is located to north of Braintree, west of Panfield Lane and towards Church Street, Bocking. The site extends to around 40 hectares. The site lies immediately to the north of the 'NW Braintree Growth Location'. This has been adopted as a key growth location within the Core Strategy, with an allocation to deliver 600 dwellings.



Existing use

- 4.29 The Towerlands Park site comprises a former equestrian centre and conference hall. These uses have now ceased. The area proposed for development also includes a former golf course facility).
- 4.30 The site has previously been promoted for an alternative use, although this approach was not viable on marketing grounds.

Capacity and nature of development

- 4.31 The development headlines are summarised as:

- Site Area: approximately 42.8 hectares
- In single ownership (owners are the promoters and committed to delivery)
- Current use: vacant (since July 2012) and redundant commercial and leisure uses

Proposed uses:

- Residential: 1,150 homes

- B1 offices: 5,000m²
- Other commercial uses (including local centre): 3,000m²
- Education: 2 form entry primary school
- Significant provision of Open space within Green Infrastructure, including SuDS

Constraints

- 4.32 Towerlands Park is owned by part of the Unex Group of companies. This means that it is effectively being brought forward under one ownership.
- 4.33 Although the site is not within an area of acknowledged flood risk, the size of the site and the residential development proposed means that a detailed analysis of drainage is warranted, and this has been commissioned at the outset as an important consideration in the layout of development.
- 4.34 There is a high pressure gas main that dissects the site, and which is referred to within the Utilities Report. As well as easements this pipeline requires an 85 metre development exclusion zone.

Viability assumptions

- 4.35 The site has been vacant for a considerable time and is considered available for delivery within 0-5 years.
- 4.36 The assumptions adopted in the High Level Testing have been used here, with anticipated selling prices in line with the Braintree sub market.

Results

- 4.37 The results are shown in the screenshot below:

15 - Scheme Results (Residential Only)		
Commercial revenue, costs, and residual values are recorded on P13 "Contribution from Commercial Elements"		
Site Reference Details		
Site Reference Number	0	
Application Number	0	
Site Location	Braintree	
Scheme Description	0	
Site Details		
Site	Towerlands Park	
Address		
Site Details	0	
Site Information		
Dwellings	1150	
Nett Area (ha)	30	
Gross Area (ha)	42.8	
Density		
Dwellings / gross hectare	26.9	
Dwellings / nett hectare	38.3	
Affordable Units		
	Quantity	% of All Units
Total	345.0	30%
Social rent	0.0	0%
Affordable rent	345.0	30%
Intermediate rent	0.0	0%
Equity share	0.0	0%
Shared Ownership	0.0	0%
Revenue and Costs		
Total scheme revenue	£ 256,914,000	
Total scheme costs	£ 208,727,000	
Residual Value		
Whole scheme (gross)	£ 48,187,000	
Rate for agents fees	2.00%	
Rate for legal fees	0.50%	
Rate for SDLT	4.00%	
Total SDLT and fees	£ 3,084,000	
Whole scheme (nett)	£ 45,103,000	
Per hectare (gross)	£ 1,054,000	
Per hectare (nett)	£ 1,503,000	
Per dwelling	£ 39,000	
Per market dwelling	£ 56,000	
Contribution to Revenue from:		
Market Housing	£ 214,444,000	
Affordable Housing	£ 42,470,000	
- Social Rent	£ -	
- Affordable Rent	£ 42,470,000	
- Intermediate Rent	£ -	
- Equity Share	£ -	
- Shared Ownership	£ -	
Capital Contribution	£ -	
Contribution to Costs from:		
Market housing	£ 141,038,000	
Affordable Housing	£ 41,689,000	
- Social Rent	£ -	
- Affordable Rent	£ 41,689,000	
- Intermediate Rent	£ -	
- Equity Share	£ -	
- Shared Ownership	£ -	
Land Finance	£ -	
Planning Obligations	£ 17,250,000	
CIL	£ -	
Exceptional Costs	£ 8,750,000	
Alternative Site Values		
Existing Use Value	£ 5,000,000	
Acquisition Cost	£ -	
Alternative Use Value 1	£ -	
Alternative Use Value 2	£ -	
Alternative Use Value 3	£ -	
Against Residual		
Existing Use Value	£ 40,103,000	
Acquisition Cost	£ 45,103,000	
Alternative Use Value 1	£ 45,103,000	
Alternative Use Value 2	£ 45,103,000	
Alternative Use Value 3	£ 45,103,000	
Public Subsidy (Grant)		
Whole Scheme	£ -	
Per social rental dwelling	£ -	
Per affordable rented dwelling	£ -	
Per shared ownership dwelling	£ -	
<input type="button" value="Save Results"/>		
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<input type="button" value="Previous Page"/>		
All values are rounded to the nearest £1000.		

4.38 The residual value for the scheme of 1,150 dwellings is £48 million. The existing use value of the site is subject to a bespoke valuation which it is anticipated will be provided by the applicants. The existing use value is comprised from the redundant conference centre, golf course and agricultural land. I have put in a broad figure, based on limited comparables of some £5 million. As such the scheme will represent an uplift of some £40 million. As such, this should be considered a viable scheme.

4.39 The following assumptions apply to the appraisal:

- Developer return at 20% on gross development value of the market housing;
- 30% Affordable Housing;
- An allowance of £250,000 per developable hectare for potential additional green field infrastructure costs;
- An allowance of £15,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and Section 106 items other than Affordable Housing;

- There is some new commercial development proposed for this site, which I have included on a cost neutral basis.

Land at Crossing Road, Witham

Location

4.40 The site is located to the north of Witham and to the east of the Crossing Road, and to the north west of Conrad Road.

4.41 The site area is approximately 67.2 hectares.



Existing use

4.42 The site is Greenfield agricultural land with no previous planning history.

Capacity and nature of development

4.43 The site will accommodate up to approximately 1500 units in total.

It is anticipated that this will be family housing.

The scheme will accommodate a Care Home and Sheltered Housing.

The site should deliver community and educational facilities to support the existing and future needs of Witham.

Constraints

- 4.44 Flooding (Flood Zone) The land is located within Flood Risk Zone 1 and is therefore considered to be sustainable and suitable to bring forward for development in line with the principles of the NPPF and PPG.

Viability assumptions

- 4.45 The site is considered to be viable. The site should be delivered within 10 years, and at a rate of 85 to 100 dwellings per year.
- 4.46 The assumptions adopted in the High Level Testing have been used here, with anticipated selling prices in line with the Witham sub market.

Results

- 4.47 The results are shown in the screenshot below:

15 - Scheme Results (Residential Only)
Commercial revenue, costs, and residual values are recorded on P13 "Contribution from Commercial Elements"

Site Reference Details		Site Details	
Site Reference Number	0	Site	Land at Crossing Road, Witham
Application Number	0	Address	
Site Location	Braintree	Site	0
Scheme Description	0	Details	

Site Information		Density		Affordable Units		
Dwellings	1500	Dwellings / gross hectare	22.3			
Net Area (ha)	47	Dwellings / net hectare	31.9	Total	450.0	30%
Gross Area (ha)	67.2			Social rent	0.0	0%
				Affordable rent	450.0	30%
				Intermediate rent	0.0	0%
				Equity share	0.0	0%
				Shared Ownership	0.0	0%

Revenue and Costs		Residual Value	
Total scheme revenue	£ 358,470,000	Whole scheme (gross)	£ 64,529,000
Total scheme costs	£ 293,941,000	Rate for agents fees	2.00%
		Rate for legal fees	0.50%
		Rate for SDLT	4.00%
		Total SDLT and fees	£ 4,130,000
		Whole scheme (nett)	£ 60,399,000
		Per hectare (gross)	£ 899,000
		Per hectare (nett)	£ 1,285,000
		Per dwelling	£ 40,000
		Per market dwelling	£ 58,000

Contribution to Revenue from:		Alternative Site Values		Against Residual	
Market Housing	£ 296,785,000	Existing Use Value	£ 1,008,000	£ 59,391,000	
Affordable Housing	£ 62,685,000	Acquisition Cost	£ -	£ 60,399,000	
- Social Rent	£ -	Alternative Use Value 1	£ -	£ 60,399,000	
- Affordable Rent	£ 62,685,000	Alternative Use Value 2	£ -	£ 60,399,000	
- Intermediate Rent	£ -	Alternative Use Value 3	£ -	£ 60,399,000	
- Equity Share	£ -				
- Shared Ownership	£ -				
Capital Contribution	£ -				

Contribution to Costs from:		Public Subsidy (Grant)	
Market housing	£ 196,745,000	Whole Scheme	£ -
Affordable Housing	£ 57,896,000	Per social rental dwelling	£ -
- Social Rent	£ -	Per affordable rented dwelling	£ -
- Affordable Rent	£ 57,896,000	Per shared ownership dwelling	£ -
- Intermediate Rent	£ -		
- Equity Share	£ -		
- Shared Ownership	£ -		
Land Finance	£ -		
Planning Obligations	£ 22,500,000		
CIL	£ -		
Exceptional Costs	£ 16,800,000		

All values are rounded to the nearest £1000.

4.48 The residual value for the scheme of 1,500 dwellings is £65 million. The existing use value of the site is agricultural and estimated at around £1 million. This provides an uplift of some 65 fold which is considered viable.

4.49 The following assumptions apply to the appraisal:

- Developer return at 20% on gross development value of the market housing;
- 30% Affordable Housing;
- An allowance of £250,000 per developable hectare for potential additional green field infrastructure costs;
- An allowance of £15,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and Section 106 items other than Affordable Housing;

Lodge Farm, Hatfield Road, Witham

Location

4.50 The Lodge Farm site is located to the south west of Witham. The site is bordered to the north by the railway line, to the south by the B1389, to the east by existing housing development and to the west by open fields. The site has very good access to the A12 which runs to the south. The site is shown in the map below:



Existing use

4.51 The site is 35.6 hectares. The area is green field agricultural use.

Capacity and nature of development

4.52 The masterplans previously submitted indicated that Lodge Farm had capacity for at least 700 dwellings. Since this stage further more detailed work and testing has been undertaken regarding the quantum of development and alternative uses at Lodge Farm. It is considered based on work undertaken, that the site has capacity for 800 dwellings

4.53 There is provision made for a primary school; also enterprise units and community uses on the site.

Constraints

4.54 There are no significant identified constraints. SUDS will be required although this will be standard in most new large developments.

4.55 The site is reasonably well connected to existing utilities.

Viability assumptions

4.56 Detailed work has previously been undertaken on Lodge Farm to demonstrate deliverability of the site.

4.57 The site can be delivered within 10 years, according to the promoters.

4.58 The assumptions adopted in the High Level Testing have been used here, with anticipated selling prices in line with the Witham sub market.

Results

4.59 The results are shown in the screenshot below:

15 - Scheme Results (Residential Only)
Commercial revenue, costs, and residual values are recorded on P13 "Contribution from Commercial Elements"

Site Reference Details		Site Details	
Site Reference Number	0	Site	Lodge Farm, Witham
Application Number	0	Address	
Site Location	Braintree	Site	0
Scheme Description	0	Details	0

Site Information		Density		Affordable Units		
Dwellings	700	Dwellings / gross hectare	19.7	Total	Quantity	% of All Units
Nett Area (ha)	25	Dwellings / nett hectare	28.0	Social rent	210.0	30%
Gross Area (ha)	35.6			Affordable rent	210.0	30%
				Intermediate rent	0.0	0%
				Equity share	0.0	0%
				Shared Ownership	0.0	0%

Revenue and Costs		Residual Value	
Total scheme revenue	£ 167,286,000	Whole scheme (gross)	£ 31,704,000
Total scheme costs	£ 135,582,000	Rate for agents fees	2.00%
		Rate for legal fees	0.50%
		Rate for SDLT	4.00%
		Total SDLT and fees	£ 2,029,000
		Whole scheme (nett)	£ 29,675,000
		Per hectare (gross)	£ 834,000
		Per hectare (nett)	£ 1,187,000
		Per dwelling	£ 42,000
		Per market dwelling	£ 61,000

Contribution to Revenue from:		Alternative Site Values		Against Residual	
Market Housing	£ 138,033,000	Existing Use Value	£ 534,000	£	29,141,000
Affordable Housing	£ 29,253,000	Acquisition Cost	£ -	£	29,675,000
- Social Rent	£ -	Alternative Use Value 1	£ -	£	29,675,000
- Affordable Rent	£ 29,253,000	Alternative Use Value 2	£ -	£	29,675,000
- Intermediate Rent	£ -	Alternative Use Value 3	£ -	£	29,675,000
- Equity Share	£ -				
- Shared Ownership	£ -				
Capital Contribution	£ -				

Contribution to Costs from:		Public Subsidy (Grant)	
Market housing	£ 91,814,000	Whole Scheme	£ -
Affordable Housing	£ 27,018,000	Per social rental dwelling	£ -
- Social Rent	£ -	Per affordable rented dwelling	£ -
- Affordable Rent	£ 27,018,000	Per shared ownership dwelling	£ -
- Intermediate Rent	£ -		
- Equity Share	£ -		
- Shared Ownership	£ -		
Land Finance	£ -		
Planning Obligations	£ 10,500,000		
CIL	£ -		
Exceptional Costs	£ 6,250,000		

All values are rounded to the nearest £1000.

4.60 The residual value for the scheme of 700 dwellings is £32 million. The existing use value of the site is agricultural and estimated at around £500,000. This provides an uplift of some 64 fold which is considered viable.

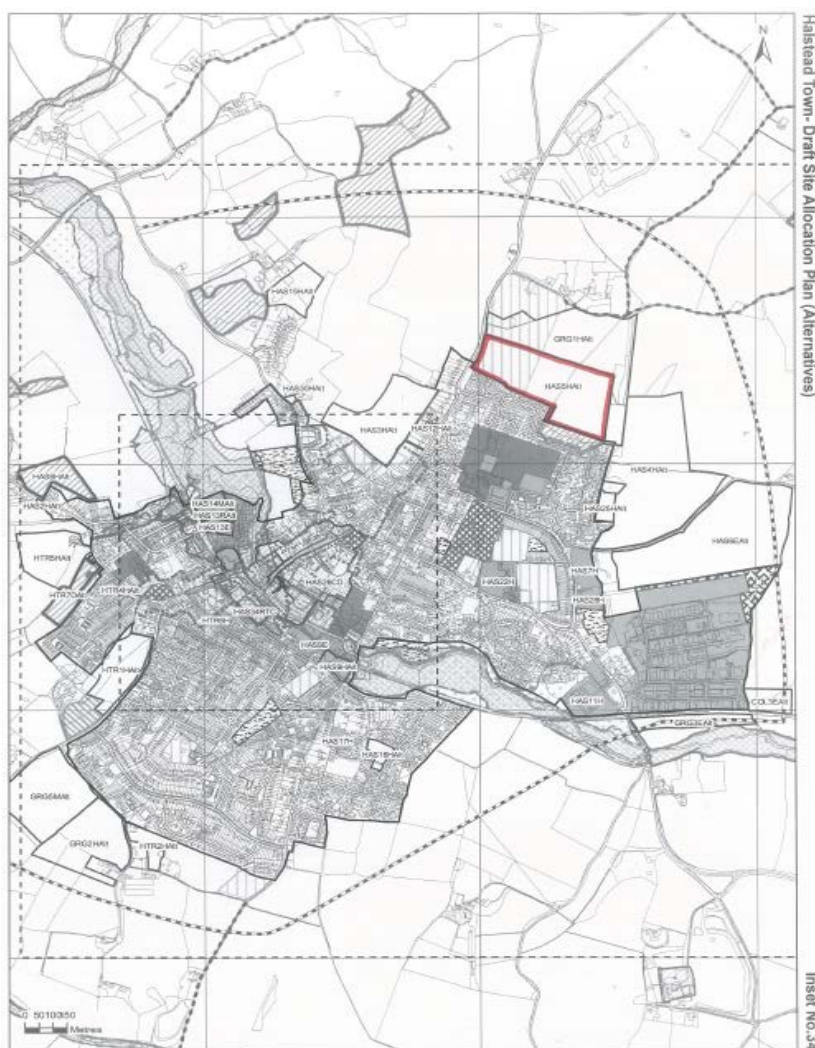
4.61 The following assumptions apply to the appraisal:

- Developer return at 20% on gross development value of the market housing;
- 30% Affordable Housing;
- An allowance of £250,000 per developable hectare for potential additional green field infrastructure costs;
- An allowance of £15,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and Section 106 items other than Affordable Housing;

The Sleights, Halstead

Location

- 4.62 This site, known as The Sleights, is located on the northern edge of Halstead and extends to approximately 10.3 hectares.
- 4.63 The site is bordered to the west by the A131 Sudbury Road, to the south by existing residential development, to the north by Halstead Cricket Club and to the east by open fields.



- 4.64 Access would be gained directly off Sudbury Road, (A131), by means of a traffic-calming roundabout and/or via culs-de-sac off the Churchill Way housing estate immediately to the south. There are opportunities to provide a landscaped Open Space along the northern boundary.

4.65 The land is well-placed to provide access within walking distance of Primary and Secondary Schools which lie just to the south between the Churchill Avenue estate and Colne Road.

Existing use

4.66 The site is agricultural green field.

Capacity and nature of development

4.67 The site is envisaged to be developed up to around 250 dwellings, including a mix of unit sizes and types.

Constraints

4.68 There are no significant constraints identified. The site is relatively flat and connectable to edge of village utility services.

Viability assumptions

4.69 Dwellings can be provided and occupied within the first five years of the Plan period.

4.70 The assumptions adopted in the High Level Testing have been used here, with anticipated selling prices in line with the Halstead sub market.

Results

4.71 The results are shown in the screenshot below:

15 - Scheme Results (Residential Only)
Commercial revenue, costs, and residual values are recorded on P13 "Contribution from Commercial Elements"

Site Reference Details		Site Details	
Site Reference Number	0	Site	The Sleights, Halstead
Application Number	0	Address	
Site Location	Braintree	Site Details	0
Scheme Description	0		

Site Information		Density		Affordable Units		
Dwellings	250	Dwellings / gross hectare	24.3	Total	Quantity	% of All Units
Net Area (ha)	7.21	Dwellings / nett hectare	34.7		75.0	30%
Gross Area (ha)	10.3			Social rent	0.0	0%
				Affordable rent	75.0	30%
				Intermediate rent	0.0	0%
				Equity share	0.0	0%
				Shared Ownership	0.0	0%

Revenue and Costs		Residual Value	
Total scheme revenue	£ 57,728,000	Whole scheme (gross)	£ 10,890,000
Total scheme costs	£ 46,838,000	Rate for agents fees	2.00%
		Rate for legal fees	0.50%
		Rate for SDLT	4.00%
		Total SDLT and fees	£ 697,000
		Whole scheme (nett)	£ 10,193,000
		Per hectare (gross)	£ 990,000
		Per hectare (nett)	£ 1,414,000
		Per dwelling	£ 41,000
		Per market dwelling	£ 58,000

Contribution to Revenue from:		Alternative Site Values		Against Residual	
Market Housing	£ 47,468,000	Existing Use Value	£ 155,000	£ 10,039,000	
Affordable Housing	£ 10,260,000	Acquisition Cost	£ -	£ 10,193,000	
- Social Rent	£ -	Alternative Use Value 1	£ -	£ 10,193,000	
- Affordable Rent	£ 10,260,000	Alternative Use Value 2	£ -	£ 10,193,000	
- Intermediate Rent	£ -	Alternative Use Value 3	£ -	£ 10,193,000	
- Equity Share	£ -				
- Shared Ownership	£ -				
Capital Contribution	£ -				

Contribution to Costs from:		Public Subsidy (Grant)	
Market housing	£ 31,823,000	Whole Scheme	£ -
Affordable Housing	£ 9,462,000	Per social rental dwelling	£ -
- Social Rent	£ -	Per affordable rented dwelling	£ -
- Affordable Rent	£ 9,462,000	Per shared ownership dwelling	£ -
- Intermediate Rent	£ -		
- Equity Share	£ -		
- Shared Ownership	£ -		
Land Finance	£ -		
Planning Obligations	£ 3,750,000		
CIL	£ -		
Exceptional Costs	£ 1,803,000		

All values are rounded to the nearest £1000.

4.72 The residual value for the scheme of 250 dwellings is £10.9 million. The existing use value of the site is agricultural and estimated at around £150,000. This provides an uplift of some 73 fold which is considered viable.

4.73 The following assumptions apply to the appraisal:

- Developer return at 20% on gross development value of the market housing;
- 30% Affordable Housing;
- An allowance of £250,000 per developable hectare for potential additional green field infrastructure costs;
- An allowance of £15,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and Section 106 items other than Affordable Housing;

Conclusions on the viability of strategic sites

4.74 An analysis of a sample of the larger sites (allocations and sites submitted under the Call for Sites programme) shows strong viability.

- 4.75 The bulk of housing will come from green field, and even allowing for additional infrastructure costs, residual values provide very significant and competitive land owner returns. In each case, a 20% developer return has been allowed for.
- 4.76 Some sites, notably, Straits Mill and Towerlands Park have commercial existing uses. In the case of the former, there will a replacement commercial element on a small part of the land; On Towerlands Park, the marketing process suggests only a low existing use value and hence a change to residential including Affordable Housing seems viable.
- 4.77 It should be stated that there still remains some 'firming up' to be done with respect to the viability assessment. Timing of development requires greater certainty and given that these are major sites, changes in the market will inevitably impact on viability. The Council will of course be expected to monitor these changes with time.

5 SMALL SITES AND THE AFFORDABLE HOUSING THRESHOLD

- 5.1 The High Level Testing (Chapter 3) is a good indicator of the viability of sites in the Braintree District. Viability is largely determined by location and hence the HLT provides the basis of policy setting for both Affordable Housing targets and thresholds.
- 5.2 The Council's policy currently distinguishes between sites in urban areas where 15 or more dwellings are proposed before an Affordable Housing contribution is sought, and rural areas, where the threshold trigger is five units (0.16 hectares).
- 5.3 The policy therefore assumes that in rural areas sites will be smaller and thus the Affordable Housing threshold should be lower.
- 5.4 In December 2014, Eric Pickles, Minister for the DCLG introduced a statement that exempted sites of 10 units and less from Section 106 contributions including Affordable Housing. This policy is now at judicial review in Berkshire (Reading and West Berkshire) who have challenged its legality in the light of extant local planning policies. Several London Boroughs have chosen to ignore the policy in a 'business as usual' way.
- 5.5 Because there is some doubt as to the effectiveness of the Ministerial Statement, there is merit in commenting on the nature of sites coming through the planning process which fall within the current 'grey' area.
- 5.6 Table 5.1 sets out schemes from the Key Service Villages and Other Villages which are currently Full and Outline planning consents.
- 5.7 There are several smaller sites (one to four dwellings) which could make up additional Affordable Housing supply, although the Council do not currently wish to reduce the Affordable Housing threshold below five units.
- 5.8 The sites typically include garage courts, builders' yards and storage areas. These are likely to be predominantly new build with conversions and changes of use taking place with very small schemes.

Table 5.1 Schemes with full or Outline planning consent in the villages (Key Service and Other Villages)

LDF allocation site reference/ Planning application reference	Parish/Ward	Name and address of site	Total Identified Supply 2012-2026
BTE/08/1377	Colne Engaine	Ex Haulage yard at 1 Mill Lane	5
BTE/10/0305	Steeple Bumpstead	Garage and land r/o 40-58 North St	5
BTE/09/1254	Silver End	Garage Court r/o shops Broadway	7
BTE/11/1019	Rayne	Garage Court at Capel Road Rayne (HA)	7
BTE/11/1633	Sible Hedingham	Park Court Alexandra Road	7
BTE/04/1469	Sible Hedingham	Adj The Village Hall	8
BTE/11/1258	Colne Engaine	Redundant builders yard Church Street	8
BTE/09/1116	Shalford	Builders yard Braintree Road	9
BTE/10/1248	Sturmer	The Spinning Wheel Rowley Hill	9
BTE/11/0938	Cressing	Ashes Garage The Street	9
BTE/11/1083	Gosfield	Between 4-12 Greenway	9
BTE/10/0642	Hatfield Peverel	Norah Guilder House Strutt Close	10
BTE/11/0399	Great Bardfield	Land at Braintree Road	12
SIB 06H BTE/11/0650	Sible Hedingham	Coopers Yard Swan Street	12

5.9 Two typical schemes are tested here.

Development of five houses including three detached and a pair of semis;

Development of eight houses including three detached, two semis and three terraces.

Development five houses

5.10 Table 5.2 sets out the residual values achieved for a scheme of five houses including detached and semis.

Table 5.2 Residual values: development of five houses

	0%	20%	30%	40%	50%
Three Fields	£810,000	£650,000	£570,000	£500,000	£420,000
Eastern Fringe	£640,000	£520,000	£460,000	£390,000	£340,000
Great Notley	£570,000	£460,000	£410,000	£350,000	£300,000
Northern Fringe	£460,000	£380,000	£330,000	£290,000	£250,000
Braintree	£420,000	£350,000	£310,000	£270,000	£230,000
Witham	£420,000	£340,000	£300,000	£260,000	£230,000
Halstead	£410,000	£330,000	£280,000	£260,000	£220,000

5.11 The RVs shown in the table demonstrate a range of figures which are generally robust. The main concern of this analysis is with the higher value sub markets, with RVs for Braintree, Witham and Halstead being less significant (with the threshold at 15 units).

5.12 The review of small sites (Table 5.1) suggests that storage areas/builders yards to be a good land value benchmark. Table 5.3 below sets out some comparables.

Table 5.3 Residual values: development of five houses

Location	Rent per Annum	Size (Ha)	Rent per Sq M	Yield	YP	Value per Sq M
North West London	£48,000	0.20	24	10	10.0	£240
Storage, Danbury	£4,800	0.03	16	11	9.1	£145
Hard Standing, Oxfordshire	£2,080	0.03	7	10	10.0	£69
Storage, Battlebridge	£7,800	0.03	26	11	9.1	£236
Hornchurch	£18,720	0.10	19	10	10.0	£187

5.13 Taking a rate of say £150 per square metre as being a reasonable marker, this would mean a site of say 0.2 hectare (five houses) will have a LVB of circa £300,000. On the basis of this, a 50% Affordable Housing contribution will be viable in three out of four rural sub markets, and between 30% and 40% viable in the Northern Fringe sub market.

Development eight houses

5.14 Table 5.4 sets out RVs for a development of eight houses. As previously (five houses), the figures are very robust in most sub markets.

	0%	20%	30%	40%	50%
Three Fields	£1,265,000	£1,017,000	£892,000	£769,000	£645,000
Eastern Fringe	£1,227,000	£987,000	£866,000	£746,000	£626,000
Great Notley	£890,000	£717,000	£630,000	£544,000	£458,000
Northern Fringe	£729,000	£377,000	£517,000	£447,000	£377,000
Braintree	£678,000	£547,000	£482,000	£417,000	£351,000
Witham	£676,000	£546,000	£480,000	£416,000	£350,000
Halstead	£642,000	£519,000	£457,000	£396,000	£334,000

5.15 For an eight dwelling development on the same type of site the LVB would be around £375,000. This would mean that even at 50% Affordable Housing in the Northern Fringe, development would be viable.

Conclusions

5.16 Typical examples of small site development in rural areas suggest strong viability. Further examples, for examples, based on back land, garden land or

other green field infill would be likely to generate a significantly greater viability position.

- 5.17 The recommendation is that the Council continue to seek Affordable Housing on small sites. There is no evidence to suggest that small sites are any less viable than large ones, and in the case of Braintree, Affordable Housing contributions are being sought in rural areas, where values are higher in all events.

CHAPTER 6 – BENCHMARKING AND VIABILITY: RESIDENTIAL

Benchmarks and policy development

- 6.1 There is no detailed guidance setting out how affordable targets should be assessed, based on an analysis of viability. The Harman guidance provides a helpful framework for developing policy, but this is not ‘step-by-step’ and does not provide specific information in relation to land owner return.
- 6.2 The (Harman) guidance does support the approach set out in Chapter 2 of this report; i.e. an EUV ‘Plus’ approach and sets out reservations about the ‘market value’ approach adopted in the RICS Planning and Viability paper. The Harman guidance is helpful in identifying situations where alternative use values (AUVs) might be adopted in lieu of EUVs. It places emphasis on setting land value benchmarks in the local context.
- 6.3 Generally however, an assessment of viability for policy setting purposes might have reference to a range of factors including: past and recent delivery of affordable housing, residual values, the relationship between residual values and existing use values, what have been found to be robust targets in similar authorities through the Local Plan process, the land supply equation and its relationship to the policy weight given to affordable housing delivery in the wider context of housing supply generally. To some extent, land owner expectations are also significant. The experience of the consultant, working in conjunction with the local authority and through developer workshops helps to arrive at a robust policy stance.
- 6.4 In the analysis carried out, it has been assumed that the developer obtains a return of equivalent 20% on gross development value for residential schemes. The question then is what assumption should be made about the level of return to the land owner.
- 6.5 This was a question posed to delegates at the Viability Workshop, although no specific responses were given. This is a not untypical response in these forums.
- 6.6 Assistance with land value benchmarks can be drawn from wider experience. The DCLG’s study on The Cumulative Impact of Policy Requirements (2011), suggested that a figure of £100,000 to £150,000 per gross acre (£247,000 to £370,500 per gross hectare) is a reasonable benchmark for green field land. Assuming a net to gross factor of around 70%, this would mean a land value benchmark on a net basis in the region of £400,000 per hectare.

6.7 Given that the bulk of development in Braintree will come through green field these benchmarks would seem to be a sound starting point. In practice I have allowed a benchmark of £500,000 per hectare for sites with an abnormally high net to gross ratio.

The buffer

6.8 When developing policy which aims to underpin delivery, it may be prudent to allow a 'buffer' to the land value benchmark to take account of additional costs. The case for the buffer can be argued to be superfluous if there is no similar contingency made on the revenue side of the equation.

6.9 However, the onus of the test of the robustness of a Local Development Plan seems to lie with the local authority, to show that the Plan can be delivered, rather than with the development industry, to show that it cannot.

6.10 The table (6.1) which follows shows the relationship between residual value (RV) and the Land Value Benchmarks (LVBs).

Table 6.1 Residual values and Land Value Benchmarks

35 DPH	Policy	RV at AH Policy	RV at AH Policy	LVB	Buffer	LVB Total	House Prices		LVB Adjusted	Surplus
Three Fields	40%	£4.10	£4,100,000	£500,000	£250,000	£750,000	£356,126	£273,306	£977,273	£3,122,727
Eastern Fringe	40%	£2.45	£2,450,000	£500,000	£250,000	£750,000	£314,716	£273,306	£863,636	£1,586,364
Great Notley	40%	£2.18	£2,180,000	£500,000	£250,000	£750,000	£298,152	£273,306	£818,182	£1,361,818
Northern Fringe	40%	£1.78	£1,780,000	£500,000	£250,000	£750,000	£273,306	£273,306	£750,000	£1,030,000
Braintree	30%	£1.93	£1,930,000	£500,000	£250,000	£750,000	£265,024	£273,306	£727,273	£1,202,727
Witham	30%	£1.92	£1,920,000	£500,000	£250,000	£750,000	£264,782	£273,306	£726,609	£1,193,391
Halstead	30%	£1.82	£1,820,000	£500,000	£250,000	£750,000	£259,724	£273,306	£712,729	£1,107,271

- 6.11 The table shows the RV at for each sub market at the policy level.
- 6.12 It then sets out the LVB baseline figure based on best practice. In the context of Braintree, this is around £500,000 per hectare it is asserted.
- 6.13 A buffer allowance of £250,000 per hectare is then made for, in the case of green field sites, additional infrastructure costs, and in the case of brown field sites, decontamination costs.
- 6.14 This brings the LVB to £750,000 per hectare. This figure is then adjusted by house prices, to make allowance for the likelihood that land owner expectations will vary between locations. This brings forward a LVB Adjusted figure.
- 6.15 The surplus for each sub market is then shown in the column on the right hand side.
- 6.16 This shows very significant surpluses, which range from £1.1 million per hectare up to £3.1 million per hectare.
- 6.17 These figures take into account the Affordable Housing target, a 20% return to developer, and a £10,000 per unit allowance for other (than Affordable Housing) Section 106 items such as highways, education and open space.

7 MAIN FINDINGS AND CONCLUSIONS

Review of objectives and report

- 7.1 The main objective of this study was to review the Council's Affordable Housing policy targets and thresholds in the light of viability. The report was to inform the Council on whether a policy change may be needed and to take account of market change since the baseline Affordable Housing report of 2009.
- 7.2 The Council require at this stage an updated evidence base for a new Local Plan. The new Plan is required following the withdrawal of the Regional Spatial Strategy and a review of the Council's overall housing requirements in the light of the NPPF (National Planning Policy Framework).

Analysis

- 7.3 The analysis has three elements; High Level Testing (a notional one hectare site under different market circumstances), an assessment of large and key sites and an analysis of smaller sites in rural areas.
- 7.4 The viability picture in Braintree is very strong in most locations. The East of England shows strong residual value generally, well in excess of land value benchmarks, which in Braintree can be argued to be low value agricultural.
- 7.5 Table 6.1 is key with respect to the High Level Testing. This shows very significant land owner surpluses taking into account developer return, Affordable Housing and other Section 106 contributions (here calculated at £10,000 per unit equivalent).
- 7.6 In the case of Three Fields the surplus is in excess of £3 million per hectare and in Halstead, in excess of £1 million per hectare. This presents therefore a situation where the Council should easily be achieving its policy targets for Affordable Housing. The question then is whether the Council wishes to increase the targets. The recommendation is that there is a good case to do this.
- 7.7 A range of large sites were tested (six in total). This analysis supports the conclusion that the Affordable Housing targets should be met on the key sites. The analysis made allowance of £15,000 per unit cover other (than Affordable Housing) necessary infrastructure.
- 7.8 The bulk of housing will come from green field, and even allowing for additional infrastructure costs, residual values provide very significant and competitive land owner returns. Some sites, notably, Straits Mill and Towerlands Park have commercial existing uses.

These may be more challenging, although they should nevertheless deliver Affordable Housing to policy.

- 7.9 The study looked (Chapter 5) at smaller sites with particular reference to rural areas. The analysis shows that there should be no significant challenges in deliver Affordable Housing on sites above 5 units.
- 7.10 The bigger question here is whether the Council should reduce its threshold below five units to capture a significant amount of additional supply which would be likely to deliver Affordable Housing contributions.
- 7.11 This would of course fall foul of the Ministerial Statement from December 2014 exempting sites of 10 units and less from Section 106 contributions. However this Statement is currently subject to a judicial review which may well overturn the Statement.
- 7.12 My view is that there is an evidence base here, and extensively from elsewhere, to support lower to support Affordable Housing contributions on small sites; indeed down to one unit, as many local authorities continue to seek to do.
- 7.13 The report has not concerned itself with CIL (Community Infrastructure Levy). However, it would be a relatively small step from this evidence base to develop a CIL Charge. This would of course need extending beyond the residential sector to include commercial and other uses.

Appendix 1

BRAINTREE DC AFFORDABLE HOUSING VIABILITY STUDY: WORKSHOP NOTES

29th May 2015 2 p.m. to 4 p.m.

Committee Room 1, Causeway House, Braintree

Delegates

Andrew Golland – Andrew Golland Associates
Stephen Williams – Hills Residential
Cllr Lady Patrica Newton – Braintree District Council
Andrew Epton – Braintree District Council
David Steel – Braintree District Council
Tim Lucas – Braintree District Council
Sandra Green – Braintree District Council
Tessa Lambert – Braintree District Council
Natalie Banks – Braintree District Council
Alan Massow – Braintree District Council
Sophie Robinson – Greenfields
Anna Chew - Countryside

Workshop Notes

A workshop was held on Friday 29th May 2015. Representatives of the development industry, landowners and RSLs were in attendance. In addition local authority housing and planning officers attended.

Braintree DC and Andrew Golland Associates would like to thank all who attended for their contributions.

At the workshop, Andrew Golland (AGA) gave a presentation summarising the methodology and outlining the process of higher level and detailed testing which would be carried out to determine viability for the purposes of reviewing the Local Plan.

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

1 Introduction

Andrew Golland Associates (AGA) has been commissioned to carry out an Affordable Housing Viability Study for the Council. The work will form a key element in the evidence base for the local authority's emerging Local Plan. This is in response to emerging housing numbers and the abolition of the RSS (Regional Spatial Strategy). The Council have recently completed and Issues and Scoping Consultation.

The purpose of the Workshop was to discuss the principles of viability and to agree an overall methodology for the study. In addition to obtain feedback on the draft assumptions for key variables, such as house prices, build costs and Affordable Housing revenues.

2 Basis for interpreting viability: land owner and developer return

AGA outlined the methodology of the viability model which is based upon scheme revenue versus development costs (including developer margin and S106 agreements). Braintree DC are currently using the DAT for their site specific negotiations.

Delegates agreed in principle to the general approach for assessing viability. This is by reference to residual scheme value and the existing use value of a site or another appropriate land value benchmark (LVB).

Important in deciding where to set the LVB are a number of factors:

- Land owner return should be competitive and realistic;
- Land supply is important. Local authorities who are short of development land are in a weaker position with respect to viability and may have to set the LVB at a relatively high rate;
- Much of the housing supply in Braintree is green field, with very low existing use value;

Affordable housing can be regarded as a 'hit' on land value although planning permissions with affordable housing normally raise land value well beyond current use values.

There was some discussion about the rates of developer return. Generally it was agreed that this should be based on Gross Development Value (GDV)

and with a range 17% to 20% depending on the nature of the site and/or the type of developer.

One delegate suggested that land values are running at around £850,000 to £1 million per acre (£2.1 million to £2.5 million per hectare) for large green field, although these figures do not take into account the requirement for Affordable Housing and other Section 106 requirements.

3 Overall methodology

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

It was emphasised that the approach will not preclude the rights of developers to negotiate on a scheme by scheme basis. Developers can demonstrate that where costs for example, are higher than those tested, and can be justified, policy might be relaxed.

Participants at the workshops did not express any particularly strong comments about the approach set out (see also PowerPoint which explains the approach diagrammatically). AGA explained that this was an approach which has been accepted elsewhere at Core Strategy Examinations.

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

It was explained that the study will also look at smaller sites with the aim of reviewing the Council's current position on Affordable Housing thresholds.

4 Sub markets and market values

A key part of the study will involve the analysis of viability at a sub market level. The initial AHVS (2009) established the current sub markets and it is proposed that the update study (2015) will retain these areas.

The PowerPoint presentation shows a table of areas. Participants were invited to submit comments on submarkets, as well as other aspects of the study, by email to AGA.

The prices are indicative new build for April 2015.

The following points are relevant:

- There were no objections to keeping the sub market areas as they were set up in 2009. A split target approach was understood and supported, although it should be noted that few negotiations have taken place with respect to Affordable Housing in the 40% band area since the Core Strategy was adopted in 2011.
- It was stated by one delegate that Witham is seen to be a higher value location than Braintree – are the sub markets correctly ordered?
- It was stated by one delegate that the price differential between Two Bed Flats and Two Bed Terraces should be larger across the board.

5 Density and development mix

AGA set out the suggested range of schemes which the DAT will test. These are set out in the PowerPoint Presentation.

It was agreed that the 80 dph test should be removed as there are only very few schemes coming forward at this density.

It was agreed that a test at 25 dph would help the overall analysis.

6 Development costs

AGA presented the proposed page that will be used for the testing framework. This is included in the PowerPoint presentation. It was explained that the base build costs per square metre will be calculated from the BCIS data source.

It was stated that AGA will test the analysis at a 20% equivalent return rate on gross development value for the market element of a scheme and at 6% for the affordable element of a scheme.

It was stated by one delegate that these costs look a bit low. A typical range of costs for Braintree is £1,050 to £1,400 per square metre. Higher costs

(up to £1,500) were quoted by another delegate although it was not clear in this case whether these included professional fees or not.

It was stated that the cost of raw materials is rising fast. One delegate cited bricks, which have risen from £225 per 1,000 to £400 per 1,000 in recent years.

On fees, these were generally agreed, although one delegate stated that marketing fees are generally higher with Sheltered Housing schemes.

7 Affordable housing tests and issues

AGA suggested a range of policy scenarios which should be tested and questioned whether they were reasonable. These are set out in the PowerPoint Presentation and reflect the policy positions.

We should test an 80%:20% split. This should be in favour of Affordable Rent and with Shared Ownership making up the remaining tenure.

The figures set out in the PPP were generally regarded as being a good marker for the Affordable Housing revenue.

8 Thresholds

There was some discussion about thresholds, Affordable Housing and viability. Dr Golland stated his experience that viability bears little relationship to scale of scheme. There is hence a case for testing very small sites for viability.

The Council however do not see much merit testing below five units. In part, this reflects the Secretary of State's recent pronouncement (December 2014) that schemes of 10 units and less should be exempt from Section 106 contributions.

9 Next Steps

If you could direct your comments to Andrew Golland at the email address below this would greatly assist in taking forward the Study.

Thank you

Andrew Golland drajg@btopenworld.com

Appendix 2 Method statement and assumptions

A2.1 Development Appraisal Toolkit (DAT)

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

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

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

A2.2 Indicative new build house prices

Indicative New Build Values										
	Flats		Terraces		Semis	Detached			Bungalows	
	One Bed	Two Bed	Two Bed	Three Bed	Three Bed	Three Bed	Four Bed	Five Bed	Two Bed	Three Bed
Three Fields	£196,693	£280,394	£298,248	£356,126	£361,200	£383,732	£428,452	£464,400	£315,792	£370,832
Eastern Fringe	£173,822	£247,790	£263,568	£314,716	£319,200	£339,112	£378,632	£410,400	£279,072	£327,712
Great Notley	£164,673	£234,749	£249,696	£298,152	£302,400	£321,264	£358,704	£388,800	£264,384	£310,464
Northern Fringe	£150,950	£215,186	£228,888	£273,306	£277,200	£294,492	£328,812	£356,400	£242,352	£284,592
Braintree	£146,376	£208,666	£221,952	£265,024	£268,800	£285,568	£318,848	£345,600	£235,008	£275,968
Witham	£146,232	£208,467	£221,747	£264,782	£268,558	£285,228	£318,587	£345,215	£234,791	£275,636
Halstead	£143,448	£204,492	£217,513	£259,724	£263,424	£279,857	£312,471	£338,688	£230,308	£270,449
Indicative values per square metre										
	Flats		Terraces		Semis	Detached			Bungalows	
	One Bed	Two Bed	Two Bed	Three Bed	Three Bed	Three Bed	Four Bed	Five Bed	Two Bed	Three Bed
Three Fields	£4,371	£4,248	£4,386	£4,343	£4,300	£4,171	£4,042	£3,870	£4,386	£4,214
Eastern Fringe	£3,863	£3,754	£3,876	£3,838	£3,800	£3,686	£3,572	£3,420	£3,876	£3,724
Great Notley	£3,659	£3,557	£3,672	£3,636	£3,600	£3,492	£3,384	£3,240	£3,672	£3,528
Northern Fringe	£3,354	£3,260	£3,366	£3,333	£3,300	£3,201	£3,102	£2,970	£3,366	£3,234
Braintree	£3,253	£3,162	£3,264	£3,232	£3,200	£3,104	£3,008	£2,880	£3,264	£3,136
Witham	£3,250	£3,159	£3,261	£3,229	£3,197	£3,100	£3,006	£2,877	£3,261	£3,132
Halstead	£3,188	£3,098	£3,199	£3,167	£3,136	£3,042	£2,948	£2,822	£3,199	£3,073
Sq M	45	66	68	82	84	92	106	120	72	88

A2.3 Density and development mix

	25	30	35	40	50
1 Bed Flats					5
2 Bed Flats				5	10
2 Bed Terraces		10	10	15	15
3 Bed Terraces	10	10	15	25	30
3 Bed Semis	20	30	35	25	25
3 Bed Detached	30	25	20	20	10
4 Bed Detached	30	20	20	10	5
5 Bed Detached	10	5			
Totals	100	100	100	100	100

A2.4 Unit sizes

Construction and development costs

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

9 - DEVELOPMENT COSTS

Build Costs per sq m

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

	Toolkit Values	User Values
Bungalows	£1,173	
Flats (3-5 storeys)	£1,072	£1,368
Flats (1-2 storeys)	£1,021	£1,368
Houses <= 75m2	£983	£1,159
Houses > 75m2	£983	£1,159

Build costs per sq m include preliminaries and external works.

Sustainable Homes Costs

Use these cells to enter costs for meeting

Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items. Where cells are left blank, the Toolkit value for that row will be used. If you have a fixed £ cost rather than a percentage of build cost you can enter the £ amount under exceptional development costs and set the user value below to 0%.

	Toolkit Values	User Values	
Professional Fees %	12.00%	10.00%	of total build costs
Interest Rate Market	7.00%		of market build costs (inc sustainable homes costs)
Interest Rate Affordable	7.00%		of affordable build costs (inc sustainable homes costs)
Marketing Fees Market	3.00%		of revenue (Market units)
Marketing Fees Affordable	0.00%		of revenue (SR, Aff, IR, ES and ShO units)
Developers Return	20.00%		of revenue market units (Market units)
Contractors Return	6.00%		of affordable build costs (SR, Aff, IR, ES and ShO units)
Agents Fees	2.00%		for land purchase
Legal Fees	0.50%		for land purchase
Land Financing Costs	£	-	Please see the Guidance Notes for use of this value

Appendix 3 High Level Testing Results (Residual values per hectare)

25 DPH	0%	10%	20%	30%	40%	50%
Three Fields	£3.91	£3.52	£3.13	£2.74	£2.35	£1.96
Eastern Fringe	£3.08	£2.77	£2.46	£2.12	£1.85	£1.54
Great Notley	£2.74	£2.47	£2.19	£1.92	£1.65	£1.38
Northern Fringe	£2.24	£2.01	£1.79	£1.57	£1.34	£1.12
Braintree	£2.08	£1.87	£1.66	£1.46	£1.25	£1.04
Witham	£2.07	£1.87	£1.66	£1.45	£1.24	£1.03
Halstead	£1.97	£1.77	£1.58	£1.38	£1.18	£0.98
30 DPH	0%	10%	20%	30%	40%	50%
Three Fields	£4.47	£4.03	£3.58	£3.13	£2.68	£2.24
Eastern Fringe	£3.52	£3.17	£2.82	£2.46	£2.11	£1.76
Great Notley	£3.14	£2.82	£2.51	£2.20	£1.88	£1.57
Northern Fringe	£2.56	£2.30	£2.05	£1.79	£1.54	£1.28
Braintree	£2.38	£2.14	£1.90	£1.66	£1.43	£1.19
Witham	£2.37	£2.13	£1.89	£1.65	£1.42	£1.18
Halstead	£2.25	£2.02	£1.80	£1.57	£1.35	£1.13
35 DPH	0%	10%	20%	30%	40%	50%
Three Fields	£5.13	£4.62	£4.10	£3.60	£4.10	£2.58
Eastern Fringe	£4.06	£3.69	£3.25	£2.85	£2.45	£2.05
Great Notley	£3.61	£3.25	£2.89	£2.53	£2.18	£1.82
Northern Fringe	£2.95	£2.66	£2.37	£2.08	£1.78	£1.49
Braintree	£2.74	£2.47	£2.20	£1.93	£1.66	£1.39
Witham	£2.73	£2.46	£2.19	£1.92	£1.65	£1.38
Halstead	£2.59	£2.34	£2.08	£1.82	£1.57	£1.31
40 DPH	0%	10%	20%	30%	40%	50%
Three Fields	£5.67	£5.07	£4.47	£3.88	£3.28	£2.69
Eastern Fringe	£4.48	£4.00	£3.52	£3.05	£2.57	£2.09
Great Notley	£3.99	£3.56	£3.13	£2.70	£2.28	£1.85
Northern Fringe	£3.27	£2.91	£2.56	£2.20	£1.84	£1.49
Braintree	£3.04	£2.71	£2.37	£2.04	£1.71	£1.37
Witham	£3.02	£2.70	£2.36	£2.03	£1.70	£1.36
Halstead	£2.88	£2.59	£2.30	£2.01	£1.72	£1.43
50 DPH	0%	10%	20%	30%	40%	50%
Three Fields	£6.70	£6.00	£5.32	£4.62	£3.93	£3.29
Eastern Fringe	£5.27	£4.73	£4.18	£3.63	£3.08	£2.53
Great Notley	£4.69	£4.20	£3.71	£3.22	£2.73	£2.24
Northern Fringe	£3.83	£3.43	£3.02	£2.61	£2.21	£1.80
Braintree	£3.55	£3.18	£2.79	£2.42	£2.04	£1.66
Witham	£3.54	£3.17	£2.79	£2.41	£2.03	£1.65
Halstead	£3.55	£3.17	£2.79	£2.41	£2.04	£1.66

Appendix 4

Worked example: 35 Dph – Braintree – 3% Affordable Housing

1 - SITE IDENTIFICATION

Site Details

Site Address

Site Reference

Application Number

Scheme Description

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

2 - SITE LOCATION

Use the drop down list to call up the relevant market area.

Local Authority

Market Area

3 - BASIC SITE INFORMATION

Site Area

Total Nett Size of Site hectares (You must enter values for both)
 Total Gross Size of Site hectares

Density / Number of Dwellings

Enter a number of dwellings (You must enter a value here)

Percentage Increase/Decrease in Density:

You may test the effect of a percentage increase/decrease in the site density by using the cell below

%

Resulting Number of Dwellings

Resulting Density dph (based on Nett site area)

4 - CHARACTERISTICS OF DEVELOPMENT

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

You then have 2 options for entering information about the scheme

EITHER, enter information for up to 20 dwelling types – each row must be either fully complete or left blank (enter 1 if information not relevant e.g. size of affordable unit but is a market unit)

OR select the Toolkit default mix by depressing the button called Use Default Unit Types

Ref	Description of Dwelling	No of Bed-Rooms	Dwelling Type	No of Units	Affordable floor area sq m	Market floor area sq m	Parking (flats only)	No. of Storeys (1-99)
1								
2								
3	2 Bed Terraces	2	House	4.0	70	68	n/a	n/a
4	3 Bed Terraces	3	House	5.0	84	82	n/a	n/a
5	3 Bed Semis	3	House	12.0	86	84	n/a	n/a
6	3 Bed Detached	3	House	7.0	90	92	n/a	n/a
7	4 Bed Detached	4	House	7.0	104	106	n/a	n/a
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total Number of units				35				

5 - MARKET VALUES

Current area: **Braintree**

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

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

You can enter your own values for each dwelling type or select the Toolkit default market values using the "Load Default Values" button.

Clear Table

Adjust market values: %

Hide Default Values <-

Ref	Unit Type	Bed-rooms	Market Value	Adjusted Market Value
1				
2				
3	2 Bed Terraces	2	£221,952	£222,000
4	3 Bed Terraces	3	£265,024	£265,000
5	3 Bed Semis	3	£268,800	£269,000
6	3 Bed Detached	3	£285,568	£286,000
7	4 Bed Detached	4	£318,848	£319,000
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

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6 - TENURE MIX

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

If you are not using a default mix then you may either enter units by percentage or by the exact number of units of each type for each tenure; in the table enter the exact number of units of each type for each tenure in the table. Whichever method is selected, ensure that relevant information is entered in the boxes at the bottom of the table.

Input by Percentages Input by Quantity

Clear Table

Ref.	Description	Market/ Sale	Rental Tenures			Lowcost Home Ownership		Total no of units		
			Social rent	Affordable Rent	Intermediate rent	Equity Share	Shared Ownership	Required No. of Units	Total affordable	Difference
1		70%		30%						
2										
3	2 Bed Terraces	2.8		1.2				4.0	1.2	2.8
4	3 Bed Terraces	3.5		1.5				5.0	1.5	3.5
5	3 Bed Semis	8.4		3.6				12.0	3.6	8.4
6	3 Bed Detached	4.9		2.1				7.0	2.1	4.9
7	4 Bed Detached	4.9		2.1				7.0	2.1	4.9
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
Total		24.5		10.5				35.0	10.5	24.5

Percentage purchased for Equity Share

Percentage purchased for Shared Ownership

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9 - DEVELOPMENT COSTS

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

Build Costs per sq m

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

	Toolkit Values	User Values
Bungalows	£1,173	
Flats (3-5 storeys)	£1,072	£1,368
Flats (1-2 storeys)	£1,021	£1,368
Houses <= 75m2	£983	£1,159
Houses > 75m2	£983	£1,159

Build costs per sq m include preliminaries and external works.

Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items. Where cells are left blank, the Toolkit value for that row will be used. If you have a fixed £ cost rather than a percentage of build cost you can enter the £ amount under exceptional development costs and set the user value below to 0%.

	Toolkit Values	User Values	
Professional Fees %	12.00%	10.00%	of total build costs
Interest Rate Market	7.00%		of market build costs (inc sustainable homes costs)
Interest Rate Affordable	7.00%		of affordable build costs (inc sustainable homes costs)
Marketing Fees Market	3.00%		of revenue (Market units)
Marketing Fees Affordable	0.00%		of revenue (SR, Aff, IR, ES and ShO units)
Developers Return	20.00%		of revenue market units (Market units)
Contractors Return	6.00%		of affordable build costs (SR, Aff, IR, ES and ShO units)
Agents Fees	2.00%		for land purchase
Legal Fees	0.50%		for land purchase

10 B - PLANNING OBLIGATIONS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear Table

CIL does not apply

For each type of contribution you may either enter a total figure for that row, or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter a value for the whole row, tick the respective "Enter Total?" box.

	Input by Total		Input by Unit					Calculated Total Market & Affordable	
	Enter Total?	User Total	Market / Sale	Affordable					
				Social rent	Affordable Rent	Intermediate rent	Equity Share	Shared Ownership	
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
Employment related training	<input type="checkbox"/>								£0
<Enter Planning Obligation Description here>	<input type="checkbox"/>								£0
<Enter Planning Obligation Description here>	<input type="checkbox"/>								£0
<Enter Planning Obligation Description here>	<input type="checkbox"/>								£0
Obligations per Unit		£10,000	Over-rides all rows above (optional)						
Contribution from Commercial									
Scheme Total			£350,000						
Scheme Total per net hectare			£350,000						
Scheme Total per total number of units			£10,000						
Scheme Total per total market units			£14,286						

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12 A - SCHEME REVENUE FROM AFFORDABLE HOUSING

Please choose the method by which the payment is made by the affordable housing provider to the developer

- Payment by affordable housing provider to developer is calculated by the Toolkit
- Payment by affordable housing provider to developer is fixed and is a known amount

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12 B - KNOWN PAYMENT FOR AFFORDABLE HOUSING

ALWAYS DEPRESS THE CLEAR PAGE BUTTON FIRST

Clear Page

Enter a known payment from the affordable housing provider either by unit, as a total sum for each tenure or as a total across the five affordable tenures shown on this page.

	Affordable Housing Tenures					Total
	Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership	Affordable Units
Number of units	0.0	10.5	0.0	0.0	0.0	11
Payment by Unit		£ 136,800				
Or Payment by Tenure						
Or Scheme Total	Enter a lump sum payment for Affordable Housing					
Tenure Total	£ -	£ 1,436,400	£ -	£ -	£ -	
Method by which Affordable Housing Revenue is calculated	N/A	By Unit	N/A	N/A	N/A	
Total Known Payment for Affordable Housing	£ 1,436,400					

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15 - Scheme Results (Residential Only)

Commercial revenue, costs, and residual values are recorded on P13 "Contribution from Commercial Elements"

Site Reference Details	
Site Reference Number	Notional One Hectare Site
Application Number	0
Site Location	Braintree
Scheme Description	0

Site Details	
Site	Braintree 35 DPH
Address	
Site Details	0

Site Information	
Dwellings	35
Nett Area (ha)	1
Gross Area (ha)	1

Density	
Dwellings / gross hectare	35.0
Dwellings / nett hectare	35.0

Affordable Units		
	Quantity	% of All Units
Total	10.5	30%
Social rent	0.0	0%
Affordable rent	10.5	30%
Intermediate rent	0.0	0%
Equity share	0.0	0%
Shared Ownership	0.0	0%

Revenue and Costs	
Total scheme revenue	£ 8,209,000
Total scheme costs	£ 6,149,000

Residual Value	
Whole scheme (gross)	£ 2,060,000
Rate for agents fees	2.00%
Rate for legal fees	0.50%
Rate for SDLT	4.00%
Total SDLT and fees	£ 132,000
Whole scheme (nett)	£ 1,928,000
Per hectare (gross)	£ 1,928,000
Per hectare (nett)	£ 1,928,000
Per dwelling	£ 55,000
Per market dwelling	£ 79,000

Contribution to Revenue from:	
Market Housing	£ 6,773,000
Affordable Housing	£ 1,436,000
- Social Rent	£ -
- Affordable Rent	£ 1,436,000
- Intermediate Rent	£ -
- Equity Share	£ -
- Shared Ownership	£ -
Capital Contribution	£ -

Alternative Site Values		Against Residual
Existing Use Value	£ -	£ 1,928,000
Acquisition Cost	£ -	£ 1,928,000
Alternative Use Value 1	£ -	£ 1,928,000
Alternative Use Value 2	£ -	£ 1,928,000
Alternative Use Value 3	£ -	£ 1,928,000

Contribution to Costs from:	
Market housing	£ 4,478,000
Affordable Housing	£ 1,322,000
- Social Rent	£ -
- Affordable Rent	£ 1,322,000
- Intermediate Rent	£ -
- Equity Share	£ -
- Shared Ownership	£ -
Land Finance	£ -
Planning Obligations	£ 350,000
CIL	£ -
Exceptional Costs	£ -

Public Subsidy (Grant)	
Whole Scheme	£ -
Per social rental dwelling	£ -
Per affordable rented dwelling	£ -
Per shared ownership dwelling	£ -

Save Results

View Results

Cost Components

DCF

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All values are rounded to the nearest £1000.

GLOSSARY OF TERMS

A

Abnormal Development Costs: Costs associated with difficult ground conditions e.g. contamination.

Affordable Housing: As defined in PPS3 as housing that includes Social Rented and Intermediate Affordable housing.

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

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

B

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

C

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

Community Infrastructure Levy: A levy raised by local authorities from developers and land owners in order to cover the costs of providing infrastructure, where the form of provision can include physical, social and environmental infrastructure. The levy is charged on a per square metre basis across a range of development uses.

D

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

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

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

E

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

F

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

G

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

I

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

L

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

Local Development Framework (LDF): a folder of planning documents encompassing DPDs (Development Plan Documents) and SPDs (Supplementary Planning Documents)

M

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

P

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

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

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

R

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

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

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

S

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

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

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

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

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

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

T

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

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

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

V

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