

**NORTH WEST LEICESTERSHIRE LOCAL PLAN EXAMINATION
POSITION STATEMENT OF NORTH WEST LEICESTERSHIRE DISTRICT
COUNCIL**

MATTER 4 – AFFORDABLE HOUSING AND VIALBILITY



Matter 4a Are the numerical thresholds for, and levels of, contribution set by Policy H4 for affordable housing from new development robustly supported by evidence of viability?

- 1 The requirements for affordable housing set by Policy H4 have been derived through a process of considering reasonable alternatives which have been subject to viability assessment, both at draft stage (LP/10) and publication stage (LP/09).
- 2 Details regarding the various reasonable alternatives generated and considered are set out in Background Paper 4 (BP/04).
- 3 The alternatives generated considered different thresholds, targets and whether there should be variable or standard across the district.
- 4 The Viability study (LP/09) took in to account a wide variety of factors in testing affordable housing policy. This included:
 - the implications of different mixes of affordable housing tenure types with varying percentages of social rented, affordable rented and intermediate sectors;
 - assumptions regarding the possible costs of those policies in the plan which would be likely to have cost implications. The assumptions made are set out in section 2 of the Viability study;
 - the need for competitive developer and landowner returns;
 - assumptions regarding different densities of development and typology of sites (e.g. greenfield or brownfield) and net developable area;
 - likely sales prices by different settlements and
 - market assumptions regarding build costs and other development overheads (including finance costs, sales and marketing)
 - Site specific infrastructure costs (regarding the strategic sites)
- 5 The study is consistent with the advice on Viability and plan making set out in the Planning Practice Guidance (Refer to 4d regarding appropriate input data and benchmark land values).
- 6 Two scenarios were considered; a current market scenario and a growth scenario. The latter scenario was included in recognition that over the plan period market conditions may change from those currently (and more recently) experienced. Conversely, a number of viability buffers were also allowed for within the modelling, so as to be sensitive to changing markets within the Plan Period (Refer to 4d)

- 7 The study concluded (section 4.4) that the housing targets set out in Policy H4 of the Proposed Publication Version Local Plan (30% provision in Ashby de la Zouch, Castle Donington, Kegworth and Measham with 20% in Coalville and ibstock), were reasonable. There were some variations between greenfield and brownfield sites, with the latter raising some viability issues, particularly in Coalville and Kegworth, which could require taking a flexible approach. Likewise, the viability modelling considered the appropriateness of a lower rate of 25% (compared to the 30% proposed in the Local Plan) for Castle Donington, Kegworth and Measham, , though given the range of results and the relatively high level of the modelling, it would not be possible to discount the possibility of achieving 30% on some sites, also suggesting a flexible approach be taken. This is reflected in part (2) of Policy H4 and is consistent with advice in the NPPF.
- 8 Having regard to the above it is considered that the thresholds and targets set out in Policy H4 are justified by evidence in respect of viability.

Matter 4b Should provision be made in Policy H4 to accommodate Government low-cost housing initiatives?

- 9 The Housing and Planning Act 2016 contains the primary legislation for Starter Homes.
- 10 The Regulations necessary to bring in the requirement to provide Starter Homes have not yet been made, therefore there are insufficient details at the present time in respect of the government's low cost housing initiatives. Consideration will be given to this when more details are available.

Matter 4c To what extent do the provisions of Policy H4 , and the evidence supporting it, apply to currently undeveloped housing sites with planning permission or resolutions to approve nominated in Policies H1 and H2 and does this have any implications for their delivery?

- 11 The Council has published an updated trajectory based as at 1 October 2016 (EX/19) and updated the Housing Background Paper accordingly (EX/17)). Accompanying the trajectory are more detailed site assessments for all sites of more than 10 dwellings (EX/18). These include information regarding the amount of affordable housing that has either been agreed or is assumed as likely to be forthcoming. For both market and affordable housing it provides an indication as to the anticipated build rates on a year-by-year basis up to the end of the plan period.
- 12 A review of the individual site proformas shows is that the majority of sites will provide some form of affordable housing or as an alternative a financial contribution towards off-site affordable housing.

- 13 What the review also shows is that the majority of those sites listed under H1 have either been developed (2 sites) or are in the process of being developed (19). In addition, on two other sites (H1t and H1ac) clearance and preparatory work was underway.
- 14 Of those listed under H2, all but two sites (H2e and H2f) have now obtained planning permission.
- 15 This shows that the requirements for affordable housing have not to date impacted upon the delivery of housing. This is partly due to the flexible and pragmatic approach taken by the Council to issues related to viability and as advocated by the NPPF. Where demonstrable evidence has been provided regarding viability issues then the Council has agreed (consistent with Policy H4) to either reduce the levels of affordable housing or to accept a financial contribution instead.
- 16 One issue which has impacted on Registered Providers (RPs) ability to take on section 106 units is the decision in the Budget of July 2015 to cut social housing rents by 1% a year for the next four years. This has meant that RPs are no longer able to offer the same amount for rented units than was previously the case. As assumptions based on historic offers have been built in to the financial modelling of sites this has had an impact on viability. Furthermore the impact of reduced income has constrained RPs overall capacity to make bids for new units. Developers have, therefore, approached the Council proposing other ways to meet their planning obligations where either no RP offer was forthcoming or where the offer was significantly below assumed levels rendering the existing commitment unviable. On a number of occasions this has lead to the Council agreeing it would take a reduced number of 'gifted' affordable dwellings instead to ensure rented units, a local priority, remain in the pipeline. On other occasions the Council has accepted a commuted sum payment in lieu of on-site delivery or agreed to accept alternative tenures that do not require RP involvement such as discounted market sale. This represents a trade off between securing the preferred housing mix and maintaining a supply of market housing delivery to ensure some affordable housing is brought forward.
- 17 The Council will continue to respond positively where there is demonstrable evidence that the viability (and hence deliverability) of housing sites is threatened, in accordance with the NPPF and Policy H4.
- 18 A consequence of taking this approach is that the level of affordable housing provision will be less than the policy minimum on some sites. However, it is important to appreciate that affordable housing can be delivered through other means. In this respect as the Table below shows, RP led schemes have delivered a significant proportion of the affordable housing delivered between 2001 and 2011.

Year	Affordable homes delivered through S106 negotiated sites	Affordable homes delivered through RP's own delivery	Total Affordable homes delivered
2000-01	5	52	57
2001-02	14	32	46
2002-03	37	39	76
2003-04	0	31	31
2004-05	14	36	50
2005-06	27	0	27
2006-07	0	8	8
2007-08	41	5	46
2008-09	18	0	18
2009-10	78	11	89
2010-11	11	52	63
2011-12	6	54	60
2012-13	86	5	91
2013-14	87	70	157
2014-15	80	37	117
2015-16	89	37	126
2016-end 2 nd Quarter	23	44	67
Total	593	469	1062

- 19 As RP capacity has contracted their preference appears to be for their own affordable led schemes and so a continued pipeline of non-section 106 units can be assumed. The Council also has a development programme of new council homes which will assist in securing delivery.
- 20 Where commuted sums are secured the Council has used these to help pump-prime developments by Registered Providers where funding is an issue. For example, the Council contributed £190,000 towards the cost of the redevelopment of a key site in Coalville for 100% affordable housing delivering 27 units [Minesottas]. In addition, the Council has released land it holds for 100% affordable housing schemes (for example sites at North Avenue Coalville (H1m) and former depot at Highfield Street (H1l)). In some cases it has accepted lower than best market value in order to ensure schemes are viable to RPs, and has also gifted land to ensure more specialist accommodation could be developed recognising its additional costs. The Council has also funded RP development through its own Capital programme where it meets regeneration priorities (e.g. Pick and Shovel scheme in central Coalville which delivered 14 units, 100% affordable rented, received £500,000 support).

Matter 4d Is the Viability Assessment of the Plan as whole based on appropriate input data and benchmark land values so as to demonstrate that development is likely to come forward supported by necessary infrastructure ?

- 21 As noted in response to question 4a the Local Plan has been subject to viability assessment at both draft (LP/10) and publication stage (LP/09).
- 22 The studies have had regard to the Planning Practice Guidance and considered the impact of all Local Plan policies on viability. In doing so, as outlined in response to question 4a, a wide range of factors were taken in to account including those which would impact on costs (e.g. build costs, cost of meeting S106 agreements) and those which are more concerned with what would constitute a viable development (e.g. landowner and developer returns). A proportionate approach has been taken to give a broad understanding of viability, ranging from generic assumptions for a range of site typologies, to finer grained assumptions for the two strategic sites. Steps have been taken to ensure that the assumptions are reasonable, as far as practicable given the relatively high level of the Study.
- 23 For example, key assumptions have been considered as follows.
- 24 **Benchmark Land Value:** The approach to modelling a competitive return for the landowner is based on the precedent that was established in the 'Shinfield' case regarding the appeal by Reading University against Wokingham Borough Council relating to Land at The Manor, Shinfield, Reading (Inspector's Report dated 8 January 2013).

- The site value threshold is set at half of the gross land value (excluding all planning obligations) plus existing use value:
 - o $\text{Benchmark site value} = (\text{Gross Land Value uplift} / 2) + \text{Existing Use Value}$

Where:

- Gross Land Value is the land value without any planning obligations
- Existing use value based on either agricultural or employment land values (typical values drawn Cushman & Wakefield market experience), which were tested with the Stakeholders

25 Other Input Data

- Development Value: Sales values have been based on comparable new build market information, with the average figures subject to consultation with stakeholders.

- Build costs have been referenced from the BCIS, with appropriate additional allowances made for external works, contingency and fees, and also sense checked against Cushman and Wakefield market intelligence, and consulted on with stakeholders.
- A realistic understanding was had of the possible S106 planning obligations of both the typology and strategic sites by way of analysis of Section 106 agreements, for strategic sites and smaller sites (for the typologies), and this informed the differential rates applied for the typologies and strategic sites.
- The local plan was reviewed for emerging policy requirements and standards, including planning obligations policy (as above) that may have a development cost implication, to allow for testing of the cumulative impact of such costs. High level allowances were made, drawing on both the experience of NWLDC and C&W, and consulted on with stakeholders.
- Infrastructure Costs: High level allowances has been made on the strategic sites for potential site specific infrastructure given the scale and nature of development. Also a key benefit of the application of the Shinfield approach for landowner return (see above) is that the site value (cost of land) is linked (and adjusts) to the dynamics of the individual development scheme and the costs and value assumptions that are appraised in the model. For example, adjusting infrastructure costs to a higher level than allowed for in the modelling , would then be reflected in an, adjusted, lower landowner return, and vice versa.
- Other Development Overheads: General Finance Costs, sales and marketing costs: C&W drew on market evidence for the allowances made, and consulted on these with the stakeholders

Responding to changing markets

- 26 The basis of the assessment was current costs and values. (A growth scenario (3.6% net growth, based on 0.5% annual growth over half the Plan Period) was also tested and considered, for the typologies but not the strategic sites.
- 27 Within the market tested assumptions for all the modelling, a number of key buffers were integrated into the modelling:
- For typology testing it is common to assume a lower rate (around 6% on value, compared to the typical 20% applied to open market housing) of developer return (profit) for affordable housing, in view of the lower inherent development risk in building affordable housing, essentially on a contractor basis for the housing association. In this Study, a flat rate of 20% return on value was used to contribute to a viability buffer.

- Site Coverage (typically expressed as sqft/acre) is typically around 15,000sqft/acre, and indeed the typologies (when assuming no affordable housing) are just under this figure. When the Study has sense tested different affordable housing levels, the smaller average sizes that have been assumed have brought the site coverage down to between around 12,800 sqft/acre and 13,100 sqft/acre (when testing for 30% affordable housing), which is a low figure. For example:
 - 5ha / 12.35 acre (gross site area) @ 30dph archetype, 30% affordable housing
 - 3.12 ha / 7.72 acres net developable
 - 66 dwellings (open market) @ 1,200sqft = 79,200 sqft
 - 28 dwellings (affordable) @ 700sqft = 19,600 sqft
 - Total sqft = 98,800 sqft, or 12,798sqft/acre
 - 1ha/2.471 acre (gross site area) @ 35dph archetype, 30% affordable housing
 - 0.825ha /2.04 acres net developable
 - 20 dwellings (open market) @ 1,025sqft = 20,500sqft
 - 9 dwellings (affordable) @ 700sqft = 6,300sqft
 - Total sqft = 26,800 sqft, or 13,137sqft/acre

28 As stated above, prior to carrying out the viability assessment, consultation was undertaken with stakeholders regarding the assumptions being made.

29 Consultation in respect of the draft study was undertaken via e-mail on 14 May 2015 and included a range of private developers and housing associations. In total some 90 organisations were consulted and two replies were received. These are included as Appendix 1 to LP/10 and notes changes in assumptions made in response to comments received.

30 For the revised study which fed in to the publication Local Plan consultation was undertaken via e-mail on 10 May 2016 and generated one response which is summarised in Appendix 1 of LP/09.

31 Where specific sites were known about (e.g. proposed allocations H3a and H3c) then these have been subject to more detailed assessments. The study concluded that development would be viable on both sites. No contrary evidence has been put forward which the Council is aware of. Therefore, it is reasonable to conclude that in terms of viability there is no reason that these sites should not

be deliverable (in the case of H3c this would be in terms of if the site were required, as it is a reserve site).

- 32 The proposed allocation at Waterworks Road Coalville (H3b) was not subject to viability assessment as this site is owned by the District Council who is in the process of finalising a strategy for bringing the site to the market. This will include specifying an element of affordable housing.