

**West Dorset District Council Affordable
Housing Provision and Developer
Contributions in Dorset**

Final Report

Dr Andrew Golland
drajg@btopenworld.com

Three Dragons



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1 INTRODUCTION

Review of project aims

- 1.1 East Dorset, North Dorset and West Dorset District Councils together with Christchurch and Weymouth and Portland Borough Councils appointed Three Dragons to undertake an affordable housing and residential economic viability study covering the five authorities. The work was commissioned by Dorset Affordable Housing Task Group on behalf of the councils and was overseen by a Project Team comprising representatives of the councils.
- 1.2 The broad aims of the study, as set out in the study brief were to:
“.....measure the application and effectiveness of the Councils’ current affordable housing policies; to provide a robust evidence base that will examine the viability of different types / tenures of development in different areas; and on the basis of this evidence, to indicate ways in which policy can be developed to increase the delivery of affordable housing in Dorset. The outputs should include a model that can be used to measure the viability of different levels / types of affordable housing provision on individual sites that come forward for development in the future.”
- 1.3 This report relates to the specific circumstances of West Dorset District Council. The report analyses the impact of affordable housing and other planning obligations on scheme viability.

Progress in Delivering Affordable Housing

- 1.4 The level of completions of affordable housing in West Dorset has varied on a year by year basis. Looking over the long term (back to 1994/95) the annual average of completions of affordable housing has been 79 dwellings or about 15% of total completions. Completions over the last 5 years have been lower at an average of 50 dwellings per annum or 10% of total completions. Table 1.1 below sets out in full the number of completions 1994/95 to 2007/08.

Figure 1.1: Housing completions 1994 – 2008

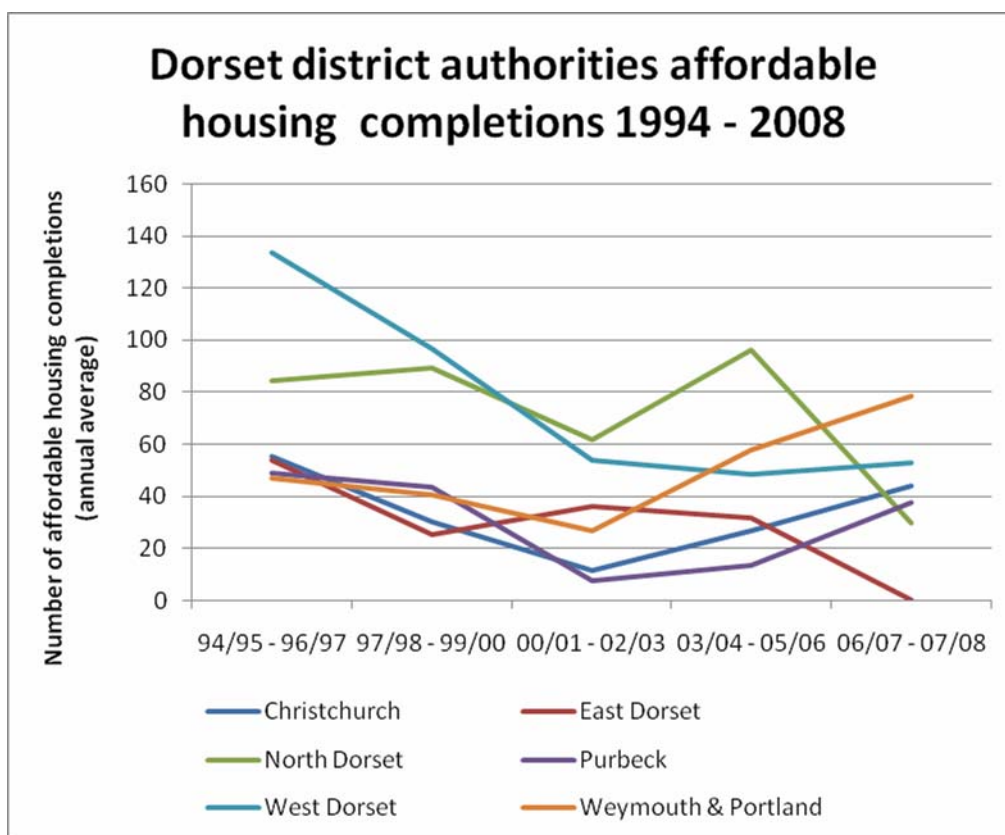
Year	Total private dwellings	Total affordable dwellings	Total dwellings	Percentage affordable dwellings
1994/1995	345	152	497	31%
1995/1996	295	77	372	21%
1996/1997	376	172	548	31%
1997/1998	394	93	487	19%
1998/1999	529	139	668	21%
1999/2000	520	58	578	10%
2000/2001	460	45	505	9%
2001/2002	499	76	575	13%
2002/2003	527	40	567	7%
2003/2004	502	13	515	3%
2004/2005	506	58	564	10%
2005/2006	528	74	602	12%
2006/2007	490	64	554	12%
2007/2008	347	42	389	11%
1994/2008(dpa)	451	79	530	15%
1998/2008(dpa)	491	61	552	11%
2003/2008(dpa)	475	50	525	10%

Source: Dorset County Council

Note: Figures used in above table may differ slightly from WDDC data but have been used to provide comparable base with other reports for the Dorset authorities.

- 1.5 Compared with the other Dorset district authorities, affordable housing completions in West Dorset are only being exceeded by levels in Weymouth and Portland. The chart below shows this – using a 3 year rolling average of historic completions to show trends in affordable housing completions across the Dorset district authorities (and including Purbeck to provide a complete picture across the County).

Figure 1.2: Dorset district authorities annual affordable housing completions 1994 – 2008



Source: Dorset County Council

Note: Figures used in above table may differ slightly from WDDC data but have been used to provide comparable base with other reports for the Dorset authorities.

Need for Affordable Housing

- 1.6 The council, with other Dorset authorities, produced the Dorset Survey of Housing Need and Demand (part of the Strategic Housing Market Assessment). This was published in March 2008.
- 1.7 The report provides two methods of calculating affordable housing need, namely the CLG method¹ and Fordham Research's Balanced Housing Market (BHM)² method of assessment.
- 1.8 Using the CLG method, the report concludes that there is a need for 737 affordable homes per annum. This exceeds the total annual provision of

¹ CLG method is published in its guidance "Strategic Housing Market Assessment: Practice Guide, March 2007" It requires assessments to calculate current (backlog) need, available stock to offset need, newly arising (future) need and future supply of affordable units

² The BHM assessment looks at the whole local housing market, considering the extent to which supply and demand are 'balanced' across tenure and property size. It combines a technical assessment of affordability with a reasoned judgement about how the housing market operates (e.g. the private rented sector is often used to meet some affordable needs). In addition the model looks at both households' aspirations and their expectations to provide an indication of the most likely housing solution in the particular market.

housing in the district set out in the draft regional spatial strategy (see para 1.14 below).

- 1.9 The Dorset Survey of Housing Need and Demand report therefore recommends that the local planning authorities assess the economic viability of providing affordable housing in their areas and that policy should seek the highest possible proportions that are assessed as being viable.
- 1.10 In addition to the headline rates of affordable housing need the report also found, using the BHM assessment, that the demand for affordable housing is split roughly 50/50 between social rented and intermediate affordable housing. However, this split would only be appropriate if all the housing need identified is being met. We have therefore used a different affordable housing tenure balance for viability testing purposes, agreed with the authority and described below in chapter 3.
- 1.11 Our report is not intended to deal with the issue of affordable housing need in any detail. Given the level of need reported in Survey of Housing Need and Demand and the comments made in that study, it seems reasonable for us to assume that the council will continue to need to maximise delivery of affordable housing, consistent with financial viability considerations (and other mixed community objectives).

Policy context - national

- 1.12 This study focuses on the percentage of affordable housing sought on mixed tenure sites and the size of site from above which affordable housing is sought (the site size threshold). National planning policy, set out in PPS3 makes clear that local authorities, in setting policies for site size thresholds and the percentage of affordable housing sought, must consider development economics and should not promote policies which would make development unviable.

PPS3: Housing (November 2006) states that:

“In Local Development Documents, Local Planning Authorities should:

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

- 1.13 The companion guide to PPS3³ provides a further indication of the approach which Government believes local planning authorities should take in planning for affordable housing. Paragraph 10 of the document states:

³ CLG, Delivering Affordable Housing, November 2006

*“Effective use of planning obligations to deliver affordable housing requires good negotiation skills, **ambitious but realistic affordable housing targets and thresholds** given site viability, funding ‘cascade’ agreements in case grant is not provided, and use of an agreement that secures standards.” (our emphasis)*

Policy context – South West Region

- 1.14 The draft revised Regional Spatial Strategy (RSS) for the South West, incorporating the Secretary of States Proposed Changes (June 2008), has identified 12,500 dwellings or 625 per annum to be provided in West Dorset, 2006 to 2026. This was a significant increase on the draft RSS which identified a target of 8200 (410dpa).
- 1.15 The Proposed Changes identify Dorchester as an SSCT where 4,000 dwellings are to be provided within the town and 3,000 dwellings within an area of search around the town. It also identifies a further 700 dwellings to be provided in an area of search in the south of West Dorset (as an extension to Weymouth).
- 1.16 Policy H1 of the Proposed Changes deals with housing affordability. It requires provision to be made for at least 35% of all housing development annually across each local authority area and housing market area to be affordable housing.
- 1.17 The consultation period for the Proposed Changes has now closed. It is anticipated that the RSS will be adopted in summer 2009. When published it will form part of the development plan for the council.

Policy context – West Dorset

- 1.18 The West Dorset District Local Plan (2006) includes three saved policies for affordable housing.
- Policy HS3 states that within towns (excluding Beaminster), development proposals of 15 or more dwellings, or a site area of 0.5 or more hectares, the Council will seek to negotiate 35% affordable housing. Within development boundaries elsewhere the Council will seek to negotiate 35% affordable housing on proposals of 3 or more dwellings or 0.1 or more hectares.
- Policy HS4 permits affordable housing to be developed outside defined development boundaries but within or adjacent to established villages if there is a demonstrable need.
- 1.19 The Poundbury Development Brief (2006) provides the basis for planning decisions for an urban extension to the west of Dorchester within the bypass. It states that 35% of all new dwellings in further phases of Poundbury will be provided as affordable housing, with 20% as social rented housing and 15% as shared ownership.
- 1.20 The Council is currently preparing its Core Strategy. Issues and options were consulted on from July to September 2007. The reports asked whether the percentage of affordable housing sought from development should be higher, whether the thresholds should be lower and the appropriate mix of affordable

housing types. Responses were generally supportive of higher percentages and lower thresholds and a greater proportion of rented accommodation.

Research undertaken

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

Discussions with a project group of officers from the five commissioning authorities and the County which informed the structure of the research approach;

Analysis of information held by the authority, including that which described the profile of land supply;

Use of the Three Dragons Toolkit to analyse scheme viability (and described in detail in subsequent chapters of this report);

A workshop held with developers, land owners, their agents and representatives from a selection of Registered Social Landlords active in the borough. A full note of the workshop is shown in Appendix 1.

Structure of the report

- 1.22 The remainder of the report uses the following structure:

Chapter 2 explains the methodology we have followed in, first, identifying sub markets and, second, undertaking the analysis of development economics. We explain that this is based on residual value principles;

Chapter 3 provides analysis of residual values generated across a range of different development scenarios (including alternative percentages and mixes of affordable housing) for a notional 1 hectare site.

Chapter 4 considers options for site size thresholds. It reviews national policy and the potential future land supply and the relative importance of small sites. The chapter considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed);

Chapter 5 identifies a number of case study sites (generally small sites which are currently in use), that represent examples of site types found in the authority. For each site type, there is an analysis of the residual value of the sites and compares this with their existing use value.

Chapter 6 summarises the evidence collected through the research and provides a set of policy recommendations.

2 METHODOLOGY

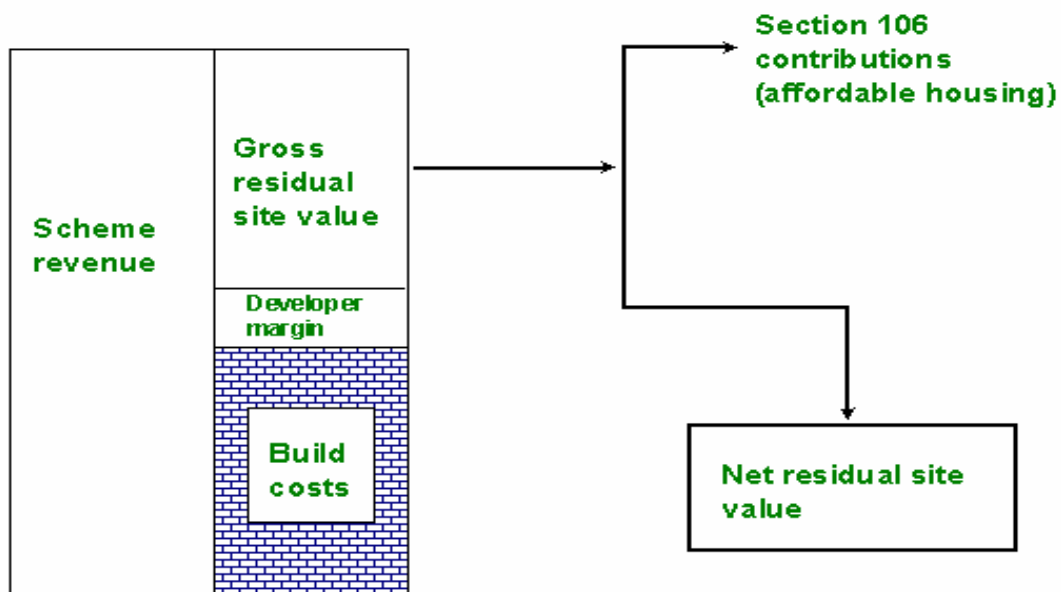
Introduction

- 2.1 In this chapter we explain the methodology we have followed in, first, identifying sub markets (which are based on areas with strong similarities in terms of house prices) and, second, undertaking the analysis of development economics. The chapter explains the concept of a residual value approach and the relationship between residual values and existing/alternative use values.

Viability – starting points

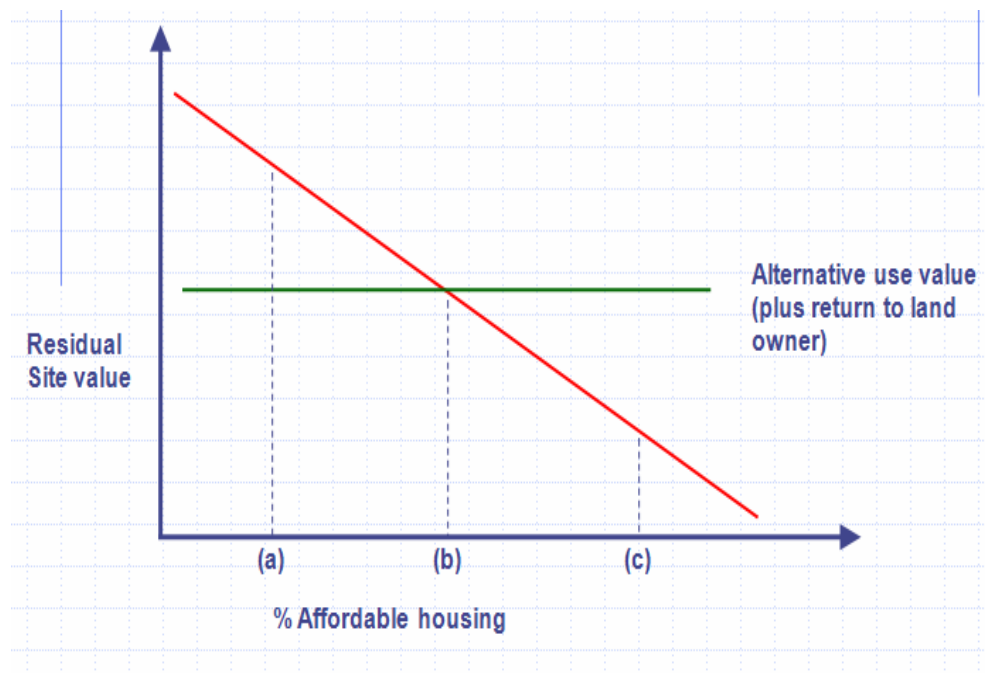
- 2.2 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates and what it costs to develop. The model can take into account the impact on scheme residual value of affordable housing and other s106 contributions.
- 2.3 Figure 2.1 below shows diagrammatically the underlying principles of the approach. Scheme costs are deducted from scheme revenue to arrive at a gross residual value. Scheme costs assume base build costs, profit margin to the developer and the additional costs as shown in the diagram include such items as professional fees, finance costs, marketing fees and any overheads borne by the development company.
- 2.4 The gross residual value is the starting point for negotiations about the level and scope of s106 contribution. The contribution will normally be greatest in the form of affordable housing but other s106 items will also reduce the gross residual value of the site. Once the s106 contributions have been deducted, this leaves a net residual value.

Figure 2.1 Theory of the Section 106 Process



- 2.5 Calculating what is likely to be the value of a site given a specific planning permission, is only one factor in deciding what is viable.
- 2.6 A site is extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee that development happens. The existing use value of the site, or indeed a realistic alternative use value for a site (e.g. commercial) will also play a role in the mind of the 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.
- 2.7 Figure 2.2 shows how this operates in theory. Residual value falls as the proportion of affordable housing increases. At some point (here 'b'), alternative use value (or existing use value whichever is higher) will be equal to scheme value. If there is a reasonable return to the land owner at point 'b' (i.e 'b' reflects best possible current use value (alternative or existing) and there is a sufficient return, then the scheme will come forward. At point 'c', affordable housing will make the site unviable. At 'a' the scheme should be viable with affordable housing. The diagram does not assume grant. Grant should be used to 'lever out' sites from their existing or best alternative uses.

Figure 2.2 Affordable housing and alternative use value



2.8 The analysis we have undertaken uses a Three Dragons Viability model. The model is explained in more detail in Appendix 2, which includes a description of the key assumptions used.

3 HIGH LEVEL TESTING

Introduction

- 3.1 This chapter of the report considers viability for mixed tenure residential development for a number of different proportions and types of affordable housing. The analysis is based on a notional 1 hectare site and has been undertaken for a series of market value areas that have been identified. The residual value shown will be the same whether the site is greenfield or on previously developed land. The chapter explains this and explores the relationship between the residual value for the scenarios tested and existing/alternative use values.

Market value areas

- 3.2 Variation in house prices will have a significant impact on development economics and the impact of affordable housing on scheme viability.
- 3.3 We undertook a broad analysis of development across the housing market, using HM Land Registry data to identify market value areas in the District. The areas are defined by reference to postcode sectors and their house prices and provide the basis for a set of indicative new build values as at December 2008. The purpose of this analysis is to help establish a broad starting point for target setting in the light of the general relationships between development revenues and development costs. Table 3.1 below sets out the market value areas for the district.

Table 3.1 Market value areas in West Dorset

WEST DORSET		
Sub Market	Postcode Sector	Key settlements/areas
Sherborne	DT9 3	Sherborne
Dorchester Rural Hinterland	DT2 7	Rural (Buckland Newton; Cerne Abbas; Piddlehinton; Tolpuddle)
	DT2 9	Rural (Sydling St Nicholas; Frampton; Stratton; Litton Cheney; Martinstown; Charminster)
	DT2 8	Dorchester Eastern Hinterland (Puddletown; West Stafford; Crossways; Broadmayne; Owermoigne)
	DT1 3	Dorchester Rural Hinterland
The Coast	DT6 6	Coastal West (Lyme Regis; Charmouth; Morcambe Lake; Chideock; Wootton Fitzpaine)
	DT6 4	Coast Central (West Bay; Burton Bradstock; Bothenhampton; Uploders)
	DT3 4	Coastal East (Abbottsburry; Portesham; Chickerell; Langton Herring; Nottington)
Dorchester	DT1 1	Dorchester North
	DT1 2	Dorchester South
Bridport & Northern Rural Hinterland	DT6 3	Bridport & Northern Rural Hinterland (West Milton; Powerstock)
	DT6 5	Bridport & Northern Rural Hinterland (Bettiscombe; Slayayash; Netherbury)
	DT2 0	Bridport & Northern Rural Hinterland (Melbury Sampford; Cattistock; Toller Percorum; Maiden Newton)
	DT8 3	Bridport & Northern Rural Hinterland (Beamminster; Broadwind; Stoke Abbott; South Perrott)
Sherborne Rural Hinterland	DT9 6	Rural North (Bradford Abbas; Thornford; Yetminster; Chetnole; Leigh)
	DT9 4	Sherborne Northern Hinterland
	DT9 5	Rural North (Longburton; Alweston; Bishops Caundle)

Testing assumptions (notional one hectare site)

- 3.4 For the viability testing, we defined a number of development mix scenarios, using a range of assumptions agreed with the council. The scenarios were based on an analysis of typical development mixes and were discussed at the stakeholder workshop.
- 3.5 The development mixes were as follows:
- 30 dph: including 10% 2 bed terraces; 20% 3 bed terraces; 15% 3 bed semis; 30% 3 bed detached; 25% 4 bed detached;
 - 40 dph: including 10% 2 bed flats; 10% 2 bed terraces; 15% 3 bed terraces; 30% 3 bed semis; 20% 3 bed detached; 15% 4 bed detached;
 - 50 dph: including 5% 1 bed flats; 10% 2 bed flats; 10% 2 bed terraces; 15% 3 bed terraces; 35% 3 bed semis; 15% 3 bed detached; 10% 4 bed detached;
 - 80 dph: including 20% 1 bed flats; 60% 2 bed flats; 20% 2 bed terraces
 - 100 dph: including 30% 1 bed flats; 70% 2 bed flats.
- 3.6 We calculated residual site values for each of these (base mix) scenarios in line with a further set of tenure assumptions. These were 25%; 30%; 35%; 40%; 50% and 60% affordable housing. These were tested at 65% Social Rent and 35% New Build HomeBuy in each case. For the New Build HomeBuy, the share purchase was assumed to be 40% with 2% being charged on the unsold equity. All the assumptions were agreed with the authority.
- 3.7 The analysis assumes an even spread of affordable housing across the unit types.

Other s106 contributions

- 3.8 For the majority of the modelling we have undertaken (and unless shown otherwise) we have assumed that other planning obligations have a total cost of £5,000 per unit. However (see Table 3.4) we have also looked at the impacts on residual value with a £15,000 per unit contribution.
- 3.9 A contribution of £5,000 per unit reflects the level of contribution being sought in Dorset generally but is normally more than is currently requested in West Dorset.

Results: residual values for a notional one hectare site

- 3.10 This section looks at a range of development mixes and densities. It shows the impacts of increasing the percentage of affordable housing on residual site values. The full set of results are shown in Appendix 3.

Low density housing (30 dph)

3.11 Figure 3.1 shows low density housing (30dph) and the residual values for each of the market value areas outlined in Section 3.

Figure 3.1 Lower density housing (30 dph) – Residual value in £s million

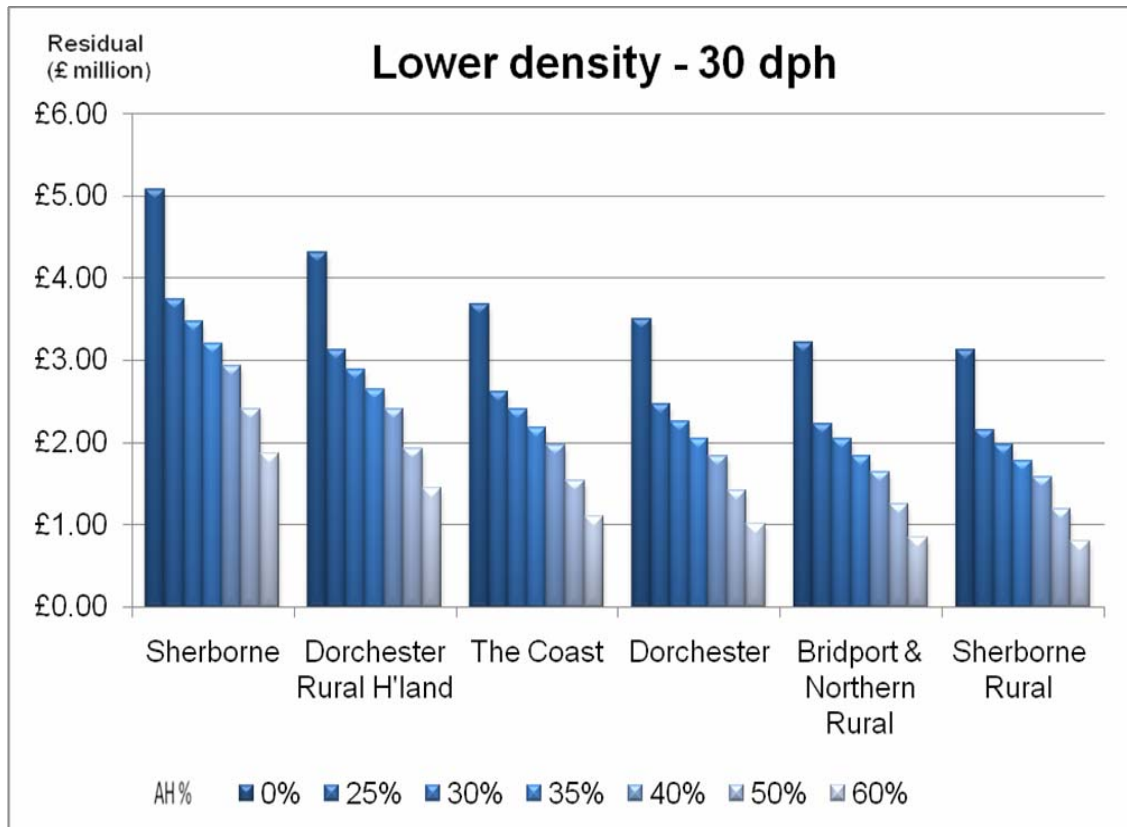


Figure 3.1 shows that for all the scenarios tested, a positive residual value results;

The chart shows some variation in residual values by market value area, reflecting the different house prices found in them. At, for example, 35% affordable housing, residual values range from £3.20 m per hectare in Sherborne to £1.77m per hectare in the lowest market value area.

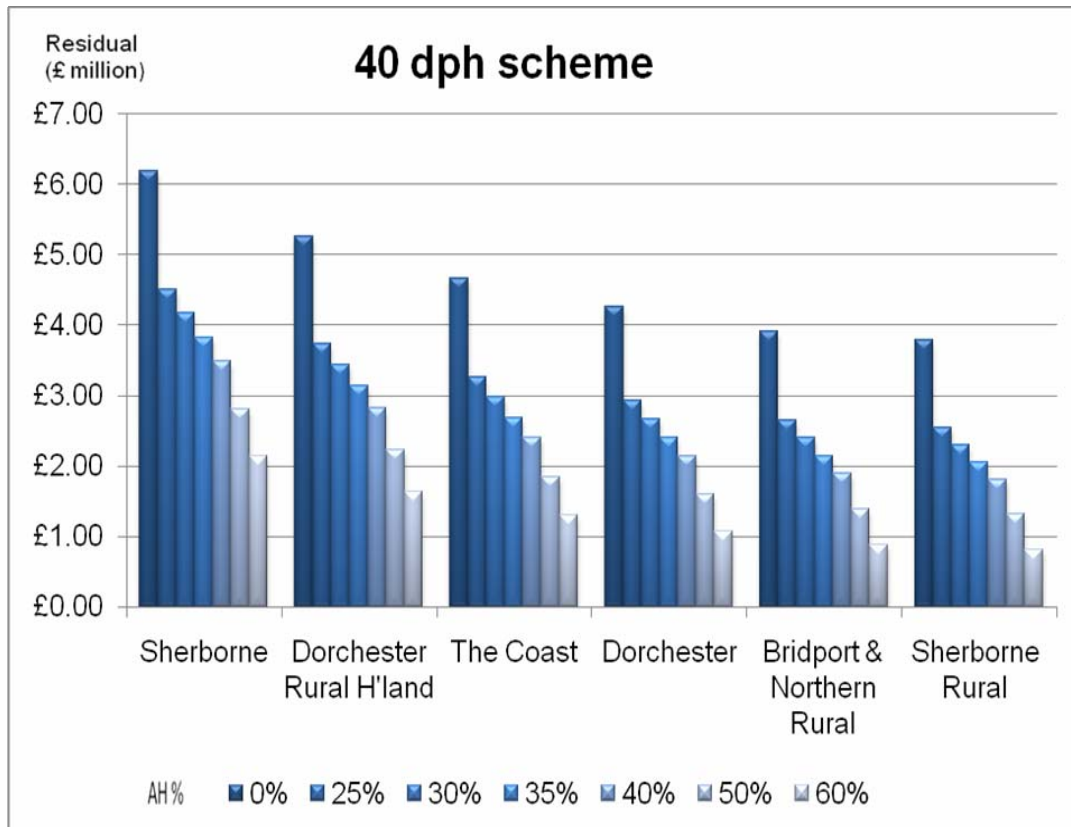
The range in values has potentially important implications for policy making. With the scenarios tested, a 35% affordable housing allocation generates a very similar residual value in the Sherborne market value area, to 100% market housing in Bridport and Northern Rural.

The chart shows that the gradient in residual values across the 6 market value areas (for the same percentage of affordable housing) is relatively 'shallow'. There are no obvious market value areas or groups of value areas which are very different from the other market value areas. Whilst there are clear differences in residual values between the highest and lowest value areas (Sherborne and Sherborne Rural), the differences between each of the 'intermediate' value areas are relatively small. This pattern is repeated for all the densities tested and shown in subsequent charts.

Lower density housing (40 dph)

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

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



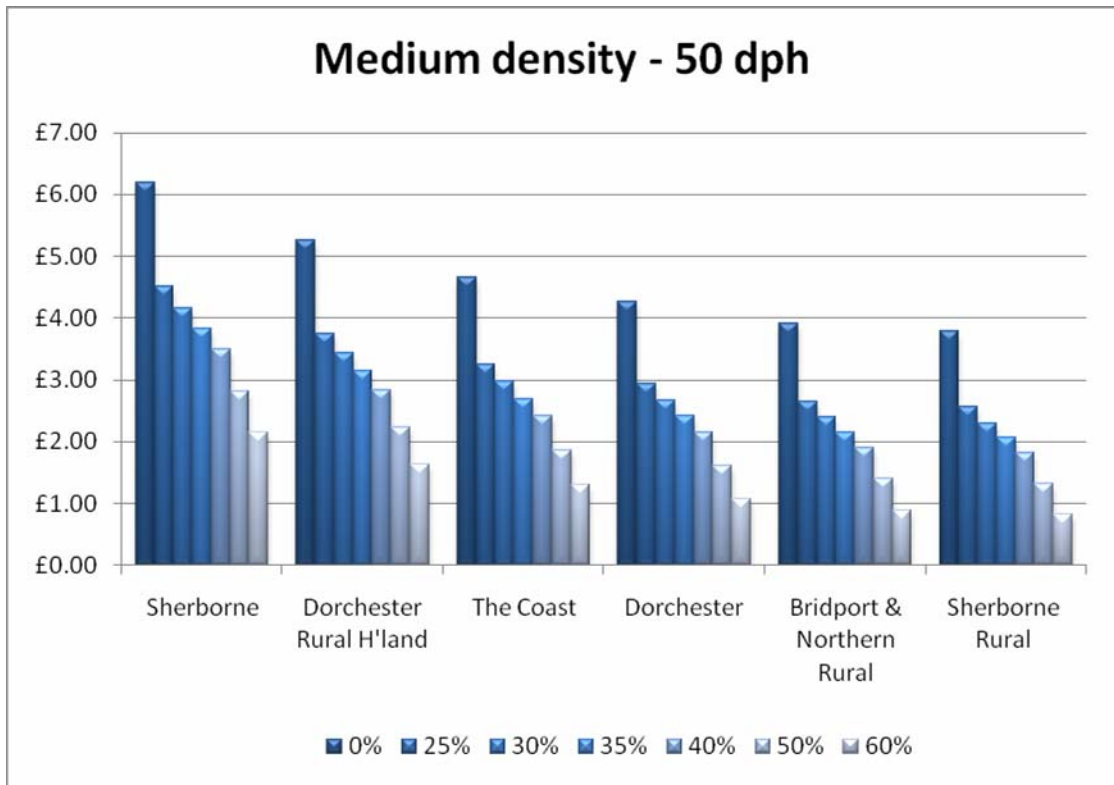
Again, all the scenarios tested across all five market value areas, deliver a positive residual value;

The impact of increased density has been to generally increase residual values but the effect varies between market areas and at different levels of affordable housing. The most substantial increases occur with increased density (30 dph to 40 dph) in higher values market areas and at lower proportions of affordable housing. Where affordable housing proportions are highest, then in the lower value market areas, there is only a very marginal increase in residual value; for example at 60% affordable housing in the lower value three sub markets.

50 dph scheme

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

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



The general impact of an increase to 50 dph (from 30 dph and 40 dph) is to increase residuals values. The 50 dph scenario is important since it maximises residual values in all sub markets at higher percentages (40% and above) of affordable housing. This medium density option will therefore usually be a more viable solution to deliver high percentages of affordable housing – more viable than say 80 dph and 100 dph.

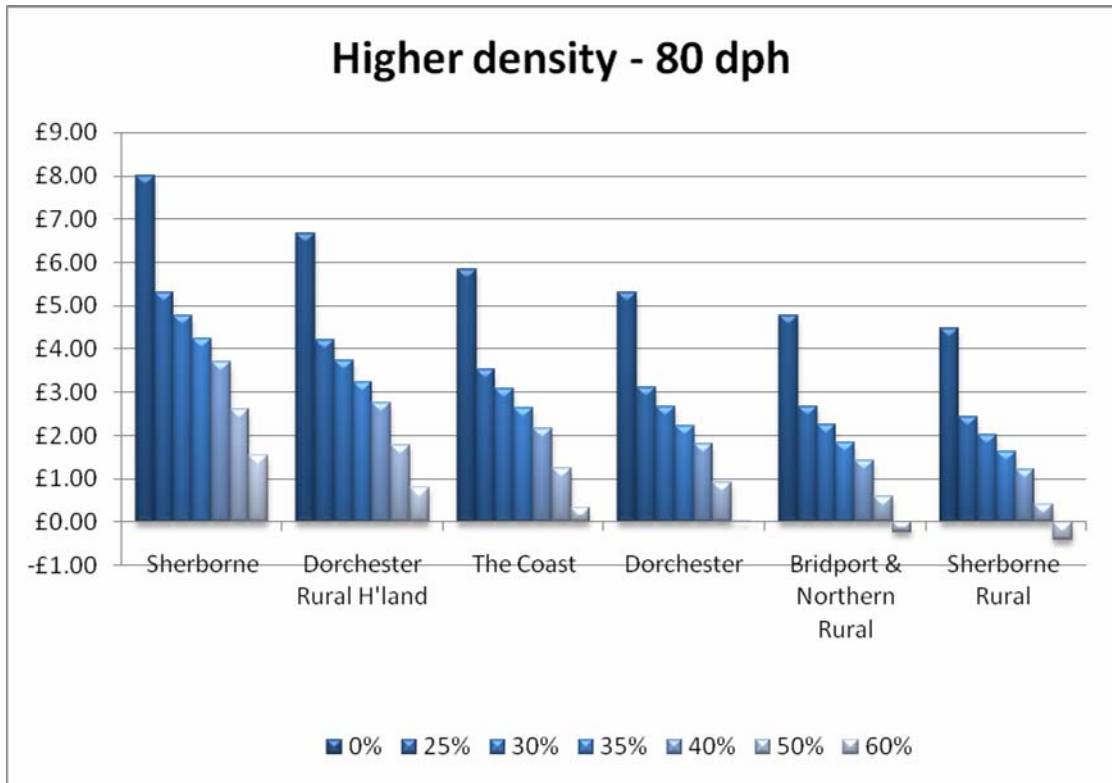
However, where there is no affordable housing, then higher density solutions (than 50 dph) will tend to maximise residual land value.

Residual values at this (50 dph) scenario remain strong with residuals of between £4.45 million per hectare and £2.35 million per hectare at 35% affordable housing, depending on location.

Higher density (80 dph) scheme

3.14 Figure 3.4 shows a higher density scheme – at 80 dph, and the residual values for each of the market value areas.

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



An increase in density to 80 dph will tend to favour schemes with a lower percentage of affordable housing (25% and less) which are built in high value areas. Generally, the impact of higher density and an increased proportion of flats within a scheme is to reduce residual values at higher percentages of affordable housing;

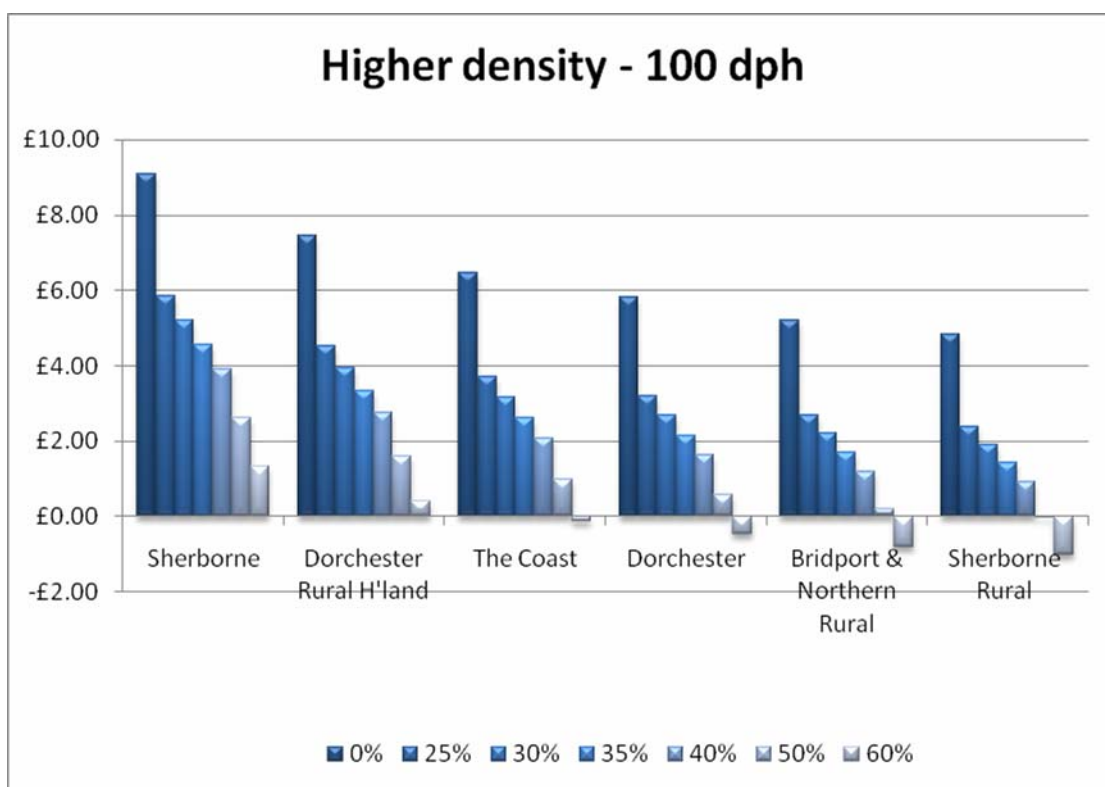
At 80 dph, in lower market value areas RVs are either negative or only just positive at the higher levels of affordable housing we tested. RVs are negative in Bridport and Northern Rural and Sherborne Rural market value areas at 60% affordable housing.

The example of the 80dph scenario and what it shows about the impact of flats on residual value has lessons across all the density scenarios tested. At lower densities, if the % of flats were increased from those we tested, residual values would likely be lower.

High density (100 dph) scheme

3.15 Figure 3.5 shows a higher density (100 dph) scheme. The main impact here is to decrease viability in all the scenarios tested with negative residual values at 60% affordable housing found in all market value areas but Sherborne and Dorchester Rural Hinterland.

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



Impacts of potential grant funding

3.16 The availability of public subsidy (in the form of grant) can have a significant impact on scheme viability. Grant given to the affordable housing providers enables them to pay more for affordable housing units, thus increasing overall scheme revenue and therefore the residual value of a mixed tenure scheme. The main source of grant is the the Homes and Communities Agency.

3.17 We have assumed grant of £50,000 per Social Rented unit and £15,000 per New Build HomeBuy unit. This level of grant was agreed with the local authority as being a reasonable figure to use for viability testing purposes.

3.18 We have tested the impact of grant on residual values for a 1 Ha site at 50 dph (which we identified as likely to generate optimal residual values in lower value market areas of the density scenarios we tested). The results are shown in Table 3.2 for five sub markets (Bridport & Northern Rural results will be very similar to Sherborne Rural).

Table 3.2: Comparison of impact of grant versus on residual values (at 50 dph): Residual Value (£s million per hectare); £5,000 per unit planning obligation package

50 Dph	Sherborne		Dorchester Rural Hinterland		The Coast		Dorchester		Bridport & Northern Rural	
	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant
0% AH	£7.26	N/A	£6.19	N/A	£5.45	N/A	£5.00	N/A	£4.58	N/A
25% AH	£5.29	£5.76	£4.38	£4.85	£3.76	£4.23	£3.40	£3.87	£3.11	£3.58
30% AH	£4.84	£5.40	£4.01	£4.57	£3.43	£3.99	£3.09	£3.65	£2.77	£3.33
35% AH	£4.45	£5.11	£3.65	£4.31	£3.10	£3.76	£2.76	£3.42	£2.47	£3.13
40% AH	£4.04	£4.80	£3.29	£4.05	£2.76	£3.52	£2.45	£3.21	£2.16	£2.92
50% AH	£3.23	£4.12	£2.57	£3.46	£2.10	£2.99	£1.81	£2.70	£1.56	£2.45
60% AH	£2.42	£3.71	£1.84	£3.11	£1.42	£2.71	£1.18	£2.47	£0.95	£2.24

- 3.19 Table 3.2 shows that the availability of grant will enhance site viability. This will be particularly important in the lower value sub markets of West Dorset. For example, at 35% affordable housing, the introduction of grant increases the RV from £2.47 m to £3.13m in Bridport and Northern Rural (an increase of 27%). But in Sherborne the increase is around 15% (i.e. from £4.45m to £5.11m)
- 3.20 The density scenario tested here generates relatively high residual values without grant in the stronger sub markets. The introduction of grant has a greater proportionate impact in the lower value sub market and we suggest that this is where the Council focus any such resources.

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

- 3.21 In the previous section we considered the impact of grant on scheme viability. Where grant is not available to support schemes (or is not sufficient on its own), scheme viability can be (further) enhanced by increasing the percentage of intermediate affordable housing. We have tested all scenarios thus far assuming the relevant affordable element is split 65% Social Rent and 35% Shared Ownership. Here we test a 50%:50% split in the affordable element.

Table 3.3: Site values (£ million per hectare) for a 50 dph scheme assuming 50% Social Rent and 50% Shared Ownership)

50 Dph	Sherborne	Dorchester Rural Hinterland	The Coast	Dorchester	Bridport and Northern Rural
0% AH	£7.26	£6.19	£5.45	£5.00	£4.58
25% AH	£5.52	£4.58	£3.99	£3.61	£3.27
30% AH	£5.17	£4.26	£3.69	£3.32	£3.00
35% AH	£4.81	£3.94	£3.39	£3.05	£2.74
40% AH	£4.46	£3.63	£3.11	£2.77	£2.48
50% AH	£3.76	£3.00	£2.52	£2.21	£1.94
60% AH	£3.05	£2.37	£1.94	£1.67	£1.41

3.22 Table 3.3 shows the residual values with a 50%:50% split in the affordable element. This demonstrates a considerable improvement over the ‘no grant’ residual values (compare with Table 3.2). In a middle market location, for example The Coast, a 50%:50% affordable housing split generates a residual of £3.39 million per hectare at 35% affordable housing versus ‘with grant’ scenario (Table 3.2) of marginally higher - £3.76 million per hectare. At lower percentages of affordable housing, the 50%: 50% split tends to produce a stonger value in this type of mid market, with the ‘with grant’ option producing higher residual where affordable housing percentages are higher.

3.23 In the higher value areas, a higher percentage of intermediate affordable housing generate residual values which compete well with a lower percentage of affordable housing (but including grant). For example, (comparing Tables 3.2 and 3.3) in Sherborne, the 50%: 50% affordable (no grant) housing option generates a residual value of £4.81m per hectare at 35% affordable housing, compared with £5.11m with grant and a 65%:35% split (social rented housing to intermediate). In the lower value market value areas (e.g. Bridport and Northern Rural), increasing the propportion of intermediate affordable housing at the expense of Social Rent tends to have a less significant impact. For example in Bridport, at 35% affordable housing the comparable figures are £2.74 and £3.13.

Impact of an increased S.106 requirement (£15,000 per unit)

3.24 In the earlier analysis, we have assumed a planning obligation package of £5,000 per dwelling. Table 3.4 shows residual values for a notional one hectare site at varying affordable housing percentages for a 50 dph scheme assuming a s106 contribution package of £15,000 per unit. We have tested this level of planning obligations to assess the possible economic impact of such an approach. This should not be taken to indicate that the Council might wish to adopt this level of planning obligations package. £15,000, in our experience, represents an upper level of planning obligation package being sought by similar authorities to West Dorset (although some packages are higher). In the absence of detailed research by the council, it is difficult to be more precise about the potential level of an obligations package (or Community Infrastructure Levy if this is introduced) but we consider that £15,000 represents a sensible higher level of obligations package to test.

Table 3.4 Site values at Section 106 of £15,000 per unit: Residual value (£s million per hectare) 50dph scheme (No grant and 65%:35% social rent to intermediate affordable)

50 Dph	Sherborne	Dorchester Rural Hinterland	The Coast	Dorchester	Bridport and Northern Rural
0% AH	£6.76	£5.69	£4.95	£4.50	£4.08
25% AH	£4.79	£3.88	£3.26	£2.90	£2.61
30% AH	£4.34	£3.51	£2.93	£2.59	£2.27
35% AH	£3.95	£3.15	£2.60	£2.26	£1.97
40% AH	£3.54	£2.79	£2.26	£1.95	£1.66
50% AH	£2.73	£2.07	£1.60	£1.31	£1.06
60% AH	£1.92	£1.34	£0.92	£0.68	£0.45

3.25 The introduction of a larger planning obligations package reduces residual values across all sub markets. We have illustrated this with the example of the 50 dph development but the pattern will be the same for all the development density scenarios. The impact of the planning obligations package is proportionately greater in the lower value areas. Nevertheless, at 35% affordable housing, residual values per hectare of between £3.95m and £1.97 m are generated, without grant and with a planning obligations package of £15,000 per unit. At 40% affordable housing, residual values fall and in the lower value market value areas (notably Bridport and Northern Rural) are most noticeable. The impact is more marked at 50% affordable housing but even at this level, with no grant and a £15,000 obligations package, residual values per hectare exceed £2m in Sherborne and Dorchester Rural Hinterland.

Lifetime Homes

3.26 A consideration going forward is the additional cost of achieving Lifetime Homes build standards. We think, based on the DCLG's Lifetime Homes, Lifetime Neighbourhoods report (February 2008) that the additional cost of achieving Lifetime Homes will be around £550 per dwelling (although there may be nil cost if the requirements are 'designed early enough').

3.27 On the basis of a 50 dph development, this will mean that residual values are reduced by around £27,000. We do not think, with residual values at the levels indicated for West Dorset, that the achievement of Lifetime Homes standards should unduly affect the policy stance taken by the council regarding the viability of affordable housing development.

Code for Sustainable Homes

3.28 If the Council were to consider higher levels of Code for Sustainable Homes there could be implications for development viability. The actual costs, for example, of achieving Code Level 4 range from £2,000 to £12,000 per dwelling (Cyril Sweet, 2007 – Cost Review of the Code for Sustainable Homes). This depends on the extent to which different energy sources are adopted. We would run with scenario 2 (an additional £4,260 per end terrace) which represents 'Initial energy efficiency measures initially followed by use of

small scale wind turbines and then biomass systems'. Assuming costs then of around £5,000 per unit at 50 dph, this means £250,000 off residual value.

Large greenfield sites – viability issues

- 3.29 It is important to comment at this stage on the economics of developing large greenfield sites.
- 3.30 Where these sites are brought forward, it is important to look at both value and cost sides of the equation. On the values (selling prices) side, there will be instances where large developments will be able to generate their own 'market' or selling prices which may be higher than the values generally found in the area. There could also be situations where the values might be lower. For this reason, it is important that any significant urban extensions are tested independently using the Dorset Toolkit or another appropriate approach.
- 3.31 Costs, and in particular, infrastructure costs for large greenfield sites are an issue. In our experience, these range from £100,000 to £600,000 per hectare depending on a range of factors including the availability of utilities, drainage and topography. These costs will normally be over and above any Section 106 package or equivalent and hence again, it will be important to establish the precise loading of physical infrastructure on a site.

Benchmarking results

- 3.32 There is no specific guidance on the assessment of viability which is published by national government. In Section 2, we set out that we think viability should be judged against return to developer and return to land owner. For a landowner to bring forward their land, the residual value of a site (as described earlier) must at least exceed its current use value. For greenfield (e.g. agricultural land), landowners will usually seek more than a simple uplift on the existing use value and will have expectations based on their personal circumstances and aspirations.
- 3.33 One way of 'benchmarking' the results of our viability analysis is to take "current" land values for different development uses as a kind of 'going rate' and consider residual values achieved for the various scenarios tested against these. Table 3.5 (sourced from the Valuation Office) shows residential land values for selected locations within the South West. At the time of writing, there is no more up to date information publicly available.

Table 3.5 Residential land values regionally

SOUTH WEST			
REGION	Small Sites (sites for less than five houses)	Bulk Land (sites in excess of two hectares)	Sites for flats or maisonettes
	£s per hectare	£s per hectare	£s per hectare
Bournemouth	2,700,000	2,500,000	3,200,000
Weymouth	2,000,000	1,900,000	2,400,000
Exeter	2,800,000	2,000,000	2,800,000
Barnstaple	1,700,000	1,350,000	1,600,000
Plymouth	1,800,000	1,700,000	1,500,000
Truro	2,500,000	2,100,000	2,900,000
Taunton	2,250,000	2,000,000	2,250,000
Bath	3,000,000	2,100,000	2,800,000
Bristol	2,600,000	1,900,000	2,300,000
Gloucester	2,600,000	2,250,000	2,800,000
Swindon	2,000,000	2,000,000	2,400,000

Source: Valuation Office; Property Market Report, January 2009

- 3.34 The table indicates residential land values of around £1.9m per hectare in Weymouth (the nearest comparable for West Dorset) for bulk land and of £2.5m in Bournemouth (the other nearby market shown). Whilst the market in West Dorset is not identical to those of Weymouth or Bournemouth (and, as we have demonstrated, there is significant variation **within** the West Dorset market) values of around £1.9m to £2.5m per hectare in West Dorset may have provided some kind of broad benchmark from winter 2009.
- 3.35 Another benchmark which can be referred to is that of industrial land. Table 3.6 shows values of around £625,000 per hectare in Weymouth (nearest comparable) in the winter of 2009 but at £1.35m in Poole/Bournemouth (a much more substantial employment centre).

Table 3.6 South West industrial land values

SOUTH WEST			
	From £s per ha	To £s per ha	Typical £s per ha
Poole/Bournemouth	850,000	1,350,000	1,100,000
Weymouth	475,000	750,000	625,000
Exeter	725,000	975,000	850,000
Barnstaple	325,000	525,000	375,000
Plymouth	375,000	500,000	400,000
Bodmin	350,000	450,000	400,000
Yeovil	525,000	900,000	725,000
Bristol	750,000	980,000	850,000
Gloucester	750,000	1,000,000	850,000
Swindon	750,000	1,000,000	850,000

Source: Valuation Office; Property Market Report, January 2009

- 3.36 The 'benchmark' of industrial land value can be important where land, currently in use as industrial land, is being brought forward for residential development or where sites may be developed either for residential or employment use. In the lowest market value areas of the District, if industrial represents a realistic current/alternative use, it may be difficult to bring forward residential schemes with the highest proportions of affordable housing we modelled, especially at the higher density scenarios.
- 3.37 Finally, we refer to the values quoted at the recent development industry workshop we held. Here, values for greenfield land were said to be around £1m per gross developable acre about 2 years ago but with values said to be nearer £500,000 per acre at the time of the workshop (November 2008). On the basis of gross developable hectare, land values would be around £1.2m today, having fallen from a value of around £2.5m 2 years previously.

4 LAND SUPPLY, SMALL SITES AND USE OF COMMUTED SUMS

Introduction

- 4.1 This chapter reviews options for identifying the size of sites above which affordable housing contributions could be sought, in the context of national policy guidance. The current threshold operating in West Dorset is 15 dwellings in the towns (excluding Beaminster) and 3 dwellings elsewhere inside Defined Development Boundaries (Local Plan 2006). The chapter provides an assessment of the profile of the future land supply and the likely relative importance of small sites. It then considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed).

Purpose of the Analysis

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

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

- 4.3 By reducing site size thresholds and 'capturing' more sites from which affordable housing can be sought, an authority can potentially increase the amount of affordable housing delivered through the planning system.
- 4.4 In this section we examine the impact that varying site size thresholds would have on affordable housing supply. In order to do this we need to examine the likely future site supply profile.

Small sites analysis

- 4.5 We have analysed data on past permissions to consider how important sites of different sizes are likely to be to the future land supply. The tables below show the results of this exercise.

Table 4.1: No of dwellings in different sizes of sites (annual average for last 3 years of permissions – 2005/06 to 2007/08)

Site size (dwellings)	% of dwellings by size of sites
1-4	14.4%
5-9	7.6%
10-15	5.9%
15 - 24	10.3%
25 - 49	7.9%
50 - 99	15.4%
100+	38.6%
	100.0%

- 4.6 The trends in site supply (using the information on past permissions) shows a broad range of site sizes which are contributing to the land supply in West Dorset. The data indicates that around 28% of dwellings granted planning permission have been on sites of less than 15 dwellings – the national indicative minimum site size threshold. Very few permissions have been granted on sites between 10 and 15 dwellings but sites of less than 10 dwellings contributed around 22% of the site supply.
- 4.7 Given the high level of need for affordable housing in the district, the Council may consider that a threshold below 15 dwellings is needed in the towns in order to maximise delivery of affordable housing. Anecdotally we were told that small sites are particularly important to the land supply in the rural areas and particular individual settlements. The Council may wish to explore the available data further to explore these issues and to consider whether the current threshold of 3 dwellings in its rural areas should be reduce further.

Small sites and management of affordable housing

- 4.6 We discussed the suitability of small sites for affordable housing at the workshop with the development industry and which included representatives from Registered Social Landlords (RSLs). The workshops considered the situation where there could be as few as one or two units on each site.
- 4.7 While RSLs indicated that they would prefer to have affordable housing in larger groups (say 10 to 15 dwellings), they would be prepared to take on small numbers of affordable units (down to 1 and 2 dwellings) in mixed tenure development. The RSLs might be less willing to manage affordable housing units if other factors e.g. scheme location and design meant they were less suitable for affordable housing: suitability for affordable housing would need to be reviewed on a scheme by scheme basis.

Use of commuted sums

- 4.8 As a general principle, we recognise that seeking on-site provision of affordable housing will be the first priority and that provision of affordable housing on an alternative site or by way of a financial payment in lieu (or commuted sum) should only be used in exceptional circumstances. This

position is consistent with national guidance in Paragraph 29 of PPS3 which states:

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

- 4.9 Where commuted sums are sought as an alternative to direct on or off-site provision, PPS3 sets out the appropriate principle for assessing financial contributions - that they should be of “broadly equivalent value” (see para set out 29 above). Our approach is that the commuted sum should be equivalent to the ‘developer/landowner contribution’ if the affordable housing was provided on site. One way of calculating this is to take the difference between the residual value of 100% market housing and the residual value of the scheme with the relevant percentage and mix of affordable housing.
- 4.10 If the ‘equivalence’ principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution.
- 4.11 Any concerns about scheme viability (whatever size of site) should be reflected by providing grant or altering tenure mix.
- 4.12 However, if affordable housing is sought from very small sites, in certain circumstances it becomes impractical to achieve on site provision e.g. seeking less than 33% on a scheme of 3 dwellings or less than 50% with a scheme of 2 dwellings. There will also be occasions where on-site provision can only deliver a partial contribution towards the proportion of affordable housing sought e.g. 40% affordable housing in a scheme of 3 dwellings would deliver one affordable unit on site (representing 33% of provision). In the latter case, it is possible to devise a formula which mixes on-site provision with a commuted sum to ‘make up the balance’.

5 CASE STUDY VIABILITY ANALYSIS

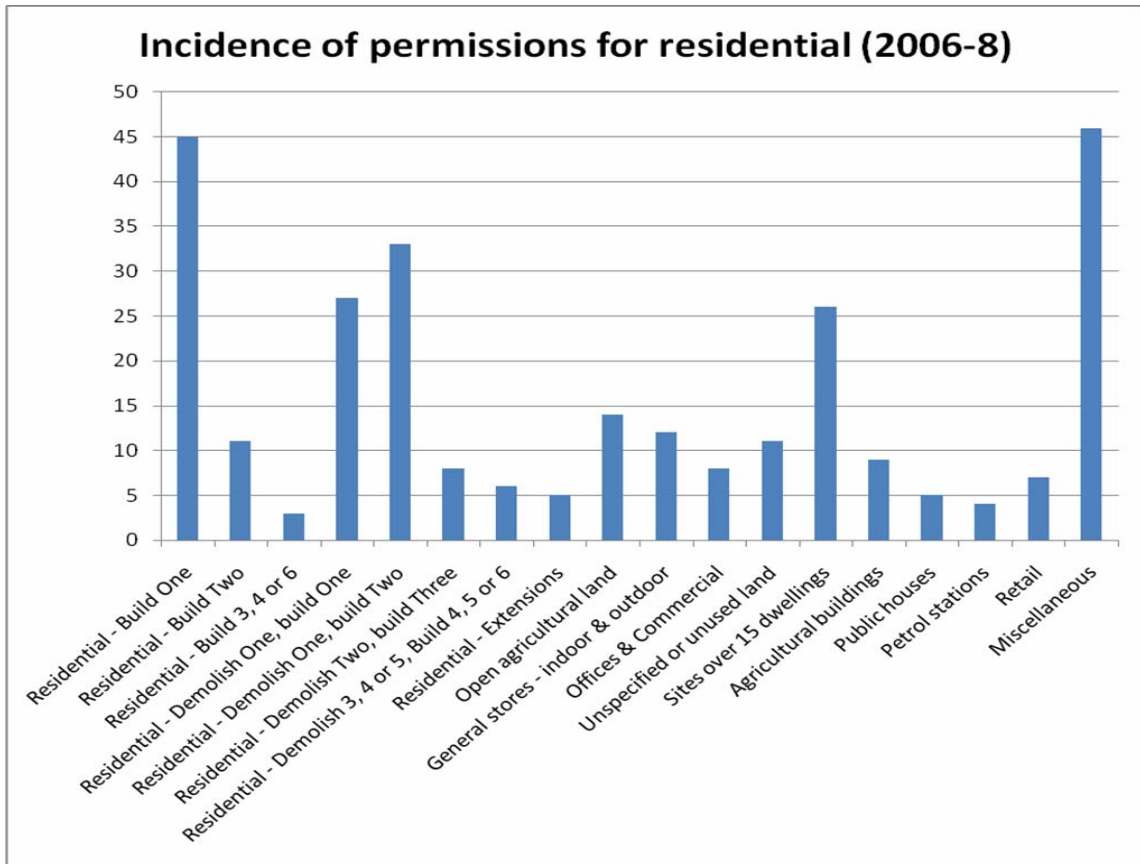
Introduction

- 5.1 The analysis in Chapter 3 provides a good indication of the likely viability of sites in the district. The residual values can be compared with existing use values to establish whether land owners are likely to make a return over and above existing use value, taking into account a developer margin.
- 5.2 The analysis in Chapter 3 will apply for large as well as small sites (on a pro rata basis). We do not have any evidence to suggest that the economics change significantly between large and small sites. This assumption was accepted at the Dorset development industry workshops as has been the case elsewhere where we have run similar workshops. It will be noted (Table 3.5) that small sites can achieve higher land values than larger ones, suggesting that the economics of developing smaller sites could actually be more favourable than developing larger ones.
- 5.3 In theory therefore there is no real need to review in detail viability issues for small sites. However, for the sake of further illustration, and recognising that there may be special circumstances which impact on the viability of some types of smaller sites, it was felt helpful to review the development economics of some illustrative case studies.

Case study sites

- 5.4 In this section we review a number of case study developments which are examples of small sites for residential development. Figure 5.1 shows the types of schemes granted planning permission for residential development during the period 2006 to 2008, with the nature of the existing land use shown.

Figure 5.1 Incidence of planning permissions for residential development 2006-8 – West Dorset



- 5.5 Figure 5.1 shows a high incidence of permission for very small schemes i.e. involving the development of one or two dwelling (42% in total). This equates to around 120 schemes over the three years or about 40 per annum average. Schemes involving the development of one or two dwellings, around half involve the demolition of at least one dwelling.
- 5.6 Residential development is also brought forward as a result of commercial uses – general stores provide an important source of supply here, although altogether amounting to 4% of all permissions. Agricultural land and buildings are also significant in the big picture of supply.
- 5.7 There are a number of schemes which do not fit neatly into any of these categories. We have termed these miscellaneous. These involve a number of ‘one-off’ sites where the existing land use ranges from community to utility sites.

5.8 On the basis of the data, we have selected four case studies for further investigation. These are shown in Table 5.1

Table 5.1 Case study sites

Case Study	Number of dwellings	Type of new development	Site (Ha)	Size	Resulting density
A	1	1 x 5 bed detached house		0.05	20
B	2	1 x 4 bed detached house; 1 x 5 bed detached house		0.1	20
C	3	2 x 3 bed semis; 1 x 4 bed detached		0.125	25
D	4	2 x 3 bed terraces 2 x 4 bed detached		0.15	27

5.9 For each case study we have undertaken an analysis of residual values for four of our sub market areas and at levels of affordable housing from 0% to 60%. All the other assumptions used are the same as for the main analysis described in Chapter 3.

5.10 We have then benchmarked the residual values derived against various potential alternative/existing use values. One comparator is the value of a second hand dwelling which is a relevant comparison where the development includes the demolition of an existing dwelling. We have used the market value of a second hand 4 bed detached dwelling as the comparator for these cases. Our estimate of the 'average' market value of one 4 bed detached property for each of the three market value areas we have analysed is as follows:

Sherborne - £450,000

The Coast - £380,000

Dorchester - £360,000

Bridport and Northern Rural Hinterland - £350,000

Case study A – Develop one detached house on a 0.05 ha site

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

Table 5.2 Develop one detached house (0.05 Ha site)

	Percentage of Affordable Housing						
	0%	25%	30%	35%	40%	50%	60%
Sherborne	£279,000	£212,000	£199,000	£185,000	£173,000	£147,000	£147,000
	£5.58	£4.24	£3.98	£3.70	£3.46	£2.94	£2.94
The Coast	£213,000	£159,000	£149,000	£137,000	£127,000	£106,000	£106,000
	£4.26	£3.18	£2.98	£2.74	£4.54	£2.12	£2.02
Dorchester	£195,000	£144,000	£134,000	£123,000	£113,000	£93,000	£93,000
	£3.50	£2.88	£2.68	£2.46	£2.26	£1.86	£1.86
Bridport & Northern Rural Hinterland	£180,000	£132,000	£122,000	£112,000	£103,000	£84,000	£84,000
	£3.60	£2.64	£2.44	£2.24	£2.06	£1.68	£1.68

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

- 5.12 Table 5.2 shows that the development of one new detached house will generate a very substantial residual value even with 40% or 50% affordable housing and across all market value areas. Where one dwelling of this type is built on, for instance, infill or backland sites, we would expect the uplift in site value will be substantial. For sites taken from garden land, this will also be the case although a devaluation to the existing dwelling may also occur.
- 5.13 As indicated in Figure 5.1, a minority of cases (approximately 10% of all incidences of permissions) involve the replacement of an existing property with a new one. Given the average values we set out in 5.10 above, demolishing an existing dwelling and building a single new five bed detached dwelling and which makes a contribution to affordable housing, looks unlikely to be viable.
- 5.14 However, in the example used above, it can be seen that the residual value generated without any affordable housing is below the existing use value. This will partly explain the small number of examples of this development type found in the District. It also implies that the circumstances in which a dwelling is brought forward for redevelopment will not be the 'average' situation for the market value area. The analysis implies that properties brought forward for redevelopment will be below average values and the new dwellings will be of a higher value than 'average' for new properties. This implies that there will

be circumstances in which residential replacements can also contribute to affordable housing but each case will need to be analysed on its own merits.

Case study B – Develop two detached houses (one 4 bed and one five) on a 0.05 ha site.

- 5.15 The viability of developing two detached houses rather than one will depend on the site size and existing use value. There will be some instances where the relationship between existing use value and residual development value is favourable and some where this may not be the case. Table 5.3 shows residual values for the development of two detached houses.

Table 5.3 Develop two detached houses (0.1 Ha site)

	Percentage of Affordable Housing						
	0%	25%	30%	35%	40%	50%	60%
Sherborne	£509,000	£386,000	£361,000	£337,000	£313,000	£264,000	£214,000
	£5.09	£3.86	£3.61	£3.37	£3.13	£2.64	£2.14
The Coast	£386,000	£286,000	£266,000	£247,000	£227,000	£187,000	£147,000
	£3.86	£2.86	£2.66	£2.47	£2.27	£1.87	£1.47
Dorchester	£351,000	£258,000	£240,000	£221,000	£203,000	£165,000	£128,000
	£3.51	£2.58	£2.40	£2.21	£2.03	£1.65	£1.28
Bridport & Northern Rural Hinterland	£324,000	£236,000	£219,000	£202,000	£183,000	£148,000	£113,000
	£3.24	£2.36	£2.19	£2.02	£1.83	£1.48	£1.13

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

- 5.10 Similar arguments apply to Case Study 1 and 2. For infill, backland and garden plots, we believe that a significant uplift in residual value will occur and that a contribution to affordable housing would not make development unviable. However, as previously discussed, schemes involving the demolition of an existing residential dwelling may prove more challenging.
- 5.11 The analysis of recent permissions (Figure 5.1) indicates that the redevelopment of a site for 2 dwellings and which includes the demolition of an existing dwelling include 12% of all permissions. This is a significant number of schemes which are likely to be faced with a challenging situation in delivering affordable dwellings.

Case study C – Develop three dwellings (Two semis and one detached) on a 0.125 ha site

5.12 A number of schemes in the District involve the development of three dwellings. We model here the development of two semis and one detached house.

Table 5.4 Develop two semis and one detached (0.125 Ha site)

	Percentage of Affordable Housing						
	0%	25%	30%	35%	40%	50%	60%
Sherborne	£554,000	£407,000	£377,000	£348,000	£317,000	£258,000	£198,000
	£4.43	£3.26	£3.02	£2.78	£2.54	£2.06	£1.58
The Coast	£415,000	£293,000	£268,000	£245,000	£215,000	£171,000	£122,000
	£3.32	£2.34	£2.15	£1.96	£1.75	£1.37	£0.97
Dorchester	£382,000	£267,000	£243,000	£220,000	£197,000	£150,000	£104,000
	£3.06	£2.14	£1.94	£1.76	£1.57	£1.20	£0.83
Bridport & Northern Rural Hinterland	£353,000	£243,000	£221,000	£199,000	£177,000	£133,000	£89,000
	£2.82	£1.94	£1.77	£1.59	£1.41	£1.06	£0.71

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

- 5.13 The results in Table 5.4 show a similar pattern to those in Table 5.3 (two detached houses). Residual values on a per hectare basis are lower, but in practice there may well be little substantive difference between the residuals produced by the development mix in case study B versus that in case study C. Much depends on the actual size of site relative to built form. As previously, we would suggest that these residuals generate a significant return to the owner of a site which is backland or infill or a garden plot and we think that this type of opportunity could generate an affordable housing contribution.
- 5.14 As before, though, where this type of development involves the demolition of an existing dwelling, residual values fall short of existing use values. We also note that in 8 instances (3% of permissions between 2006 and 2008) developments of three dwellings replace two demolished dwellings, thereby making the economics less viable.
- 5.15 As previously stated (see Para 5.14 above), we would stress that development is coming forward where the economics look difficult or normally unviable, and hence policy should not necessarily be based on what looks like a worst case scenario.

Case study D – Development of 4 dwellings on a 0.15 Ha site

- 5.16 We look here at an example of a 4 dwelling development including two, three bed terraces and two four bed detached houses.

Table 5.4 Develop four dwellings (0.15 Ha site)

	Percentage of Affordable Housing						
	0%	25%	30%	35%	40%	50%	60%
Sherborne	£773,000	£576,000	£536,000	£496,000	£457,000	£378,000	£299,000
	£5.15	£3.84	£3.57	£3.31	£3.05	£2.52	£1.99
The Coast	£584,000	£423,000	£390,000	£358,000	£325,000	£259,000	£195,000
	£3.89	£2.82	£2.60	£2.39	£3.17	£1.73	£1.30
Dorchester	£527,000	£376,000	£344,000	£315,000	£285,000	£224,000	£164,000
	£3.51	£2.51	£2.29	£2.10	£1.90	£1.49	£1.09
Bridport & Northern Rural Hinterland	£486,000	£343,000	£313,000	£286,000	£256,000	£198,000	£142,000
	£3.24	£2.29	£2.09	£1.91	£1.71	£1.32	£0.97

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

- 5.17 Case study produces very similar results to case study B with similar conclusions. Residual values are positive across all the scenarios (up to 60%). We think this type of development can attract an affordable housing contribution under the right circumstances.
- 5.18 Where a development of four units replaces a single dwelling, this will usually be more viable than at a lower number of new build units. A target of between 25% and 35% would be appropriate where a single dwelling is replaced, assuming that original dwelling did not have a higher than average market value.

Commentary on the results

- 5.19 This section on case studies is primarily illustrative, looking at the economics with particular reference to smaller sites and including consideration of achieved residual values for different sites and how they compare with existing use values.
- 5.20 Sites with a low number of dwellings (smaller sites) are no less viable than sites with a larger number. They can be shown to generate higher land values than larger sites. This means that where existing use value is relatively low, as we think will be the case for example, with back-land, infill or garden land, the Council should pursue a robust approach to obtaining affordable housing and other s106 contributions.
- 5.21 Schemes which involve the redevelopment of one dwelling with either one or two new dwellings will be more difficult to deliver with an affordable housing contribution because of the high existing use value. As noted earlier, around half the schemes for one and two dwellings involve demolition of an existing dwelling(s). There will be some circumstances, particularly in higher value areas where an affordable housing contribution will be viable.

6 MAIN FINDINGS AND CONCLUSIONS

Key findings

- 6.1 We identified six market value areas in West Dorset. The market value areas are defined by prices by postcode sectors and are: Sherborne, Dorchester Rural Hinterland, the coast, Dorchester, Bridport and Northern Rural and Sherborne Rural.
- 6.2 There is significant variation in market values across the six areas. These differences in market values were reflected in differences in residual values (for the different scenarios tested). We found that residual value is dependent not only on location but also on the density adopted. As a general rule, schemes of 40 dph or 50dph generate the highest residual values. Higher density flatted schemes perform particularly poorly in the lower value market areas at higher amounts of affordable housing.
- 6.3 There are no obvious market value areas or groups of value areas which are very different from the other market value areas. Whilst there are clear differences in residual values between the highest and lowest value areas (Sherborne and Sherborne Rural), the differences between each of the 'intermediate' value areas are relatively small. This pattern is repeated for all the combination of densities and amounts of affordable housing we tested.
- 6.4 Residual values remain positive in most market value areas even at the higher percentages of affordable housing tested. We noted, for instance, that in the strongest sub market we modelled, Sherborne, at 50 dph and 40% affordable housing (without grant) a residual value per hectare of £4.04m was found and at 50% affordable housing, the equivalent figure was £3.23m. At 40% affordable housing and at 50dph, residual values in the Dorchester market value area were £2.45 m per hectare.
- 6.5 There are lower value market value areas in West Dorset and lowest residual values were found in Sherborne Rural. But even here at 50 dph and with 40% affordable housing, a residual value of £2.05m per hectare was found. This comfortably exceeds the broadly indicative value of employment land we identified and the value of greenfield residential land described at the development industry workshop.
- 6.6 The introduction of grant significantly improves residual values across the district. It matters most in the lower value areas where it can make a significant difference to overall economic viability.
- 6.7 The analysis shows that increasing the proportion of intermediate affordable housing from 35% to 50% (of the total affordable element) has different impacts in different markets. In higher value markets, this change will produce higher residual values than keeping the proportion of intermediate housing at 35% (of the affordable element) and introducing grant. In lower value areas, the opposite is the case, and introducing grant increases the residual values more than a switch in the mix of affordable housing. These findings are shaped by the precise mix of affordable housing types and levels of grant we have tested. However, they make an important point that flexibility in tenure mix can have a significant impact on residual value in certain situations.

- 6.8 At the higher level of s106 contributions we tested, the impact on residual values is greatest in the lower value sub markets. However, even with a 40% affordable housing contribution, no grant available and a notional £15,000 planning obligation package per dwelling, in the lowest value sub market of Bridport and Northern Rural which we tested, a positive residual value of £1.66m per hectare is still generated.
- 6.9 Viability is highly sensitive to the relationship between existing (or, where relevant, alternative) use value. A proportion of smaller sites being brought forward, involve the redevelopment of existing residential properties – either as a one for one replacement or at a higher density of development. Whilst such schemes can deliver affordable housing in some circumstances and especially in the higher value markets, it must be acknowledged that residual values, with even relatively low levels of affordable housing, will not be sufficiently above current use values to encourage land owners to bring the land forward. The use of grant could help in achieving higher levels of affordable housing on such sites. Our analysis indicates that around half of the schemes of one and two dwellings involve the demolition of an existing dwelling.
- 6.10 Again, it is important to highlight that it is not the size of the site per se that causes difficulties with viability, but the nature of the existing or alternative use.
- 6.11 From a housing management perspective, we did not find any in- principle objections from housing associations to the on-site provision of affordable housing on small sites. There may be particular schemes where on-site provision is not the preferred option, but as a general rule, on-site provision of (very) small numbers of affordable homes is acceptable to housing associations.
- 6.12 The analysis of the supply of sites in the District indicated that small sites (below the national indicative minimum of 15 dwellings) do make up an important element of the supply – over a quarter (28%) and that sites of 1 to 4 dwellings are particularly important here. . Given the very high level of need for affordable housing in the district, the Council may consider it important to capture all opportunities for affordable housing and to reduce the threshold in the towns (currently at 15 dwellings) and to consider a further lowering of the threshold in the rural areas (currently at 3 dwellings). If a lower ‘urban’ threshold were to be considered, then there would seem no particular threshold below 15 dwellings which is more appropriate than another. Further detailed analysis of the information on site supply may help in clarifying whether small sites play a particular role in specific settlements and/or generally in smaller settlements in the rural areas of the district (and to explore the role of schemes currently below the 3 dwelling threshold).
- 6.13 Where a financial payment in lieu of on-site provision of affordable housing (or commuted sum) is to be sought, it should be of “broadly equivalent value”. We understand that this is already council policy and we support this approach.
- 6.14 If this ‘equivalence’ principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution, not in response to viability issues.

Conclusions and policy recommendations

6.15 There is no detailed government guidance setting out how targets should be assessed, based on an assessment of viability. In coming to our conclusions, we have reviewed the residual values generated for the different sub markets in the District at the alternative levels of affordable housing tested and considered how these values compare with historic land values generally in the area.

6.16 From this review, we note the strength of the market across West Dorset and that there are differences in values generated in different market value areas but with no single market area or group of areas standing out as being very different from the rest. Our analysis has led us to suggest two main options for setting affordable housing proportions for spatial planning policy purposes which would be a reasonable policy conclusion from the viability information presented. In coming to our conclusions we again note that viability is not the only consideration which the local authority will need to take into account in coming to a view on the policies it wishes to adopt and that it will need to consider the priority given to achieving affordable housing delivery to help address the very high level of need for affordable housing in the borough. The two main options are:

A single percentage target across the whole district and which is realistic in the lowest value market areas (and therefore readily achievable in the higher values areas). Given the range of residual values we found, we consider that a target of 40% would be a reasonable starting point;

A split target of 40% for the lower value areas and 50% for higher value areas. This would best split, in our view, between the highest three value locations – Sherborne, Dorchester Rural Hinterland and the Coast at 50%, the remainder at 40%. These would of course be targets, with deliverability subject to site specific negotiations.

6.17 Whichever of the above options is chosen, the authority should, in our view, retain the flexibility to include targets for individual allocated sites based on site-specific analysis of viability.

6.18 Commenting on the second option set out above, if this option is pursued, it will be important that there can be a clear distinction between the areas where the alternative targets apply.

6.19 On the other hand, a single percentage across the district is simple and leaves no room for doubt about the authority's requirements.

6.20 In coming to a view on target percentages for affordable housing, the Council will need to be mindful of the potential impacts of additional costs imposed in the form of a higher s106 planning gain package (we looked at £15,000) per unit, as well as the potential impacts of achieving a higher Code for Sustainable Homes level. The cumulative impacts of these two requirements could be between £500,000 and £750,000 per hectare and hence a quite substantial viability 'hit'. However, whether these high levels of Section 106 will actually be realised is still an unanswered question and it is ultimately a policy decision as to how affordable housing and other forms of Section 106 are ultimately 'traded off'.

Viability on individual sites

- 6.21 Our analysis has indicated that there will be site-specific circumstances where achievement of the affordable housing proportions set out above may not be possible. This should not detract from the robustness of the overall targets but the council will need to take into account specific site viability concerns when these are justified.
- 6.22 If there is any doubt about viability on a particular site, it will be the responsibility of the developer to make a case that applying the council's affordable housing requirement for their scheme makes the scheme **not viable**. Where the council is satisfied this is the case, the council has a number of options open to it (including changing the mix of the affordable housing and supporting a bid for grant funding from the Homes and Communities Agency) before needing to consider whether a lower level of affordable housing is appropriate. In individual scheme negotiations, the council will also need to consider the balance between seeking affordable housing and its other planning obligation requirements.

Thresholds

- 6.23 There is a very high need for affordable housing in West Dorset and it is appropriate for the council to consider a lower thresholds than the indicative national minimum (15 dwellings) set out in PPS3 and current local policy. The supply of sites which has been coming through in recent years indicates that small sites make an important contribution to site supply and that a low threshold would capture more affordable housing. Below 15 dwellings there is no particular threshold which appears more appropriate than another and a threshold of 0 is not unrealistic.
- 6.24 However, it is apparent that the nature of the current land use plays a particular role in the development economics of very small sites. Some sites down to 1 dwelling will be equally capable of delivering affordable housing as much larger sites, particularly but not exclusively, in the higher value market areas. But there will be a group of sites where the current use is as a dwelling(s) where this will not be the case and the authority will need to take a flexible view in seeking affordable housing from these sites – whichever market value area they are in.
- 6.25 At below 2 or 3 dwellings (depending on the target percentage adopted) on-site provision is not mathematically practical and an equivalent commuted sum will need to be sought. One option which the council could consider is adopting a 'two part' threshold. The actual threshold for seeking affordable housing contributions would be set at zero but up to, for example, from schemes of up to 4 dwellings, a commuted sum would be sought, with an on-site contribution above this threshold.
- 6.26 Alternatively, the council could consider adopting a threshold which excluded the smallest sites (say 1, 2 and 3 dwellings) but sought affordable housing on-site for all schemes above the threshold.
- 6.27 Taking all these factors into account, the following are put forward as options for future policy on thresholds which would be reasonable to consider:

Retain the current plan policy (and national indicative minimum threshold) of 15 dwellings in the main towns and 3 dwellings elsewhere;

Operate a zero threshold across the district to maximise the delivery of affordable housing. We think that this option is not unrealistic, subject to site specific testing to deal with high existing use values in particular.

Introduce and operate a threshold of say 3 dwellings across the District. This would avoid smaller developments involving residential demolition where the economics are challenging, and would harmonise the threshold with the current one operating in rural areas.

Retain a 15 dwelling threshold generally in the towns and 3 dwellings in the rural areas but identify specific settlements and/or types of settlement where a lower threshold operates (and that this threshold could be as low as 1 dwelling).

Commuted sums

- 6.28 Where **commuted sums** are collected a possible approach to calculating the appropriate sum sought is to base this on the equivalent amount which would be contributed by the developer/landowner were the affordable housing provided on site. This is expressed as follows:

RV 100% M = Residual value with 100% market housing

RV AH = Residual value with X% affordable housing (say 40%)

Equivalent commuted sum = RV 100% MV minus RV AH

- 6.29 Where commuted sums are collected, the council will need to have in place a strategy to ensure the money is spent effectively and in a timely manner. Options for spending will be a matter for the council to consider but could include supporting schemes which would otherwise not be viable, increasing the amount of social rented housing in a scheme, increasing the proportion of family units in a scheme, seeking higher quality affordable housing (e.g. a higher level of the Code for Sustainable Homes).

The current housing market

- 6.30 At the time of preparing this report, the housing market has suffered a downturn as a result of the 'credit crunch'. Our analysis of housing market values is as recent as possible and relates to January 2009.
- 6.31 We think it likely however that developers will increasingly run an argument during 2009 and 2010 that the affordable housing and wider s106 policy is holding back sites. We believe that whilst the council should be flexible in its negotiations on specific sites, we do not think it should shift its position from the policy conclusions of this report since these will be more appropriate to the longer term trend in house prices which has been shown to be upwards. In other words, the policy position should be one which reflects the longer run and not simply the impacts of the credit crunch.

Appendix 1

AFFORDABLE HOUSING PROVISION AND DEVELOPER CONTRIBUTIONS IN DORSET

Notes of workshop held on Wednesday 19th November 2008 at Brownsword Hall , Poundbury, Dorchester.

Attendance:

Gill Smith	Dorset County Council
Lin Cousins	Three Dragons
Andrew Golland	Three Dragons
John Stobbart	Natural England
Philip Fry	C G Fry and sons Ltd
Nigel Jones	Humberts Commercial
Phil Easton	Western Design
Anna Puzey	Wyatt Homes
Jonathon Thornton	Knightstone Housing Association
John Loosemore	Betterment Properties Ltd
Simon Conibear	Duchy of Cornwall
Karyn Punchard	Weymouth and Portland Borough Council
Tim Davis	West Dorset District Council
Paul Harrington	Morgan Carey Architects
Paul Bedford	Persimmon Homes
Nathan Cronk	Raglan Housing Association
Ron Peak	Bournemouth Churches Housing Association.

Introduction

GS welcomed attendees and explained the purpose of the study and the workshop. Participants explained who they represented. The range of interests covered:

Small – large sized builders
RSLs with an interest in the area
Planning agents / architects
Natural England
Local Authority Housing and Planning officers

It was explained that the study covered the five districts of North Dorset, West Dorset, East Dorset, Christchurch and Weymouth and Portland (Three Dragons having already completed studies for Poole, Bournemouth and Purbeck councils). But the emphasis for this workshop was on West Dorset and Weymouth and Portland and those invited to the workshop reflected this.

Issues in delivering affordable housing

Requirement for affordable housing in a mixed tenure scheme is now recognised as a 'given' in new (residential) development. But the affordable housing is part of a wider planning obligations bundle and the current viability study needs to recognise this.

The impact of planning obligations falls on the land owner; it is their willingness to accept a lower land value than they would otherwise receive which is important in maintaining land supply. Comment was made that this process amounts to a 'tax on land value'. Another comment from a landowner indicated that the current level of affordable housing for West Dorset (around 35%) was broadly acceptable – still providing a better return than B1 offices.

In the current market, developers may be looking to bring forward the affordable housing element of a scheme in advance of the original programme – to maintain momentum and cash flow. Local authorities are being asked to be flexible and allow for some re-packaging of affordable housing within a scheme to allow for this.

There was then a debate at the workshop about the meaning of viability. It was recognised that a negative residual value was not viable but judgement about the level of return required is critical and there are no specific ground-rules for this (other than comparison with alternative/existing use value).

Whilst it is important that there is a clear policy framework for negotiating affordable housing (and other obligations) there must also be flexibility for scheme negotiations around viability to take into account site circumstances and requirements. Gill Smith explained that the 5 authorities which had commissioned this study would be receiving a bespoke version of the 3 Dragons Toolkit but had yet to decide whether (and then how) to make this available to the development industry.

Other detailed points raised included:

CIL will be more transparent than the current system and this is to be welcomed;

The availability of grant can make a big difference to viability. But you often don't know whether grant will be available at Day 1 – this makes it very difficult for developer negotiating with a land owner;

How does any viability assessment take into account past development costs e.g. consultant costs for promotion of a scheme through an LDF process (noting that fees were said to be *much higher now than in recent years*).

Study methodology

Three Dragons explained the testing approach they will adopt. The testing will 'measure' viability by reference to residual scheme value (i.e. total scheme revenue less scheme costs) and then compare the residual value with the existing or alternative use value of a site. Viability testing is carried out using the Three Dragons toolkit – an Excel based model. The attached PowerPoint presentation illustrates the study approach, along with other key information provided at the workshop.

Workshop participants accepted this approach in principle but were particularly concerned to establish how out-turn residual values would be assessed. Specific comments from the workshop included:

Very important that the assumptions used by 3 Dragons are set out;

'The City' is looking for higher levels of developer return than they did before the credit crunch – 25% said to be current 'going rate' but could come back down as credit eases;

Housing associations have different viability benchmarks – they need to be able to clear the loan on affordable housing within 30 years;

Especially for brownfield sites, it is important to understand that landowners will expect to achieve significantly in excess of the existing use value. 3 Dragons acknowledged the point and notes that this was taken into account in their approach to viability testing;

A workshop participant offered their own view on the way to benchmark 'viability'. He argued that the difference between the headline value (or residual value) and the existing use value should be 'shared' equally between the local authority in the form of planning gain and the land owner (as uplift over the existing use value). This formula was put forward as a transparent approach which could be applied consistently. 3 Dragons agreed to consider its applicability as part of the viability testing exercise. The uplift should be at least 20% above the (Capital Gains) tax rate on the basis that previous attempts by government to tax planning gain had failed to bring forward land at that rate.

The potential impact of Greenfield infrastructure costs need to be taken into account. 3D suggested a range of £300,000 to £500,000 per hectare. One delegate suggested that these costs could be as high as £1 million per hectare.

Land owner and developer expectations

Greenfield land values were said to be around £1m per gross developable acre about 2 years ago – now looking at nearer £500k per acre.

Use of sub markets

Three Dragons explained that a key part of the study will involve the analysis of viability at a sub market level. Sub markets will be defined primarily by house prices. The PowerPoint presentation showed the proposed sub markets for use in the study and indicative new dwelling prices for different dwelling types in each sub market. House prices have been derived from Land Registry data over the past 3 years, indexed to today's prices with a premium built in for new build.

The principle of identifying sub markets for viability testing was initially questioned for West Dorset (there was no equivalent debate for Weymouth and Portland). It was argued that the West Dorset market is actually a single market with a number of hotspots. Other participants noted that if the study were to identify separate targets for different sub markets within a district, the logic for this would have to be set out and the evidence for the approach be very clear.

Other specific comments raised on this issue included:

There is currently no premium for new build over second hand prices;

The Poundbury values appear about right.

Three Dragons would ask for further feedback on the suggested sub markets and values set out in the attached PowerPoint presentation. Comments on the Weymouth and Portland sub markets will be particularly welcome.

Small sites

Workshop agreed that sites under 10 dwellings should be classified as small sites for this discussion.

The workshop did not raise any general issues about small sites which would suggest that, systematically, they generate either a lower or higher residual value than housing development on larger sites.

However, viability issues can become a problem with small sites where the previous use is residential e.g. demolish 1 detached property and provide a block of 4 flats. The existing use value can be quite high and residual value of the new scheme is not sufficient to encourage the land owner to bring forward the site.

Housing associations prefer to have affordable dwellings in larger groups (say 10 to 15 dwellings) but will take on affordable housing in small groups (say at 1 or 2 units). But factors e.g. location and layout need to be taken into account when associations consider taking on very small groups of affordable units.

Commuted sums

Commuted sums are not a preferred option in West Dorset. It is very much about obtaining land for affordable housing units.

Density and development mix.

Appropriate densities and development mixes were discussed for the purposes of policy testing. The main feedback was to take flats out of the 30 dph scenario and to reduce detached housing from the 45 dph scenario. The proposed framework is set out in the attached Powerpoint presentation and reflects feedback from all three workshops held..

Other Issues

Following is a list of other issues raised at the workshop – either through the general debate or in reply to request from Three Dragons for any final comments:

A developer view – ‘pepper potting’ of affordable units in mixed tenure schemes ‘has gone too far’ – and development practicalities are being ignored;

35% affordable housing (the current West Dorset policy) is the right sort of level. 50% would be too high a percentage;

Do housing associations want the smaller units in a scheme? There is a danger at higher percentages of affordable housing that all units of a particular type (e.g. all the smaller units) will get taken up by the affordable sector;

Local housing allowance is £105 which is higher than the capped rent of £90.

LC thanked participants and noted that the notes of the meeting would be sent out to all.

Appendix 2 Three Dragons model: Method statement

The Toolkit provides the user with an assessment of the economics of residential development. It allows the user to test the economic implications of different types and amounts of planning obligation and, in particular, the amount and mix of affordable housing. It uses a residual development appraisal 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 that value that a scheme generates before Section 106 is required. Once Section 106 contributions have been taken into account, the scheme then has a net residual value, which is effectively the land owner's interest.

Key data assumptions

Market areas and prices:

WEST DORSET											
Sub Market	Detached			Semis			Terraces		Flats		
	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	3 Bed	2 Bed	3 Bed	2 Bed	1 Bed
Sherborne	£540,000	£490,000	£415,000	£350,000	£320,000	£285,000	£310,000	£280,000	£305,000	£265,000	£170,000
Dorchester Rural Hinterland	£490,000	£445,000	£380,000	£315,000	£290,000	£260,000	£280,000	£255,000	£275,000	£240,000	£155,000
The Coast	£460,000	£420,000	£355,000	£300,000	£270,000	£245,000	£265,000	£240,000	£260,000	£225,000	£145,000
Dorchester	£440,000	£400,000	£340,000	£285,000	£260,000	£235,000	£250,000	£230,000	£245,000	£215,000	£140,000
Bridport & Northern Rural Hinterland	£420,000	£385,000	£325,000	£275,000	£250,000	£225,000	£240,000	£220,000	£235,000	£205,000	£135,000
Sherborne Rural Hinterland	£415,000	£380,000	£320,000	£270,000	£245,000	£220,000	£240,000	£215,000	£235,000	£200,000	£130,000

The development mixes were as follows:

30 dph: including 10% 2 bed terraces; 20% 3 bed terraces; 15% 3 bed semis; 30% 3 bed detached; 25% 4 bed detached;

40 dph: including 10% 2 bed flats; 10% 2 bed terraces; 15% 3 bed terraces; 30% 3 bed semis; 20% 3 bed detached; 15% 4 bed detached;

50 dph: including 5% 1 bed flats; 10% 2 bed flats; 10% 2 bed terraces; 15% 3 bed terraces; 35% 3 bed semis; 15% 3 bed detached; 10% 4 bed detached;

80 dph: including 20% 1 bed flats; 60% 2 bed flats; 20% 2 bed terraces

100 dph: including 30% 1 bed flats; 70% 2 bed flats.

Affordable housing targets:

- 25%;
- 30%;
- 35%;
- 40%;
- 50%;
- 60%

Development costs

Based on RICS BCIS database:

Costs as set out below:

10 - 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	
Bungalows	£1,049	£1,075
Flats (6+ storeys)	£1,545	£1,800
Flats (5 & less storeys)	£1,115	£1,280
Houses <= 75m2	£999	£1,025
Houses > 75m2	£901	£895

Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items.
Where cells are left blank, the Toolkit value for that row will be used.

	Toolkit Values	User Values	
Professional Fees %	12.00%		of build costs
Internal Overheads	5.00%		of build costs (Market and Discount Market units)
Interest Rate (Market)	7.00%		of build Costs (Market, Discount Market and Low Cost Sale units)
Interest Rate (Affordable Housing)	7.00%		of build costs (SR, HB, IR units)
Marketing Fees	3.00%		of market value (Market and Discount Market units)
Developers Return	15.00%		of market value (Market and Discount Market units)
Contractors Return	6.00%		of development costs (SR, HB, IR and LCS units)
Land financing costs	£	-	<i>Please see the Guidance Notes for use of this value</i>

No abnormals assumed

Typical unit sizes adopted (m²):

	Market	Affordable
1 Bed Flat	45	46
2 Bed Flat	60	67
2 Bed Terrace	65	76
3 Bed Terrace	80	84
3 Bed Semi	90	86
3 Bed Detached	120	90
4 Bed Detached	150	110

Other Affordable Housing Factors:

Social rents

	Weekly Rent
1 Bed Flat	60
2 Bed Flat	68
2 Bed Terrace	70
3 Bed Terrace	78
3 Bed Semi	82
3 Bed Detached	84
4 Bed Detached	94

Gross to net factors (Affordable housing revenue)

9 - AFFORDABLE HOUSNG COSTS AND CAPITALISATION FACTORS

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ClearTable

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

Social Rent		ToolKit Values	User Values
Costs per annum	Management & Maintenance	£ 1,000	per annum
	Voids/bad debts	3.00%	of gross rent
	Repairs reserve	£ 500	per annum
Capitalisation		6.00%	of net rent
New Build HomeBuy		ToolKit Values	User Values
Costs per annum	Rental Factor	2.75%	of share
Capitalisation		6.00%	of net rent
Intermediate Rent		ToolKit Values	User Values
Costs per annum	Management costs	6.00%	of gross rent
	Maintenance Costs	£ 500	per dwelling
	Voids/bad debts	5.00%	of gross rent
	Repairs Reserve	1.00%	of gross rent
Capitalisation		6.00%	of net rent

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Appendix 3 Results – Residual values – no grant scenarios

30 dph	0%	25%	30%	35%	40%	50%	60%
Sherborne	£5.08	£3.74	£3.47	£3.20	£2.93	£2.40	£1.86
Dorchester Rural H'land	£4.32	£3.12	£2.89	£2.65	£2.41	£1.94	£1.45
The Coast	£3.69	£2.62	£2.40	£2.19	£1.97	£1.54	£1.11
Dorchester	£3.50	£2.47	£2.26	£2.04	£1.85	£1.42	£1.01
Bridport & Northern Rural	£3.22	£2.23	£2.04	£1.85	£1.65	£1.25	£0.86
Sherborne Rural	£3.13	£2.16	£1.97	£1.77	£1.58	£1.19	£0.80
40 dph	0%	25%	30%	35%	40%	50%	60%
Sherborne	£6.19	£4.51	£4.17	£3.83	£3.49	£2.82	£2.14
Dorchester Rural H'land	£5.27	£3.74	£3.44	£3.14	£2.84	£2.23	£1.63
The Coast	£4.66	£3.26	£2.98	£2.69	£2.41	£1.85	£1.30
Dorchester	£4.27	£2.93	£2.67	£2.41	£2.14	£1.61	£1.08
Bridport & Northern Rural	£3.92	£2.66	£2.40	£2.15	£1.90	£1.40	£0.89
Sherborne Rural	£3.79	£2.56	£2.30	£2.06	£1.81	£1.31	£0.82
50 dph	0%	25%	30%	35%	40%	50%	60%
Sherborne	£7.26	£5.29	£4.84	£4.45	£4.04	£3.23	£2.42
Dorchester Rural H'land	£6.19	£4.38	£4.01	£3.65	£3.29	£2.57	£1.84
The Coast	£5.45	£3.76	£3.43	£3.10	£2.76	£2.10	£1.42
Dorchester	£5.00	£3.40	£3.09	£2.76	£2.45	£1.81	£1.18
Bridport & Northern Rural	£4.58	£3.11	£2.77	£2.47	£2.16	£1.56	£0.95
Sherborne Rural	£4.44	£2.94	£2.65	£2.35	£2.05	£1.46	£0.86
80 dph	0%	25%	30%	35%	40%	50%	60%
Sherborne	£8.01	£5.31	£4.77	£4.23	£3.69	£2.61	£1.53
Dorchester Rural H'land	£6.65	£4.21	£3.72	£3.23	£2.74	£1.76	£0.79
The Coast	£5.82	£3.54	£3.08	£2.62	£2.16	£1.25	£0.33
Dorchester	£5.29	£3.11	£2.67	£2.23	£1.79	£0.92	£0.04
Bridport & Northern Rural	£4.76	£2.67	£2.26	£1.84	£1.42	£0.59	-£0.25
Sherborne Rural	£4.47	£2.43	£2.03	£1.62	£1.22	£0.40	-£0.41
100 dph	0%	25%	30%	35%	40%	50%	60%
Sherborne	£9.08	£5.84	£5.19	£4.55	£3.90	£2.60	£1.31
Dorchester Rural H'land	£7.45	£4.52	£3.94	£3.35	£2.76	£1.59	£0.42
The Coast	£6.46	£3.71	£3.16	£2.62	£2.07	£0.97	-£0.13
Dorchester	£5.83	£3.20	£2.68	£2.15	£1.63	£0.58	-£0.47
Bridport & Northern Rural	£5.20	£2.69	£2.19	£1.69	£1.19	£0.19	-£0.81
Sherborne Rural	£4.83	£2.39	£1.91	£1.42	£0.93	-£0.04	-£1.02