

Cambridge City Council Local Plan Review - Viability

Supplementary Report Small Sites – Affordable Housing Viability

FINAL REPORT

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**Dixon Searle LLP
The Old Hayloft
28C Headley Road
Grayshott
Hindhead
GU26 6LD**

www.dixonsearle.co.uk



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Notes and limitations

This has been a desk-top exercise based on information provided by Cambridge City Council, supplemented with information gathered by and assumptions made by DSP appropriate to the current stage of review and to inform the Council's on-going work with regard to the potential for sites in the range between 2 and 14 units to contribute towards the provision of affordable housing either on-site or via a financial contribution.

This study has been carried out using well recognised residual valuation techniques by consultants highly experienced in the production of strategic viability assessments for local authority policy development. In order to carry out this type of study a large number of assumptions are required alongside a large quantity of data which rarely fits all eventualities. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) generated – the RLVs generated by the development appraisals for this study will not necessarily reflect site specific circumstances. Therefore this assessment (as with similar studies of its type) is not intended to prescribe land values or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments having varying characteristics come forward. Nevertheless, the assumptions used within this study reflect the policy requirements of the Council as known the time of carrying out this study and therefore take into account the cumulative cost effects of policy where those are relevant.

It should be noted that every scheme is different and no study of this nature can reflect the variances seen in site specific cases. Specific assumptions and values applied for our schemes are unlikely to be appropriate for all developments and a degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and informing the Council's affordable housing policy decision making processes.

This report sets out parameters and options for the Council in relation to affordable housing policy development from a viability perspective to inform policy development alongside wider policy considerations and overall priorities (wider planning objectives for the City and its Community).

It must be recognised that this planning based tool for securing affordable housing relies on market-led processes. We have to place an emphasis on the need for a practical approach to

be taken by Council, bearing in mind development. By this we mean the Council being adaptable also to market housing scheme needs, being prepared to negotiate and consider varying solutions, and being responsive to varying scheme types and circumstances. The various components of a scheme will need to be considered in terms of the level of need for market and affordable homes, their successful integration and tenure mixes. This will involve considering local needs, scheme location, type, design, management, affordability, dwelling mix, tenure, funding, numbers rounding and the like in formulating the detail from the targets basis – so, taking a view on how these things come together to impact and benefit schemes, by looking at what works best to optimise provision in the given circumstances.

In carrying out this assessment from the necessary strategic viewpoint, it is assumed that there will be a variety of market conditions during the life of the Local Plan, including periods in which we will see more stable and confident economic and property market conditions.

The review of development viability is not an exact science. There can be no definite viability cut off point owing to variation in site specific circumstances. These include the land ownership situation. It is not appropriate to assume that because a development appears to produce some land value (or in some cases even value equivalent to an existing / alternative use), the land will change hands and the development proceed. This principle will in some cases extend to land owners expecting or requiring the land price to reach a higher level, perhaps even significantly above that related to an existing or alternative land use. This might be referred to as a premium, “overbid” or sufficient level of incentive to sell. In some specific cases, whilst weighing up overall planning objectives to be achieved, therefore, the proposals may need to be viewed alongside the owner’s enjoyment / use of the land, and a potential “overbid” relative to existing use value or perhaps to an alternative use that the site may be put to. In practice, whether and to what extent an active market exists for an existing or alternative use will be a key part of determining whether or how site discussions develop. This could result in highly variable circumstances and requirements. The general decline we have seen in the demand for and the value of commercial property may be a significant factor in land value expectations and the strength of existing / alternative (comparative) use values in some instances. Land value expectations will need to be realistic and reflective of the opportunities offered by, and constraints associated with, particular sites and schemes.

The high level viability testing is intended to indicate to the Council if there is any potential for the provision of affordable housing on sites of between 2 and 9 units either via on-site provision or through a financial contribution.

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle LLP (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

To the extent that the document is based on information supplied by others, Dixon Searle LLP accepts no liability for any loss or damage suffered by the client or others who choose rely on it.

In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies continue to be applied practically from case to case.

1. Introduction

1.1 Cambridge City Council is in the process of reviewing its Local Plan policies to plan and manage development to 2031. Dixon Searle Partnership (DSP) have been carrying out viability assessment work for the City Council, undertaken to inform and support the development of the Local Plan, Community Infrastructure Levy (CIL) and SHLAA / potential allocation sites across the City. The Council has subsequently commissioned DSP to carry out a high level assessment of the likely potential for the Council to request the provision of affordable housing on smaller sites than currently requested through the adopted Local Plan (15 units). This may be either through on-site provision of affordable housing or via a financial contribution mechanism

1.1 Policy 5/5 – ‘Meeting Housing Needs’¹ of the Council’s current and adopted Local Plan approach seeks the following:

‘Housing developments on sites of 0.5 hectares or more and all developments including an element of housing which have 15 or more dwellings will only be permitted if they provide an agreed mix of affordable housing types to meet housing needs. The Council will seek as affordable housing 40% or more of the dwellings or an equivalent site area’

1.2 The adopted Local Plan does not currently seek affordable housing from sites of less than 15 dwellings. However, the emerging Cambridge Local Plan 2014² sets out a requirement for a sliding scale approach to affordable housing from sites of 10 or more units (effectively lowering the affordable housing threshold). Policy 45 of that document sets out the following approach:

‘Housing developments on sites of 0.3 hectares or more and all developments capable of acceptably delivering 10 or more dwellings will be permitted, if they provide an appropriate mix of Affordable Housing types to meet the range of Affordable Housing needed in Cambridge. The number of Affordable Housing units which will be sought is set out below:

¹ Cambridge City Council – Cambridge Local Plan 2006

² Cambridge City Council – Cambridge Local Plan 2014: Draft Submission (2013)

Number of units	Percentage of Affordable Housing required (minimum)	Number of Affordable Housing units to be delivered (rounded to the nearest whole number) (minimum)
10	20%	2
11	24%	3
12	28%	3
13	32%	4
14	36%	5
15 or more	40% or more	6 or more

- 1.3 Within the overall requirement for housing across the City, the demand for affordable housing is a major issue for the City. Given the high level of need for affordable housing across the City the Council asked DSP to consider the viability of introducing a requirement for affordable housing provision on sites of less than 10 dwellings by reducing or removing the affordable housing threshold so that the burden of providing the much needed affordable housing (or in some cases making financial contributions towards meeting needs) falls more equitably across a greater range of sites.
- 1.4 The aim of this report is to consider the potential for affordable housing to be sought (either on-site or via a financial contribution) from sites across the city of less than 10 dwellings and whether it is viable to do so. The reduction in affordable housing threshold to 10 units alongside the introduction of a sliding scale of requirements between 10 and 14 units has been tested previously and as such is not included in the scope of this report except for additional context.
- 1.5 This study assesses the (financial) capacity of residential development schemes in the City to deliver affordable housing without their viability being unduly affected. This report is part of a series of reports commissioned by the City Council to investigate the viability of emerging Local Plan policies³⁴. This study uses the same principles as set out in the previous viability work for the Council and as such this report does not repeat the detail set out in those reports. This report should therefore be read in the context of both the Community Infrastructure Levy (CIL) and SHLAA / Site Allocations viability documents.

³ DSP – Cambridge City Council Local Plan Review – Viability: Community Infrastructure Levy Viability Assessment (February 2013)

⁴ DSP – Cambridge City Council Local Plan – SHLAA and Potential Site Allocations High Level Viability Assessment (2013)

- 1.6 This report is written in the context of developing suitable affordable housing policies which aim to strike an appropriate balance between affordable housing needs and scheme viability, bearing in mind the need to also maintain overall housing supply. The study was carried out in accordance with the requirements of the National Planning Policy Framework.
- 1.7 Paragraphs 173-174 of the NPPF, in particular, deal with the Government's approach by placing an emphasis upon ensuring the viability and deliverability of proposed development, and states that:

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

'Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.'

- 1.8 The NPPF at paragraph 50 also states on affordable housing:

'where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve

or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.'

- 1.9 Within the Glossary of the NPPF, the Government defines affordable housing as follows:

***'Affordable housing:** Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.*

***Social rented** housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.*

***Affordable rented** housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).*

***Intermediate housing** is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.*

Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.’

- 1.10 It is important that the Council’s policies do not deter development through unduly reducing the supply of land brought forward for residential development more widely. Any policy must balance delivery of affordable housing and planning obligations with maintaining sufficient incentive (reasonable land value levels) for landowners to release land – allowing developers to promote and bring forward schemes. These are key drivers behind the Council’s viability study work.
- 1.11 This study tests a range of affordable housing options on sites of between 2 and 14 dwellings by running development appraisals on a variety of development scenarios or site typologies that reflect the nature of development coming forward across the City. These scenarios reflect and add to those tested within the earlier viability reports for the Council. This enables us to test the impact of affordable housing both through on-site provision and via a financial contribution mechanism. As a key part of the process we also considered viability over a range of values (‘value levels’) evidenced by our research, so that we could test how viability varies with location within the City and could also change over time taking into account variations to market conditions.
- 1.12 This study tests a range of affordable housing proportions over a number of site sizes (thresholds) of notional site types and sizes, in accordance with the most established methodology for this purpose.
- 1.13 This study has been carried out at the request of Cambridge City Council to help inform the Council as to whether the inclusion of affordable housing policies relating to small sites is viable. This study uses the same methodology and development assumptions as used for the CIL and SHLAA viability work and takes into account the implications of affordable housing revenue, changes to market conditions, the Council’s proposed sustainable design and construction and other relevant policies. CIL is assumed at the level set out in the Councils Preliminary Draft Charging Schedule (PDCS) - £125/m².

2. Methodology

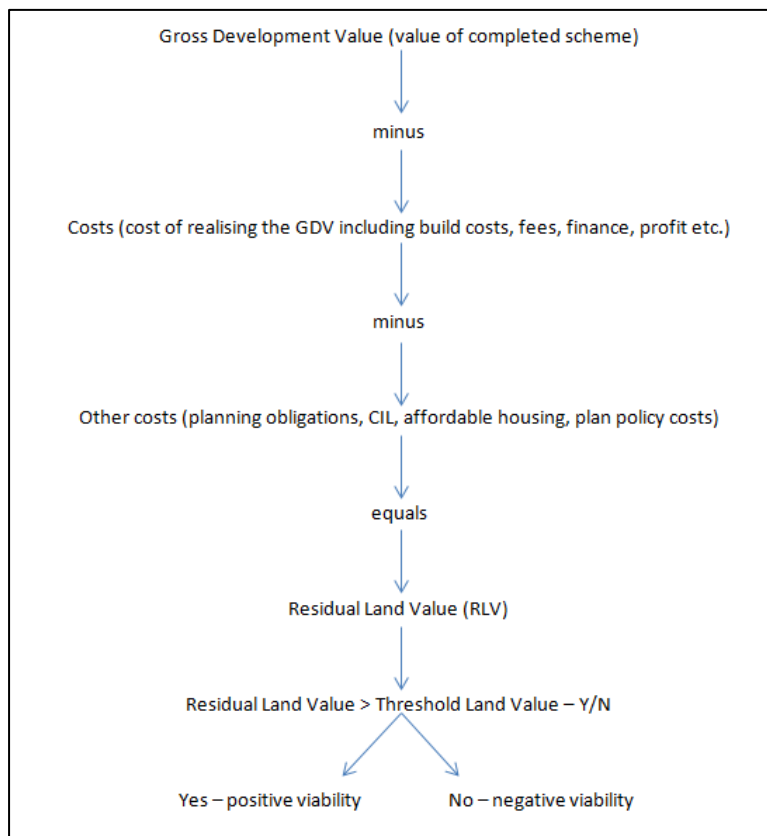
2.1 Approach

- 2.1.1 The approach used to carry out the modelling for this exercise is to use residual land valuation appraisal techniques to determine the potential for sites of between 2 and 9 dwellings to produce a sufficient surplus to contribute towards affordable housing.
- 2.1.2 In order to determine the likely impact of the Council's affordable housing policies on the viability of residential development in the City we need to review what effect the introduction of affordable housing may have on the value of a potential development site, whilst also allowing for a range of other development requirements and costs.
- 2.1.3 Affordable housing has a significant impact on overall development viability because invariably it produces a significantly lower level of revenue compared with that from the market sale housing; but costs broadly the same to build.
- 2.1.4 This study applies the same principles, methodology and assumptions as for the Council's earlier Local Plan Viability work^{5 6}. Put simply, the residual land value (RLV) produced by the potential development under review is calculated by subtracting the costs of achieving that development from the revenue generated by the completed scheme (again, the GDV). The application of these principles is consistent with the approach that underpins the wider viability assessment work and with the established approach used in most similar viability studies as well as for more detailed site-specific assessments; an area of work that DSP is also engaged in on a daily basis.
- 2.1.5 The diagram below illustrates the principal by showing the basic relationship (the strength of the relationship between development values and costs that is being explored in all such viability work:

⁵ DSP – Cambridge City Council Local Plan Review – Viability: Community Infrastructure Levy Viability Assessment (February 2013)

⁶ DSP – Cambridge City Council Local Plan – SHLAA and Potential Site Allocations High Level Viability Assessment (2013)

Figure 1: Residual Land Value



2.1.6 A viable development can be defined as *“the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project”*⁷. Under normal circumstances, if the residual land value (RLV) created by a scheme proposal exceeds the existing or alternative use value (sometimes with an element of uplift required to incentivise the sale of the land) then we usually have a positive viability scenario – i.e. the scheme is much more likely to proceed.

2.1.7 Having determined the RLV results for each development scheme typology and each sensitivity testing layer through running a large range of these appraisal calculations, we then need to compare those results with a range of land value levels that could relate to potential existing / alternative site uses. This comparison can vary significantly. The level of land value sufficient to encourage the release of a site for development is, in practice, a site specific and highly subjective matter. It often relates to a range of factors including the actual site characteristics and/or the specific requirements or circumstances of the landowner. For the purposes of this

⁷ Financial Viability in planning – RICS Guidance note (August 2012)

report we have taken a very high level view on the potential threshold land values (land value comparison levels).

- 2.1.8 The ability of a scheme to produce a residual land value in excess of some form of comparative land value (existing or alternative use value, potentially plus a premium to incentivise release of land for development depending on the circumstances) is a key factor in determining development viability. If insufficient value is created by a development proposal then land will not come forward for development, ultimately putting at risk the Council's housing targets (for both open market and affordable) if this becomes too regular an occurrence. This also has important implications for the appropriate wording of the policy so that it will be applied sufficiently practically as development circumstances vary.
- 2.1.9 For a majority of sites, which are comprised of previously developed land (PDL) currently or previously in a range of commercial / non-residential uses, the Local Plan / SHLAA study compared the RLVs with a bracket of land values from £850,000/ha to £1.5m/ha with RLVs exceeding the upper end of that range producing the best viability prospects. For the purposes of this study however, a land value benchmark comparison has also been set at the higher level considered within the CIL/Local Plan viability assessment – i.e. £2.9m/ha representing a generous residential benchmark land value and potentially representative of the smaller site scenarios being tested here. It is key to understand that if either the existing use value or alternative use value of any of the sites is greater than the residual land value figures generated then development of either residential or student accommodation will not take place.
- 2.1.10 The following section sets out brief details on the methodology; highlighting the key appraisal assumptions. Appendix I also sets out a summary of the key assumptions used for appraising each site including site size, density, housing numbers, tenure mix, dwelling mix, market sales values, build cost and fees assumptions, profit levels and CIL rate.
- 2.1.11 The other key methodology points to draw out here is the inclusion of the following amongst the cost allowances made in generating the RLVs:
- Affordable housing applied on-site at 20%, 30% and 36% on sites of 5, 9, 10 and 14 dwellings;

- Affordable housing applied (via a financial contribution) at 10%, 20%, 30% and 36% equivalent on sites of 2, 4, 5, 9, 10 and 14 dwellings;
- CIL payments assumed at £125/sq. m on commencement of construction. This level is applied to all assumed market housing within each site scenario as a fixed cost, based on the CIL viability study recommended level (single City-wide charging rate) which has been included within the Council's Preliminary Draft Charging Schedule proposals published for consultation. CIL is not chargeable on the affordable housing elements of schemes, as stipulated by the Regulations;
- Again as per the Local Plan/ CIL viability study, £1,000 per dwelling s.106 contribution, as a potential additional contingency but also representing the possibility that on some schemes at least, a level of s.106 obligation may be needed alongside CIL to deal with site-specific mitigation matters (and in addition to the affordable housing, which would also continue to be secured via s.106).

2.1.12 The main assumptions and results are set out in Appendix I and II to this report, the components of which are as follows:

- Appendix I - 'Small Sites Affordable Housing Viability' – provides an overview of the residential assumptions used within all residential appraisals. The assumptions have been set consistently with those used in DSP's CIL and Local Plan viability assessment.
- Appendix II – 'Results Summary', includes basic site details and indicated residual land values both as a total amount (£) and expressed as a sum per hectare (£/ha).

2.1.13 The following text provides some background to some of the main development assumptions used in this study. It does not restate all of the assumptions information contained within Appendix I and II and that should be referred to for the detail. Similarly, the background research and detail behind the assumptions (including sources, etc.) are provided in the Local Plan CIL Viability Study ('Cambridge City Council Local Plan Review – Viability - Community Infrastructure Levy Viability Assessment - Ref: DSP 12120 - February 2013') – by DSP. Appendix III of that study provides relevant market commentary and in depth information on residential values in the City.

2.3 Sites & Residential Assumptions

- 2.3.1 The site types used in this study reflect the types of sites that could come forward for residential development across the City but more importantly were chosen to reflect thresholds at which affordable housing may or may not be sought and points at which a switch in proportion could be tested. For each site a notional mix of residential dwellings was used. The sites tested consisted of 2, 4, 5, 9, 10 and 14 dwellings (as set out in Appendix I).
- 2.3.2 All of the assumptions used in formulating the notional schemes on each of the site types are as per the Council's Local Plan / SHLAA viability study. Appendix I and II should be referred to for the detail of each scheme type including unit mix and density.
- 2.3.3 Affordable housing has been assumed at a level in full compliance with both the Council's adopted and emerging policy position (with a tenure mix reflecting 75% affordable rent / 25% intermediate (shared ownership in this case). The value of the affordable rented and shared ownership element of each scheme has again been based on figures calculated in the Council's Local Plan / SHLAA study. Effectively the value of the affordable housing is based on the capitalised value of the net rental stream (affordable rent) or capitalised net rental stream and capital value of retained equity (in the case of low cost/affordable home ownership – i.e. typically shared ownership). In determining the payment that an RP would make for affordable housing in broad terms, the average transfer price assumed in this study varies between approximately 37% and 65% of market value (MV) dependent on tenure, unit type – calculated through running Registered Provider type financial appraisals. The rents used were based on rents at 65% of market rent, capped by the Local Housing Allowance where necessary.
- 2.3.4 Where the appraisals have assumed a financial contributions approach to affordable housing (rather than provision on-site), a mechanism has needed to be adopted to calculate a reasonable contribution. *For the purposes of this study only* we have based the calculation on a methodology adopted by local authorities elsewhere and as devised and supported by DSP in the past. Effectively this seeks a financial contribution that would allow affordable housing providers to secure the land in lieu of and equivalent to on-site provision. This is based on the land subsidy (cost benefit) that would be provided on-site if the developer were reimbursed reasonable build

costs for the on-site affordable homes provision. In summary the calculation steps are as follows:

- Step 1 – Open Market Value (OMV) of the relevant or comparative development
- Step 2 – Multiply the OMV (Step 1) by the residual land value percentage (29.9%)
- Step 3 – Add 15% of the result of Step 2 to reflect site acquisition and servicing costs.
- Step 4 – Apply the affordable housing policy percentage (i.e. Step 3 x 10%, 20% or 30%)

2.3.5 The residual land value percentage as a percentage of GDV is itself an average of the results of the appraisals carried out with 0% affordable housing (creating in this instance an average RLV a percentage of GDV of 29.9%).

2.3.6 There are many possible routes, to calculating a financial contribution. Ultimately there are various options for the Council to consider, depending on the level of complexity thought appropriate in the local circumstances; and the degree of resourcing the various routes might need in terms of guidance, updating and site specific discussions / negotiations.

2.3.7 There is no Government or other formal requirement, or widely recognized guidance, as to how affordable housing contributions of this type should be calculated or set out. In essence, the precise calculation method and accompanying text is a means to an end in that the important aspects are to arrive at a suitable figure or figures which can be clearly explained; and that do not unduly affect development viability so that site supply is not restricted by the implementation of the approach.

2.3.8 For the purposes of this study we have assumed a residual land value percentage of 29.9%, as above. In practice this value may need to be reviewed should this mechanism be utilized in calculating financial contributions. As an example with our 4 unit housing scheme example at Value Level 3, the financial contribution would be equivalent to the following (4 x 3-bed houses):

A – GDV (3-bed house) = £336,000

B - Residual land value percentage = 29.9%

C – Uplift for servicing costs = 15%

D – Affordable Housing Proportion

E – Number of units

$(A \times B + C) \times D \times E = \text{Financial Contribution}$

$£336,000 \times 0.299 \times 1.15 \times 0.1 \times 4 = £46,213$

2.3.9 Ultimately there are various other options that the Council could consider, depending on the level of complexity thought appropriate in the local circumstances; and the degree of resourcing the various routes might need in terms of guidance, updating and site specific discussions / negotiations.

2.3.10 Unit sizes, build costs, sales values, developer's profit, finance, survey costs, fees, contingencies, sustainable design and construction costs, marketing and sales costs and site acquisition costs are all shown in Appendix I.

3 Results & Conclusions

Background

- 3.1.1 The results are all shown within the appendices and will not be discussed in detail here. For each site type appraisals have been undertaken as reflected in the results show in Appendix II (Results Summary). The appraisals have been carried out on the basis of provision of affordable housing on-site (sites of 5, 9, 10 and 14 units) and / or through via the provision of a financial contribution towards affordable housing (all sites). Tables 1 and 2 (sites of 2 and 4 units) only indicate the results of a financial contribution approach to affordable housing. Tables 3 – 6 indicate the results of both approaches to affordable housing provision.
- 3.1.2 The results of the appraisals indicate a residual land value (the value once all development costs are subtracted from the gross development value including finance and profit). The residual land value is then also indicated as a per hectare figure (£/ha) for comparison with benchmark land values (shown beneath each table). The coloured cells then provide an indication of the result (in £ /ha) as it compares to each of the land value benchmarks.
- 3.1.3 It is important to note that the colour-coding at Appendix II provides only a rough guide to the trends – it helps to highlight the general results trends. Based on the accepted nature of such an exercise, i.e. this not being an exact science, this must not be over-interpreted as representing any strict cut-offs as regards viability / non-viability. In practice, switch-points between viability and non-viability will be variable and this process explores the likelihood of various realistically assumed values and costs proving to be workable. We can see the results trends as indicative outcomes vary with increasing sales values (GDVs – as expressed through increasing VLs 1 to 7); changing scheme type and changing affordable housing content with that (residential scenarios).
- 3.1.4 Taking into account the above comments, the colours therefore indicate general trends as follows in accordance with a general grading that indicates increased confidence levels in the viability outcomes ranging from red (representing poor outcomes – negative RLVs – i.e. clear non-viability) to the boldest green-coloured results (indicating the greatest level confidence in viability outcomes across a wider range of land value comparisons representing different host site types). The footnotes to the Appendix II describe these as a series of viability tests, referring to

the various land value comparison levels considered – noted there as Viability tests 1 to 5 increasing across the range shown:

Residential (tables 1 to 6) –

- Boldest green colouring - Considered to be good viability prospects - RLVs exceeding £2.9m/ha (PDL upper level – residential) – Viability test 5;
- Paler green colouring (graduated) – Considered prospects with reducing confidence in scheme viability i.e. where the RLVs exceed the lower land value comparison levels and so could be viable in a reduced range of circumstances – representing lower grade residential or former industrial / commercial PDL sites - RLVs between £1.5m/ha and £2.9m/ha (viability test 4); £850,000 to £1.5m/ha (viability test 3); £500,000 to £800,000/ha (viability test 2) and £370,000 to £500,000 (representing greenfield enhancement values range – viability test 1);
- Red colouring – poor outcomes – although some with RLVs just beneath viability test 1 may be marginally viable in certain circumstances, these are RLVs at beneath viability test 1 (i.e. RLVs of less than £370,000/ha) and in many cases negative RLVs (schemes showing a deficit with no land value generated).

3.1.5 Footnotes at the bottom – reminder of the range of land value benchmark indications (comparison levels – referred to as viability tests 1 to 5 as above); bearing in mind the context and explanations provided in this report.

3.1.6 Land owners' situations and requirements will vary. While, as stated, those will need to be realistic (and, as part of that, assessments will need to be made as to whether there are realistic prospects of securing significant value from existing or alternative uses in the prevailing market), they could be outside the ranges that we have explored in making our overviews; including at higher levels.

Results

3.1.7 In running our appraisals, DSP have considered the impact of affordable housing through both on-site delivery and via a financial contribution in-lieu of on-site affordable housing.

- 3.1.8 Consideration has been given to the potential to bring smaller sites or potentially all sites providing additional (net new) dwellings in to the overall policy scope. This is envisaged as part of the overall sliding-scale type approach which seeks to respect the additional sensitivities often seen with respect to the smallest sites, moving away from seeking provision only from larger developments that “trigger” the current, historically set, policy thresholds.
- 3.1.9 We consistently find that smaller developments are not necessarily any less or more viable than larger ones – site size alone is not a determinant of viability. A wider range of factors come together to influence scheme viability and a practical approach by the Council could be responsive to these whilst contributing by way of an important additional housing enabling funding stream. The potential to add to housing enabling initiatives and funds can be particularly positive. This is especially the case in times of typically limited public funding (grant) availability for affordable housing, such as we are now experiencing; and are likely to continue to see in the next few years.
- 3.1.10 Generally, we consider that it is often impractical to expect on-site affordable housing to be integrated into the smallest sites; certainly developments of fewer than 5 dwellings. This may be possible in some cases, but may be problematic in others owing to design, affordability, management and any wider sustainability and management issues associated with highly dispersed Registered Provider housing stock. We find that views vary from one area to another, but in our experience on-site affordable housing on the very smallest schemes should not usually be a rigid expectation.
- 3.1.11 Considering a low proportion of affordable housing on sites of less than 10 units also often means that a fraction of one whole affordable dwelling equivalent is being requested. We find that on most occasions these calculations on developments of this scale arrive at a fraction of an affordable dwelling in some way, and the contribution is ultimately expressed as a sum in £s. For example 10% at 4 dwellings produces 0.4 dwelling equivalent; 0.9 dwelling equivalent at 9 dwellings.
- 3.1.12 The calculation of a financial contribution (monetary sum) can be exact and thereby overcome these matters – it does not need to reflect whole dwellings and in our view need not be tied by such a link to the proportion.

- 3.1.13 In this study we have tested varying the affordable housing policy at varying threshold points as described above and as set out in the appendices. On the smallest sites a financial contributions approach can provide a more practical solution which is more consistently deliverable and potentially sees all additional dwellings contributing to a useful enabling fund. As a more market-friendly approach than seeking on-site affordable housing on small schemes the approach could be applied over an extended range - to schemes providing one new dwelling or more; up to say 9 or 14 dwellings. This means collecting financial contributions as the primary route on the small sites. It is distinct from payment “in-lieu” scenarios where in exceptional circumstances on sites over the on-site thresholds a financial contribution may be negotiated in preference to a compromised on-site affordable housing solution. If progressed by the Council, there would be no starting presumption for on-site affordable housing on sites below 10 units.
- 3.1.14 In looking at the results across the various scheme sizes we see that residual land values deteriorate with increased affordable housing (either on-site or via a financial contribution) – moving left to right across each table. Equally results improve as sales values increase (moving down each table).
- 3.1.15 It is also possible to see that where on-site affordable housing is modelled, the resultant RLV is not significantly different from the financial contributions approach. This is in part a function of the CIL requirements not applying to affordable housing and as such the CIL burden reduces as the on-site affordable housing requirement increases.
- 3.1.16 The results indicate in very general terms that at VL1 only the lowest viability benchmarks are reached with 10% or 20% affordable housing (equivalent or on-site).
- 3.1.17 Values need to reach Value Level 3 in order to exceed the highest benchmark land values with 10% affordable housing but need to reach in excess of VL5 to reach the same benchmarks with 20% affordable housing. With the intermediate viability tests, values need to reach VL3 / 4 to also enable the provision of 20% affordable housing. For greenfield sites, viability is uncompromised at the lowest value levels at either 10% or 20% affordable housing.
- 3.1.18 As with all other example scenarios and results (e.g. on-site affordable housing scenarios), the RLV indications can be considered in the context of the range of

potential land value comparisons. With smaller sites the RLVs in £ sums (rather than £/ha comparisons) could also have an increased relevance in comparison with particular site uses (for example whether they would be sufficient to enable the purchase of former commercial premises such as a pub, yard, industrial / workshop etc., filling station and potentially existing residential). The outcomes fit with the tone of wider results in that lower values in the City context could be an issue with some PDL land value expectations. Mid to higher-end values are likely to be needed to support affordable housing provision in re-use of residential land scenarios in particular – to allow the likely land / property values to be replaced.

- 3.1.19 The site type and its location will largely influence the viability of individual sites and there is potentially scope to provide 20% affordable housing on sites below 10 units. However, we are of the opinion that the added risk this will bring to those sites and the increased likelihood of existing residential / PDL sites forming a proportion of the supply for the smaller sites (higher viability benchmarks in this case) that a lower proportion should be considered.
- 3.1.20 Mathematically we feel that the results are potentially strong enough to allow for the provision of 10% affordable housing; but possibly not quite strong enough for 20% on sites 2-9 (the relevant part of the range modelled). This takes into account the likely introduction of a CIL payment (tested here at £125/m²).
- 3.1.21 At 10%, the financial contributions route (rather than on-site) would be most appropriate as it is not possible to provide on-site affordable housing in real terms at this level (i.e. 10% of 5 units is 0.5 units). There are also practicalities of delivery that need to be borne in mind on seeking affordable housing from the very smallest schemes not only in terms of design and construction but also perception and potentially affordability / marketing issues. Issues are also sometimes encountered where single units are expected to be managed by Registered Providers, dispersed across the City. On-site affordable housing on the very smallest sites could become especially sensitive to tenure discussions and allocations approach.
- 3.1.22 In summary therefore our recommendations to the Council on the provision of affordable housing on sites of between 2-9 dwellings is as follows. For the smallest sites (sites below 9 units) we would recommend that the Council could introduce a requirement to collect a financial contribution equivalent to a proportion of 10% affordable housing, further respecting the sliding scale principles and the potential

viability issues that may arise with any higher proportion. The Council policy could therefore reflect the following:

On sites of 2-9 units collection of financial contributions at up to 10% affordable housing equivalent.

- 3.1.23 On sites of 10–14 units we recommend that the approach as tested previously⁸ (20% - 30% affordable housing on sites of 10-14 units) is maintained rather than the approach as set out at 1.2 above. The CIL study stated: *“We would strongly recommend the consideration of a lower AH target % if to be placed on developments of a reduced size compared with the current threshold. In the event of developing policy in this area, the AH target should be no higher than 30% and in fact the positive viability benefits of a 20% level can be seen in comparison with that too”*.
- 3.1.24 We suggest that whilst the aim would be to secure on-site affordable housing from sites of 10-14, the approach could be worded so that a financial contribution route is also a possibility in some circumstances (e.g. where planning / housing / sustainability objectives are agreed to be equally / better met). An approach that utilises both routes would also be within the scope of our recommendations (i.e. part on-site and part financial contribution where the calculation results in a fraction of a unit required).
- 3.1.25 Likewise, the policy should not prohibit on-site provision of affordable housing (rather than a financial contribution) on smaller sites (sites of 2-9 dwellings).
- 3.1.26 In all cases, policy positions beneath the above points would be within the scope of our recommendations. So, for example, a 10% contribution level could be carried all the way through to 9 units at this “introductory” policy stage; or sites of say 2-4 units could still fall beneath the AH requirements (i.e. 0% affordable housing).
- 3.1.27 Wherever the policy proportion is placed (including for financial contribution equivalents) they need to be regarded as targets which should be accompanied by a practical negotiated approach where needed; including the sharing of viability information to inform that process.

⁸ DSP – Cambridge City Council Local Plan Review – Viability: Community Infrastructure Levy Viability Assessment (February 2013)

- 3.1.28 The Council will need to consider how the resourcing side balances with the need to do all possible to optimise the enabling scope that might be provided through the affordable housing targets and perhaps especially the a financial contributions approach if that is to become part of policy.
- 3.1.29 These are put forward given the need to ensure that affordable housing targets are not set so high as to jeopardise overall development in the City taking into account the potential for other development costs to increase and also the potential for falling values in a further period of sustained economic uncertainty.
- 3.1.30 The affordable housing contributions element does have potential to provide valuable contributions to add to the Council’s enabling tools through an affordable housing fund. If it decides to pursue this element, the Council will need to link it to an open strategy and records relating to the funding plans, collection and allocation of monies. In our experience local authorities are able to use these funds flexibly to support a variety of affordable housing initiatives. These might include gap funding or forward funding schemes, development on Council or RP owned land, empty properties / refurbishments, purchase of existing properties, improvement of numbers or tenure provision on s.106 quota sites, etc.
- 3.1.31 The recommendations are based not just on a “current” view. We consider that the above identifies scope to find the appropriate balance between affordable housing needs and scheme viability, in accordance with our wide experience of successful Core Strategy and Affordable Housing DPD evidence and EiP outcomes, as well as the detail of affordable housing and other planning policies and viability factors in operation in practice.
- 3.1.32 Wherever pitched, the policies will need to be accompanied and explained by appropriate wording and guidance that sets out the strategic context and nature of the targets but also recognises the role of viability in implementation.
- 3.1.33 Allied to this, a practical, negotiated approach will need to be acknowledged - which can be responsive to particular circumstances as those will continue to be highly variable with site specifics. The need for this type of approach is likely to be particularly important in the event of ongoing economic and market uncertainty such as we still have at the current time.

3.1.34 This viability evidence will need to be considered in conjunction with wider evidence on housing needs and the shape of site supply (type, location and size of sites coming forward).

3.1.35 Monitoring / review / updating – it will be essential to consider the monitoring and review aspects associated with these policies as part of creating a sound overall approach.

Report Ends

June 2013



Appendix I
Development Appraisal Assumptions

Cambridge City Council - Small Sites Affordable Housing Viability - Residential Assumptions Sheet

Site Size Appraised	Site type	Indicative Density (Dwellings per hectare - dph) ¹	Dwelling Mix (BF = Bed Flat; BH = Bed House)	Typical Location (Ward) ¹	Private Mix	Financial Contribution Tested (Y/N)	Percentage Affordable Housing & Tenure Mix						Build Period (Months)
							10% Affordable Housing*		20% Affordable Housing*		30% Affordable Housing*		
							Private Mix	Affordable Tenure Split 75% Rent; 25% Intermediate	Private Mix	Affordable Tenure Split 75% Rent; 25% Intermediate	Private Mix	Affordable Tenure Split 75% Rent; 25% Intermediate	
2 Houses	PDL / Existing Residential	30	1 x 3BH, 1 x 4BH	All	1 x 3BH, 1 x 4BH	10% / 20% Equivalent	1 x 3BH, 1 x 4BH	N/A	1 x 3BH, 1 x 4BH	N/A	1 x 3BH, 1 x 4BH	N/A	6
4 Houses	PDL / Existing Residential	30	4 x 3BH	All	4 x 3BH	10% / 20% Equivalent	4 x 3BH	N/A	3 x 3BH	1 x 3BH AR	3 x 3BH	1 x 3BH SO	6
5 Houses	PDL / Existing Residential	30	2 x 2BH, 3 x 3BH	All	2 x 2BH, 3 x 3BH	10% / 20% Equivalent	2 x 2BH, 3 x 3BH	N/A	1 x 2BH, 3 x 3BH	1 x 2BH AR	3 x 3BH	1 x 2BH AR; 1 x 2BH SO	6
9 Houses	PDL / Existing Residential	30	4 x 2BH, 5 x 3BH	All	4 x 2BH, 5 x 3BH	10% / 20% Equivalent	3 x 2BH, 5 x 3BH	1 x 2BH AR	2 x 2BH, 5 x 3BH	1 x 2BH AR; 1 x 2BH SO	1 x 2BH, 5 x 3BH	2 x 2BH AR; 1 x 2BH SO	9
10 Houses	PDL / Employment / Existing Residential	30	5 x 2BH, 5 x 3BH	Abbey, Cherry Hinton, Kings Hedges, Market, Queen Ediths, Romsey	5 x 2BH, 5 x 3BH	10% / 20% / 30% Equivalent	4 x 2BH, 5 x 3BH	1 x 2BH AR	3 x 2BH, 5 x 3BH	1 x 2BH AR; 1 x 2BH SO	2 x 2BH, 5 x 3BH	2 x 2BH AR; 1 x 2BH SO	9
14 Houses	PDL / Employment / Existing Residential	30	6 x 2BH; 8 x 3BH	Abbey, Coleridge, Newnham	6 x 2BH; 8 x 3BH	10% / 20% / 30% Equivalent	5 x 2BH; 8 x 3BH	1 x 2BH AR	3 x 2BH; 8 x 3BH	2 x 2BH AR; 1 x 2BH SO	2 x 2BH; 8 x 3BH	3 x 2BH AR; 1 x 2BH SO	12

* Policy position: Actual percentage will vary due to numbers rounding.
 Affordable housing mix proportional to private mix but assumes for affordability purposes that no only units of 2 beds or less are transferred for intermediate housing
¹ - based on typical SHLAA Appendix 13 Sites & Potential Local Plan Allocation Sites

Unit Sizes (sq m)*	Affordable	Private
1-bed flat	50	50
2-bed flat	70	70
2-bed house	83	83
3-bed house	96	96
4-bed house	107	125

*based on CCC Issues & Options Option 1.1

Open Market Value & Value Indications	VL1	VL2	VL3	VL4	VL5	VL6	VL7
1 Bed Flat	£125,000	£150,000	£175,000	£200,000	£225,000	£250,000	£275,000
2 Bed Flat	£175,000	£210,000	£245,000	£280,000	£315,000	£350,000	£385,000
2 Bed House	£207,500	£249,000	£290,500	£332,000	£373,500	£415,000	£456,500
3 Bed House	£240,000	£288,000	£336,000	£384,000	£432,000	£480,000	£528,000
4 Bed House	£312,500	£375,000	£437,500	£500,000	£562,500	£625,000	£687,500
Value House (£/m2)	£2,500	£3,000	£3,500	£4,000	£4,500	£5,000	£5,500

Affordable Housing Revenue -

Affordable Rented - capitalisation based on 65% of net market rent across the City as an average
 SO - calculated at an average of approximately 60% of market value

Development / Policy Costs	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS	
Build Costs Flats (Generally) (£/m ²) ¹	£1,178
Build Costs Flats (3-5 storey)	£1,178
Build Costs Houses (Mixed Developments) (£/m ²) ¹	£1,036
Survey Costs (£ / unit)	£1,000
Contingencies (% of build cost) ²	5%-7%
Professional & Other Fees (% of build cost)	10.0%
Sustainable Design / Construction Standards (% of build cost) ²	5.85%
Water efficiency - assume meeting CSH L5 for water efficiency - cost additional to meeting CSH L4 above	5.50%
Renewables / CHP connection - notional allowance (per unit)	£3,500
Community Infrastructure Levy	£125/m ²
Residual s106 / non-CIL costs (£ per unit)	£1,000
Marketing & Sales Costs (%of GDV)	3%
Legal Fees on sale (£ per unit)	£750
DEVELOPER'S RETURN FOR RISK AND PROFIT	
Open Market Housing Profit (% of GDV)	20.0%
Affordable Housing Profit (% of GDV)	6.0%
FINANCE & ACQUISITION COSTS	
Arrangement Fees - (% of loan)	2.0%
Miscellaneous (Surveyors etc) - per unit	0.00%
Agents Fees (% of site value)	1.50%
Legal Fees (% of site value)	0.75%
Stamp Duty (% of site value)	0% to 5%
Finance Rate - Build (%)	7.0%
Finance Rate - Land (%)	7.0%

HMRC scale

Notes:

¹ Build cost taken as "Median" figure from BCS for that build type - e.g. flats, houses storey heights etc and then rounded. Median figure gives a better figure than the Mean as it is not so influenced by rogue figures that can distort the mean on small sample sizes. BCS data: Flats (Generally): £1,024/m² GIA (Generally); Houses Mixed Development: £901/m² GIA.

BCS build costs taken from 4th Quarter 2012 and rebased to Cambridge Location Factor of 113 including preliminaries and contractor's profit but without externals, contingencies or fees

Above build costs include externals at 15%.

² To allow for additional costs for design etc.

³ The above costs are based on the Cost of Building to the Code for Sustainable Homes - Updated Cost Review (August 2011) cost data assuming Building Regs 2010 baseline. All appraisals assume cost uplift of 5.85% to achieve CSH L4. This averages 5.85% from all of the development scenarios used in that study. For development sensitivity analysis using the same Updated Cost Review document, an allowance has been applied for meeting CSH Level 5 assuming a 24% increase to achieve CSH L5 but that the energy requirement amounts to 63% of the total additional cost over Part L2010 baseline. This therefore equates to an approximate uplift over Part L 2010 baseline build costs of approximately 15%. We have not built in any assumed reduction in costs over time although in practice it is highly likely extra over costs will reduce over time. Notional cost allowance for on-site renewables to reduce CO₂ emissions - £3,500 per unit to cover potential policy requirements.

⁴ Allowance to achieve Lifetime Homes standards acknowledged within report as potential variable cost issue (depending on design etc), there have been a number of studies into the costs and benefits of building to the Lifetime Homes standard. These have concluded that the costs range from £545 to £1615 per dwelling, depending on: the experience of the home designer and builder; the size of the dwelling (it is easier to design larger dwellings that incorporate Lifetime Homes standards cost effectively than smaller ones); whether Lifetime Homes design criteria were designed into developments from the outset or whether a standard house type is modified (it is more cost effective to incorporate the standards at the design stage rather than modify standard designs); and any analysis of costs is a 'snapshot' in time. The net cost of implementing Lifetime Homes will diminish as the concept is more widely adopted and as design standards, and market expectations, rise (www.lifetimehomes.org.uk). Whether accessible housing requirements covered within total design and development costs.

Cambridge City Council - RLV as % of GDV - Small Sites Study - 0% AH							
	VL1	VL2	VL3	VL4	VL5	VL6	VL7
2 Houses	13.8%	22.5%	28.8%	33.5%	37.2%	39.1%	41.4%
4 Houses	14.0%	22.8%	28.3%	32.8%	36.4%	39.2%	41.5%
5 Houses	13.8%	22.6%	28.1%	32.7%	36.3%	39.1%	41.5%
9 Houses	13.0%	21.1%	27.2%	31.7%	35.2%	38.0%	40.3%
10 Houses	13.0%	21.1%	27.1%	31.7%	35.2%	38.0%	40.3%
14 Houses	12.0%	20.3%	26.2%	30.7%	34.1%	36.9%	39.2%
Average	13.3%	21.7%	27.6%	32.2%	35.7%	38.4%	40.7%
Overall Average	29.9%						



Appendix II

Results Summary

Table 1: Residual Land Value - 2 Unit Scheme (Financial Contributions Only)

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH Financial Contribution				
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - Financial Contribution	Residual Land Value - 20% AH - Financial Contribution	Residual Land Value - 30% AH - Financial Contribution	Residual Land Value - 36% AH - Financial Contribution
2 Houses	PDL / Existing Residential	30	1	£2,500	All	£76,048	£59,363	£42,679	N/A	N/A
			2	£3,000		£149,437	£129,415	£109,394	N/A	N/A
			3	£3,500		£222,826	£199,468	£176,109	N/A	N/A
			4	£4,000		£296,215	£269,520	£242,825	N/A	N/A
			5	£4,500		£369,603	£339,572	£309,540	N/A	N/A
			6	£5,000		£432,009	£409,624	£376,255	N/A	N/A
			7	£5,500		£503,578	£467,783	£431,987	N/A	N/A
		Residual Land Value (£/Ha) - AH Financial Contribution								
		1	£2,500	All	£1,140,717	£890,451	£640,186	N/A	N/A	
		2	£3,000		£2,241,550	£1,941,232	£1,640,914	N/A	N/A	
		3	£3,500		£3,342,384	£2,992,013	£2,641,641	N/A	N/A	
		4	£4,000		£4,443,218	£4,042,793	£3,642,369	N/A	N/A	
		5	£4,500		£5,544,052	£5,093,574	£4,643,097	N/A	N/A	
		6	£5,000		£6,480,135	£6,144,355	£5,643,824	N/A	N/A	
7	£5,500	£7,553,675	£7,016,742		£6,479,809	N/A	N/A			

¹ - Based on typical SHLAA Appendix 13 Sites & Potential Local Plan Allocation Sites

² - Typical value level by location noting that in practice values can vary significantly down even to street level. NB Wards mentioned in more than one Value Level due to values range typically covering more than one Value Level

Key:

- RLV Lower than Viability Test 1.
- Viability Test 1: Agricultural EUV (£18,500 per ha) - Benchmark Land Value (assuming minimum uplift from EUV factor of 20) - £370,000 - £500,000
- Viability Test 2: Garden / Amenity Land Benchmark Land Value Range (£50 - £85 per sq. m / £500,000 to £850,000/ha)
- Viability Test 3: Industrial Benchmark Land Value / Commercial Range (£850,000 - £1,500,000)
- Viability Test 4: Between Industrial / Commercial Land and Existing Residential (£2,900,000/ha)
- Viability Test 5: Existing Residential (£2,900,000/ha)

Source: Dixon Searle LLP (June 2013)

Table 2: Residual Land Value - 4 Unit Scheme (Financial Contributions Only)

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH Financial Contribution				
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - Financial Contribution	Residual Land Value - 20% AH - Financial Contribution	Residual Land Value - 30% AH - Financial Contribution	Residual Land Value - 36% AH - Financial Contribution
4 Houses	PDL / Existing Residential	30	1	£2,500	All	£175,354	£99,847	£70,857	N/A	N/A
			2	£3,000		£341,393	£221,566	£186,778	N/A	N/A
			3	£3,500		£494,850	£343,286	£302,700	N/A	N/A
			4	£4,000		£656,771	£453,476	£418,621	N/A	N/A
			5	£4,500		£818,693	£572,177	£521,289	N/A	N/A
			6	£5,000		£980,615	£690,879	£634,336	N/A	N/A
			7	£5,500		£1,142,536	£809,580	£747,384	N/A	N/A
			Residual Land Value (£/Ha) - AH Financial Contribution							
			1	£2,500	All	£1,315,158	£748,851	£531,426	N/A	N/A
			2	£3,000		£2,560,445	£1,661,746	£1,400,836	N/A	N/A
			3	£3,500		£3,711,374	£2,574,642	£2,270,246	N/A	N/A
			4	£4,000		£4,925,786	£3,401,068	£3,139,657	N/A	N/A
			5	£4,500		£6,140,198	£4,291,330	£3,909,668	N/A	N/A
			6	£5,000		£7,354,610	£5,181,591	£4,757,523	N/A	N/A
7	£5,500	£8,569,021	£6,071,853	£5,605,377		N/A	N/A			

¹ - Based on typical SHLAA Appendix 13 Sites & Potential Local Plan Allocation Sites

² - Typical value level by location noting that in practice values can vary significantly down even to street level. NB Wards mentioned in more than one Value Level due to values range typically covering more than one Value Level

Key:

- RLV Lower than Viability Test 1.
- Viability Test 1: Agricultural EUV (£18,500 per ha) - Benchmark Land Value (assuming minimum uplift from EUV factor of 20) - £370,000 - £500,000
- Viability Test 2: Garden / Amenity Land Benchmark Land Value Range (£50 - £85 per sq. m / £500,000 to £850,000/ha)
- Viability Test 3: Industrial Benchmark Land Value / Commercial Range (£850,000 - £1,500,000)
- Viability Test 4: Between Industrial / Commercial Land and Existing Residential (£2,900,000/ha)
- Viability Test 5: Existing Residential (£2,900,000/ha)

Source: Dixon Searle LLP (June 2013)

Table 3: Residual Land Value - 5 Unit Scheme

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH Financial Contribution				
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - Financial Contribution	Residual Land Value - 20% AH - Financial Contribution	Residual Land Value - 30% AH - Financial Contribution	Residual Land Value - 36% AH - Financial Contribution
5 Houses	PDL / Existing Residential	30	1	£2,500	All	£195,934	£153,129	£82,070	N/A	N/A
			2	£3,000		£384,222	£332,855	£219,123	N/A	N/A
			3	£3,500		£558,314	£499,872	£356,176	N/A	N/A
			4	£4,000		£741,933	£675,143	£481,000	N/A	N/A
			5	£4,500		£925,553	£850,413	£614,655	N/A	N/A
			6	£5,000		£1,109,172	£1,025,683	£748,310	N/A	N/A
			7	£5,500		£1,292,791	£1,200,953	£881,965	N/A	N/A
		Residual Land Value (£/Ha) - AH Financial Contribution								
		1	£2,500	All	£1,175,605	£918,771	£492,422	N/A	N/A	
		2	£3,000		£2,305,329	£1,997,129	£1,314,739	N/A	N/A	
		3	£3,500		£3,349,886	£2,999,235	£2,137,057	N/A	N/A	
		4	£4,000		£4,451,601	£4,050,856	£2,886,000	N/A	N/A	
		5	£4,500		£5,553,315	£5,102,477	£3,687,929	N/A	N/A	
		6	£5,000		£6,655,030	£6,154,099	£4,489,859	N/A	N/A	
7	£5,500	£7,756,744	£7,205,720		£5,291,788	N/A	N/A			

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH On-Site				
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - On-Site	Residual Land Value - 20% AH - On-Site	Residual Land Value - 30% AH - On-Site	Residual Land Value - 36% AH - On-Site
5 Houses	PDL / Existing Residential	30	1	£2,500	All	£195,934	N/A	£93,370	N/A	N/A
			2	£3,000		£384,222	N/A	£216,570	N/A	N/A
			3	£3,500		£558,314	N/A	£339,771	N/A	N/A
			4	£4,000		£741,933	N/A	£451,493	N/A	N/A
			5	£4,500		£925,553	N/A	£571,638	N/A	N/A
			6	£5,000		£1,109,172	N/A	£691,784	N/A	N/A
			7	£5,500		£1,292,791	N/A	£811,930	N/A	N/A
		Residual Land Value (£/Ha) - AH On-Site								
		1	£2,500	All	£1,175,605	N/A	£560,221	N/A	N/A	
		2	£3,000		£2,305,329	N/A	£1,299,423	N/A	N/A	
		3	£3,500		£3,349,886	N/A	£2,038,625	N/A	N/A	
		4	£4,000		£4,451,601	N/A	£2,708,955	N/A	N/A	
		5	£4,500		£5,553,315	N/A	£3,429,830	N/A	N/A	
		6	£5,000		£6,655,030	N/A	£4,150,705	N/A	N/A	
7	£5,500	£7,756,744	N/A		£4,871,580	N/A	N/A			

¹ Based on typical SHLAA Appendix 13 Sites & Potential Local Plan Allocation Sites

² Typical value level by location noting that in practice values can vary significantly down even to street level. NB Wards mentioned in more than one Value Level due to values range typically covering more than one Value Level

Key:

- RLV Lower than Viability Test 1.
- Viability Test 1: Agricultural EUV (£18,500 per ha) - Benchmark Land Value (assuming minimum uplift from EUV factor of 20) - £370,000 - £500,000
- Viability Test 2: Garden / Amenity Land Benchmark Land Value Range (£50 - £85 per sq. m / £500,000 to £850,000/ha)
- Viability Test 3: Industrial Benchmark Land Value / Commercial Range (£850,000 - £1,500,000)
- Viability Test 4: Between Industrial / Commercial Land and Existing Residential (£2,900,000/ha)
- Viability Test 5: Existing Residential (£2,900,000/ha)

Table 4: Residual Land Value - 9 Unit Scheme

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH Financial Contribution							
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - Financial Contribution	Residual Land Value - 20% AH - Financial Contribution	Residual Land Value - 30% AH - Financial Contribution	Residual Land Value - 36% AH - Financial Contribution			
9 Houses	PDL / Existing Residential	30	1	£2,500	Cherry Hinton / Kings Hedges / Abbey / Romsey	£328,805	£271,855	£146,426	N/A	N/A			
			2	£3,000		£639,632	£577,016	£391,552	N/A	N/A			
			3	£3,500		£958,927	£888,916	£620,892	N/A	N/A			
			4	£4,000	Queen Ediths	£1,278,221	£1,200,817	£859,940	N/A	N/A			
			5	£4,500		£1,597,516	£1,512,718	£1,098,988	N/A	N/A			
			6	£5,000	Market	£1,916,811	£1,824,618	£1,338,035	N/A	N/A			
			7	£5,500		£2,236,106	£2,136,519	£1,577,083	N/A	N/A			
			Residual Land Value (£/Ha) - AH Financial Contribution										
			1	£2,500	Cherry Hinton / Kings Hedges / Abbey / Romsey	£1,096,016	£906,185	£488,088	N/A	N/A			
			2	£3,000		£2,132,106	£1,923,386	£1,305,173	N/A	N/A			
			3	£3,500		£3,196,422	£2,963,055	£2,069,639	N/A	N/A			
			4	£4,000	Queen Ediths	£4,260,738	£4,002,723	£2,866,466	N/A	N/A			
			5	£4,500		£5,325,054	£5,042,392	£3,663,292	N/A	N/A			
			6	£5,000	Market	£6,389,370	£6,082,061	£4,460,118	N/A	N/A			
7	£5,500	£7,453,686	£7,121,730	£5,256,944		N/A	N/A						

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH On-Site							
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - On-Site	Residual Land Value - 20% AH - On-Site	Residual Land Value - 30% AH - On-Site	Residual Land Value - 36% AH - On-Site			
9 Houses	PDL / Existing Residential	30	1	£2,500	Cherry Hinton / Kings Hedges / Abbey / Romsey	£328,805	N/A	£175,646	£119,732	N/A			
			2	£3,000		£639,632	N/A	£402,751	£319,878	N/A			
			3	£3,500		£958,927	N/A	£613,635	£506,631	N/A			
			4	£4,000	Queen Ediths	£1,278,221	N/A	£834,892	£701,623	N/A			
			5	£4,500		£1,597,516	N/A	£1,056,148	£896,614	N/A			
			6	£5,000	Market	£1,916,811	N/A	£1,277,405	£1,091,606	N/A			
			7	£5,500		£2,236,106	N/A	£1,422,918	£1,210,854	N/A			
			Residual Land Value (£/Ha) - AH On-Site										
			1	£2,500	Cherry Hinton / Kings Hedges / Abbey / Romsey	£1,096,016	N/A	£585,486	£399,107	N/A			
			2	£3,000		£2,132,106	N/A	£1,342,504	£1,066,261	N/A			
			3	£3,500		£3,196,422	N/A	£2,045,451	£1,688,772	N/A			
			4	£4,000	Queen Ediths	£4,260,738	N/A	£2,782,973	£2,338,743	N/A			
			5	£4,500		£5,325,054	N/A	£3,520,495	£2,988,714	N/A			
			6	£5,000	Market	£6,389,370	N/A	£4,258,016	£3,638,686	N/A			
7	£5,500	£7,453,686	N/A	£4,743,060		£4,036,179	N/A						

¹ - Based on typical SHLAA Appendix 13 Sites & Potential Local Plan Allocation Sites

² - Typical value level by location noting that in practice values can vary significantly down even to street level. NB Wards mentioned in more than one Value Level due to values range typically covering more than one Value Level

Key:

- RLV Lower than Viability Test 1.
- Viability Test 1: Agricultural EUV (£18,500 per ha) - Benchmark Land Value (assuming minimum uplift from EUV factor of 20) - £370,000 - £500,000
- Viability Test 2: Garden / Amenity Land Benchmark Land Value Range (£50 - £85 per sq. m / £500,000 to £850,000/ha)
- Viability Test 3: Industrial Benchmark Land Value / Commercial Range (£850,000 - £1,500,000)
- Viability Test 4: Between Industrial / Commercial Land and Existing Residential (£2,900,000/ha)
- Viability Test 5: Existing Residential (£2,900,000/ha)

Table 5: Residual Land Value - 10 Unit Scheme

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH Financial Contribution						
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - Financial Contribution	Residual Land Value - 20% AH - Financial Contribution	Residual Land Value - 30% AH - Financial Contribution	Residual Land Value - 36% AH - Financial Contribution		
10 Houses	PDL / Existing Residential	30	1	£2,500	Cherry Hinton / Kings	£359,197	£296,817	£160,890	£93,322	N/A		
			2	£3,000	Hedges / Abbey / Romsey	£699,620	£631,034	£431,072	£349,990	N/A		
			3	£3,500		£1,049,294	£972,610	£683,866	£591,617	N/A		
			4	£4,000	Queen Ediths	£1,398,967	£1,314,186	£947,349	£841,921	N/A		
			5	£4,500		£1,748,641	£1,655,762	£1,210,832	£1,092,225	N/A		
			6	£5,000	Market	£2,098,315	£1,997,338	£1,474,314	£1,342,529	N/A		
			7	£5,500		£2,447,988	£2,338,914	£1,737,797	£1,592,833	N/A		
			Residual Land Value (£/Ha) - AH Financial Contribution									
			1	£2,500	Cherry Hinton / Kings	£1,077,590	£890,451	£482,671	£279,967	N/A		
			2	£3,000	Hedges / Abbey / Romsey	£2,098,859	£1,893,102	£1,293,215	£1,049,971	N/A		
			3	£3,500		£3,147,881	£2,917,830	£2,051,599	£1,774,850	N/A		
			4	£4,000	Queen Ediths	£4,196,902	£3,942,558	£2,842,047	£2,525,763	N/A		
			5	£4,500		£5,245,923	£4,967,286	£3,632,495	£3,276,675	N/A		
			6	£5,000	Market	£6,294,944	£5,992,014	£4,422,943	£4,027,587	N/A		
7	£5,500		£7,343,965	£7,016,742	£5,213,390	£4,778,499	N/A					

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH On-Site						
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - On-Site	Residual Land Value - 20% AH - On-Site	Residual Land Value - 30% AH - On-Site	Residual Land Value - 36% AH - On-Site		
10 Houses	PDL / Existing Residential	30	1	£2,500	Cherry Hinton / Kings	£359,197	N/A	£201,082	£145,168	N/A		
			2	£3,000	Hedges / Abbey / Romsey	£699,620	N/A	£443,425	£372,274	N/A		
			3	£3,500		£1,049,294	N/A	£690,947	£583,943	N/A		
			4	£4,000	Queen Ediths	£1,398,967	N/A	£938,468	£805,199	N/A		
			5	£4,500		£1,748,641	N/A	£1,185,990	£1,026,456	N/A		
			6	£5,000	Market	£2,098,315	N/A	£1,433,511	£1,247,712	N/A		
			7	£5,500		£2,447,988	N/A	£1,605,289	£1,393,225	N/A		
			Residual Land Value (£/Ha) - AH On-Site									
			1	£2,500	Cherry Hinton / Kings	£1,077,590	N/A	£603,246	£435,505	N/A		
			2	£3,000	Hedges / Abbey / Romsey	£2,098,859	N/A	£1,330,275	£1,116,821	N/A		
			3	£3,500		£3,147,881	N/A	£2,072,840	£1,751,828	N/A		
			4	£4,000	Queen Ediths	£4,196,902	N/A	£2,815,404	£2,415,597	N/A		
			5	£4,500		£5,245,923	N/A	£3,557,969	£3,079,367	N/A		
			6	£5,000	Market	£6,294,944	N/A	£4,300,534	£3,743,136	N/A		
7	£5,500		£7,343,965	N/A	£4,815,868	£4,179,676	N/A					

¹ Based on typical SHLAA Appendix 13 Sites & Potential Local Plan Allocation Sites

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Key:

- RLV Lower than Viability Test 1.
- Viability Test 1: Agricultural EUV (£18,500 per ha) - Benchmark Land Value (assuming minimum uplift from EUV factor of 20) - £370,000 - £500,000
- Viability Test 2: Garden / Amenity Land Benchmark Land Value Range (£50 - £85 per sq. m / £500,000 to £850,000/ha)
- Viability Test 3: Industrial Benchmark Land Value / Commercial Range (£850,000 - £1,500,000)
- Viability Test 4: Between Industrial / Commercial Land and Existing Residential (£2,900,000/ha)
- Viability Test 5: Existing Residential (£2,900,000/ha)

Table 6: Residual Land Value - 14 Unit Scheme

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH Financial Contribution							
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - Financial Contribution	Residual Land Value - 20% AH - Financial Contribution	Residual Land Value - 30% AH - Financial Contribution	Residual Land Value - 36% AH - Financial Contribution			
14 Houses	PDL / Existing Residential	30	1	£2,500		£471,735	£324,073	£228,497	£132,920	£75,574			
			2	£3,000	Abbey / Coleridge	£958,807	£707,382	£595,534	£483,686	£427,168			
			3	£3,500		£1,445,878	£1,098,726	£968,237	£837,748	£759,454			
			4	£4,000		£1,932,949	£1,490,071	£1,340,940	£1,191,809	£1,102,330			
			5	£4,500		£2,420,021	£1,881,415	£1,713,642	£1,545,870	£1,445,207			
			6	£5,000	Newnham	£2,907,092	£2,272,759	£2,086,345	£1,899,932	£1,788,084			
			7	£5,500		£3,394,163	£2,664,103	£2,459,048	£2,253,993	£2,130,960			
			Residual Land Value (£/Ha) - AH Financial Contribution										
			1	£2,500		£1,010,861	£694,442	£489,636	£284,829	£161,945			
			2	£3,000	Abbey / Coleridge	£2,054,586	£1,515,819	£1,276,145	£1,036,470	£915,361			
			3	£3,500		£3,098,310	£2,354,414	£2,074,793	£1,795,173	£1,627,401			
			4	£4,000		£4,142,034	£3,193,008	£2,873,442	£2,553,876	£2,362,137			
			5	£4,500		£5,185,759	£4,031,603	£3,672,091	£3,312,579	£3,096,872			
			6	£5,000	Newnham	£6,229,483	£4,870,197	£4,470,740	£4,071,282	£3,831,608			
7	£5,500		£7,273,207	£5,708,792	£5,269,389	£4,829,985	£4,566,343						

Development Scenario	Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Typical Location ¹ & Value Level Indication ²	Residual Land Value (£) - AH On-Site							
						Residual Land Value - 0% AH	Residual Land Value - 10% AH - On-Site	Residual Land Value - 20% AH - On-Site	Residual Land Value - 30% AH - On-Site	Residual Land Value - 36% AH - On-Site			
14 Houses	PDL / Existing Residential	30	1	£2,500		£471,735	N/A	£241,777	£220,211	£165,629			
			2	£3,000	Abbey / Coleridge	£958,807	N/A	£566,057	£535,856	£457,082			
			3	£3,500		£1,445,878	N/A	£896,806	£857,393	£752,968			
			4	£4,000		£1,932,949	N/A	£1,227,555	£1,178,930	£1,048,853			
			5	£4,500		£2,420,021	N/A	£1,558,304	£1,500,467	£1,344,738			
			6	£5,000	Newnham	£2,907,092	N/A	£1,889,052	£1,822,004	£1,640,624			
			7	£5,500		£3,394,163	N/A	£2,251,588	£1,995,584	£1,788,553			
			Residual Land Value (£/Ha) - AH On-Site										
			1	£2,500		£1,010,861	N/A	£518,094	£471,881	£354,919			
			2	£3,000	Abbey / Coleridge	£2,054,586	N/A	£1,212,979	£1,148,263	£979,462			
			3	£3,500		£3,098,310	N/A	£1,921,726	£1,837,270	£1,613,502			
			4	£4,000		£4,142,034	N/A	£2,630,474	£2,526,278	£2,247,542			
			5	£4,500		£5,185,759	N/A	£3,339,222	£3,215,286	£2,881,582			
			6	£5,000	Newnham	£6,229,483	N/A	£4,047,970	£3,904,293	£3,515,622			
7	£5,500		£7,273,207	N/A	£4,824,831	£4,276,252	£3,832,613						

¹ Based on typical SHLAA Appendix 13 Sites & Potential Local Plan Allocation Sites

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