SOUTH BUCKS DEVELOPMENT ECONOMICS STUDY

Final Report

1 Purpose of the Study

This study aims to address the question of whether the District Council can deliver a higher proportion of affordable housing as part of Section 106 contributions without impacting on the viability of development.

This is principally an economic viability assessment taking into account housing market and development factors. The current policy position is to deliver a standard 20% bed spaces affordable target on schemes of 15 units and above. The study considers the impact of a higher percentage target for affordable housing on development economics. It 'tests' the draft South East Plan's policy of 35%, and an alternative higher target of 50% affordable housing within schemes. This study does not consider whether either of these % figures can be justified on the grounds of local need for affordable housing.

The study is focused towards meeting the requirements of PPS3 which states that (Paragraph 29) local planning authorities should set affordable housing targets that:

> "reflect an assessment of the likely economic viability of land for housing within an area............................and the developer contribution that can reasonably be secured"

The findings of the study will inform the content and focus of the District's Core Strategy. The Council now intends to publish a revised preferred options document in 2008. This project will form part of the evidence base and will thus help inform that revised preferred options document. The research may also inform future supplementary planning documentation on delivering affordable housing.

South Bucks will be part of a Buckinghamshire-wide housing market assessment, the timetable for which is now agreed. The HMA will need to consider the implications of not meeting all affordable housing needs, and the impact of this on the housing market.

2 Economic Modelling Undertaken

2.1 Base modelling approach

We recognise the importance of a modelling approach that mimics as closely as possible, the way a developer approaches the acquisition of a site. This is widely accepted as a residual development valuation approach where site value is calculated by subtracting the cost of development away from the revenue a scheme generates.

The 'residual' of a site, is the sum of money that is available to be shared between the developer and the landowner. It is a surplus that remains after all development costs, except land costs, have been met from revenue. The residual value will have to cover the costs of land acquisition (which can be expressed as the site's 'site value'). The residual value will depend, in part, on the scope of the Section 106 contributions including affordable housing.

2.2 Three Dragons approach

An adapted version of Three Dragons' Toolkit has been used for analysis in this study. The Toolkit provides an assessment of the economics of residential development for specific schemes. 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. The user can alter a range of different assumptions including house prices, grant rates density and build costs and compare the results these generate. The Three Dragons approach is well accepted in Greater London, many parts of the South East and elsewhere in England and Wales.

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.

We have used (in the case of policy testing) best available secondary data to 'drive' the Toolkit appraisals. In the case of house prices, HM Land Registry data has been used. For development costs, RICS Building Cost Information Service data has been used. Data which generates affordable housing revenue, e.g. benchmark rent and management and maintenance costs has been provided from South Bucks DC Housing Department. All the other assumptions used have been discussed and agreed with the Council.

2.3 Understanding the context for site viability

Residual appraisal models generate site value and the impacts of housing markets, development costs and Section 106 all influence the result (site value). It is helpful to put this site value into context.

There will be a number of 'benchmarks' against which site value can be judged. Perhaps the most significant is the alternative use of the site, or its existing use, if there is no apparent alternative. The diagram below (Figure 1) shows in theory how affordable housing impacts on the residual site value.

Normally, site value falls as affordable housing is added to the scheme (the line R0). Land owners will continue to bring sites forward up to a point at which the affordable housing makes it uneconomic to do so. At this point (example here – Point B) the site value falls below the existing use and therefore there is no point the land owner developing the site for housing.

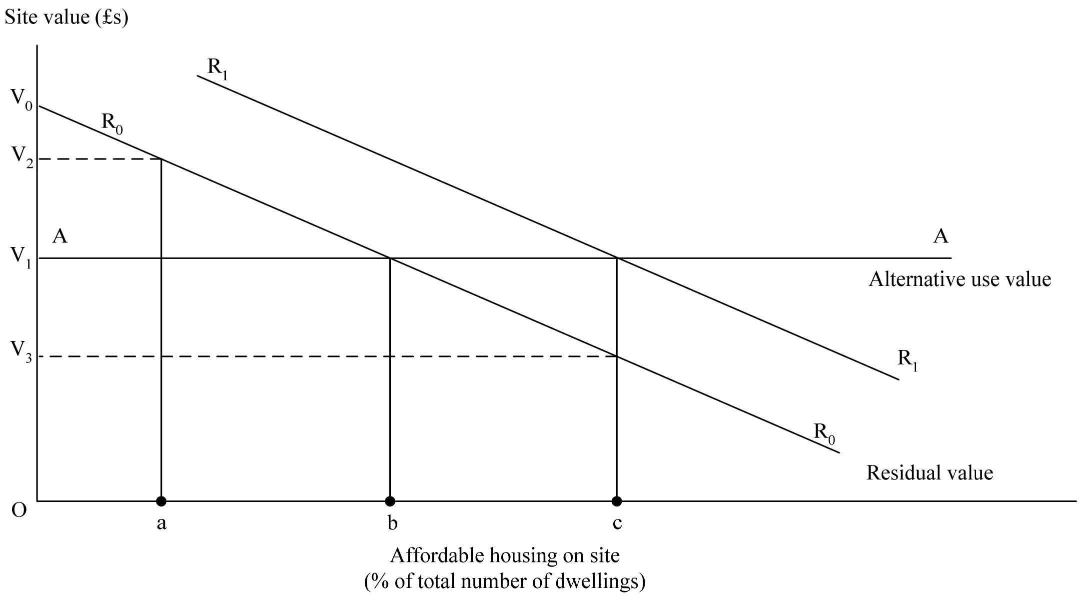


Figure 1

Then, it becomes useful to see what happens when circumstances change – for example, higher house prices, lower build costs or perhaps higher density. Usually, under those circumstances, the economics change (now to line R1) and it's possible for the local authority to secure more affordable housing (now up to point C). An increased affordable housing target can be also be achieved by the scheme attracting grant funding. Grant funding can then 'stretch' the affordable housing contribution.

2.3.1 Process and policy issues

In practice, land owners will have a number of benchmarks on which to focus. The local authority will not necessarily have this information. From its perspective it can look to utilise best comparable data on site values for industrial and or commercial land (see for example Valuation Office data) as a way of deciding whether the affordable housing being required can reasonably be afforded.

Local authorities can also utilise residential land data benchmarks. This is also available for selected locations in the regions published in the Valuation Office's latest Property Market report. These values can be regarded as a 'going rate'. The figure for the South East (flats and maisonettes) is around £4.5 million per hectare and we understand more detailed local data can be obtained directly from the Valuation Office.

2.4 Market areas in South Bucks

South Bucks is an extremely varied housing market area with a wide range of dwelling prices. To look in more detail at the viability of affordable housing delivery, we have developed a series of sub markets across the District.

These are not sub markets in the same way as are often defined in housing market assessments and which are driven by migrations and travel to work patterns. They are really 'house price' markets. To develop the sub markets, we analysed house price data at the post code sector level. Table 1 below shows the postcode sectors and the relevant settlements (or parts of settlements) included within them:

PCS	Key settlement/area type	Smaller settlements
SL4 6	Rural area (south west District)	Dorney
SL6 0	South Burnham (Lent Rise South) and Taplow	Cliveden
SL1 7	Central Burnham (including Lent Rise North)	
SL1 8	North Burnham (Wymers Wood Rd; Dropmore Rd; Green Lane)	Littleworth
HP10 0	Rural area (west District)*	Wooburn Common
SL2 3	Rural area – main settlements – Farnham Common; Hedgerley; Farnham Royal (mid District)	Egypt; East Burnham; Farnham Park
HP9 2	North East Beaconsfield (Ledborough Lane; Warwick Road and Lakes Lane areas)**	
HP9 1	Central and West Beaconsfield ***	
SL2 4	Rural area but includes Stoke Poges (central south District)	Stoke Green
SL3 6	Rural area (central east District)	George Green; Fulmer.
SL0 9	Rural including Iver village and Richings Park	Huntsmoor Park; Thorney
SL0 0	Rural/M25 corridor but including Iver Heath (south east of District)	
UB 9 4	Rural including New Denham and Willowbank	Tatling End (East) and Bakers Wood
UB9 5	Rural including Denham Green and village	Higher Denham
SL9 0	Rural area ****	
SL9 7	Gerrards Cross south including all the town in the area south of A40, north of M40, west of M25 – Windsor Road & Fulmer Drive areas.	Tatling End (West)
SL9 8	Gerrards Cross north including the centre and station area, Gerrards Cross Common, Packhorse Road area *****	Bulstrode Park

Table 1 Postcode sectors in South Bucks DC

Settlements outside South Bucks but included in postcode sector.

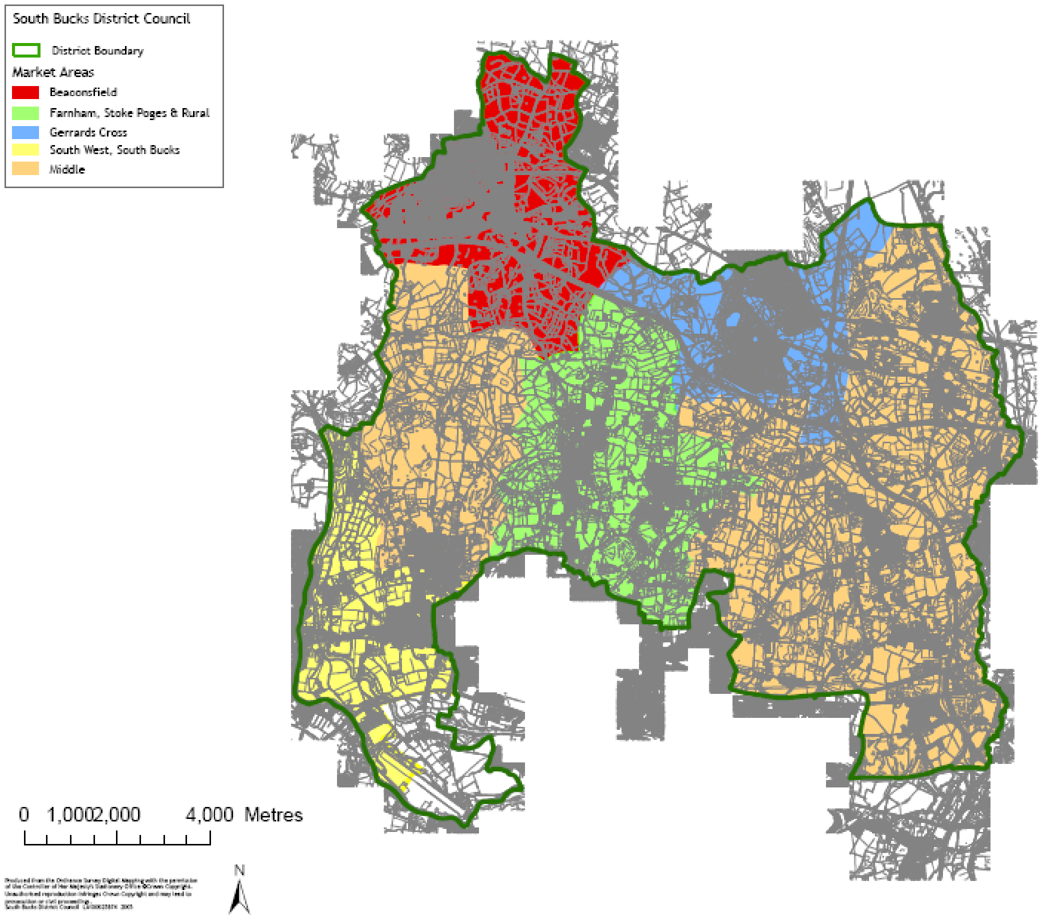
* also includes Wooburn and Wooburn Green (in Wycombe DC)
** also includes The Knotty Green East and Seer Green and Jordans areas (in Chiltern DC) and Wooburn Green (in Wycombe DC)
*** also includes the Forty Green and Knotty Green (West) areas (in Chiltern DC)
**** primarily includes Chalfont Common (in Chiltern DC)
***** Austenwood and Chantry Wood areas are in Chiltern DC

From the data at postcode sector level, and using data sets for both second hand and new dwellings, five sub markets were developed with indicative selling prices for new build housing. The bespoke data set developed utilised HM Land Registry data taking into account the significant sample of second hand property and its uplift to new build. Indicative prices were then cross checked versus new.

It was agreed with the Council that the analysis should be based on five areas:

Gerrards Cross;
Beaconsfield;
The Farnhams and Stoke Poges;
Middle Market South Bucks;
South West South Bucks

These areas are shown in Map 1 below:



Map 1 Sub markets in South Bucks DC area

Table 2 sets out these market areas and indicative selling prices.

Market Areas	Postcode sectors	Detached 5 Bed	Detached 4 Bed	Detached 3 Bed	Semi Detached 4 Bed	Semi Detached 3 Bed	Semi Detached 2 Bed	Terraced 4 Bed	Terraced 3 Bed	Terraced 2 Bed	Flats 3 Bed Flats	Flats 2 Bed Flats	Flats 1 Bed Flats
1) Gerrards Cross	SL9 0; SL9 7; SL9 8	£1,050,000	£920,000	£830,000	£660,000	£605,000	£495,000	£615,000	£490,000	£470,000	£475,000	£430,000	£245,000
2) Beaconsfield	HP9 1; HP9 2	£975,000	£850,000	£765,000	£605,000	£555,000	£460,000	£565,000	£455,000	£430,000	£435,000	£400,000	£225,000
3) Farnham, Stoke Poges & Rural	SL2 3; SL2 4	£830,000	£720,000	£650,000	£515,000	£470,000	£390,000	£480,000	£385,000	£365,000	£370,000	£335,000	£190,000
4) Middle market South Bucks	HP10 0; SL0 0; SL0 9 SL1 8; SL3 6; UB9 4; UB9 5	£620,000	£540,000	£485,000	£385,000	£355,000	£295,000	£365,000	£290,000	£270,000	£275,000	£250,000	£145,000
5) SW South Bucks	SL1 7; SL6 0	£550,000	£475,000	£430,000	£340,000	£310,000	£260,000	£320,000	£255,000	£240,000	£245,000	£220,000	£130,000

Table 2 Sub markets in the District

The market areas are based on four digit post code areas. These cover areas that will inevitably include places of different market value. For example, Taplow is shown as being part of a lower value market area, because SL6 0 (which covers Taplow) also includes parts of the Lent Rise estate in Burnham, a former Council estate in West Burnham.

The indicative selling prices are precisely what they say – indicative. They represent aggregated data. They are an indication of selling prices where new development comes forward. Inevitably, each development will have its own particular characteristics and scheme specific analysis will be required. However, we believe for policy making purposes, that this data set will provide a robust starting point.

3 Results of the Economic Modelling

3.1 Overview of approach

This section is a very critical part of the report showing the impacts of affordable housing at different target levels and different densities, for site residual value. The policy options tested are as follows:

a) 100% market housing;
b) South Bucks Local Plan position: 80% market housing and 20% affordable including 10% Social Rented (SR) housing and 10% New Build HomeBuy (NBHB);
c) South East Regional Plan position: 65% market housing and 35% affordable including 25% SR and 10% NBHB;
d) 50% market housing and 50% affordable housing potential option: split 25% SR and 25% NBHB.

These policy options were tested for three development types – one made up solely of apartments and two housing options.

The analysis relates to the residual value of a notional one hectare site in the five identified sub markets of the District.

The percentages in all figures below relate to the <u>% of market housing</u> in the scheme.

The following generic developments, which reflect current scheme types in the District have been tested at the different affordable housing options:

a) Apartment schemes (100% flats); mainly one and two bed;
b) Larger (3 and 4 bed) town houses;
c) Lower density family housing (semis and detached).

3.2 Apartment schemes

Initially we have tested policy options for apartment developments at a density of 50 and 70 dwellings per hectare. The mix adopted is 30% 1 bed, 60% 2 bed and 10% 3 bed.

Figure 2 shows the results:

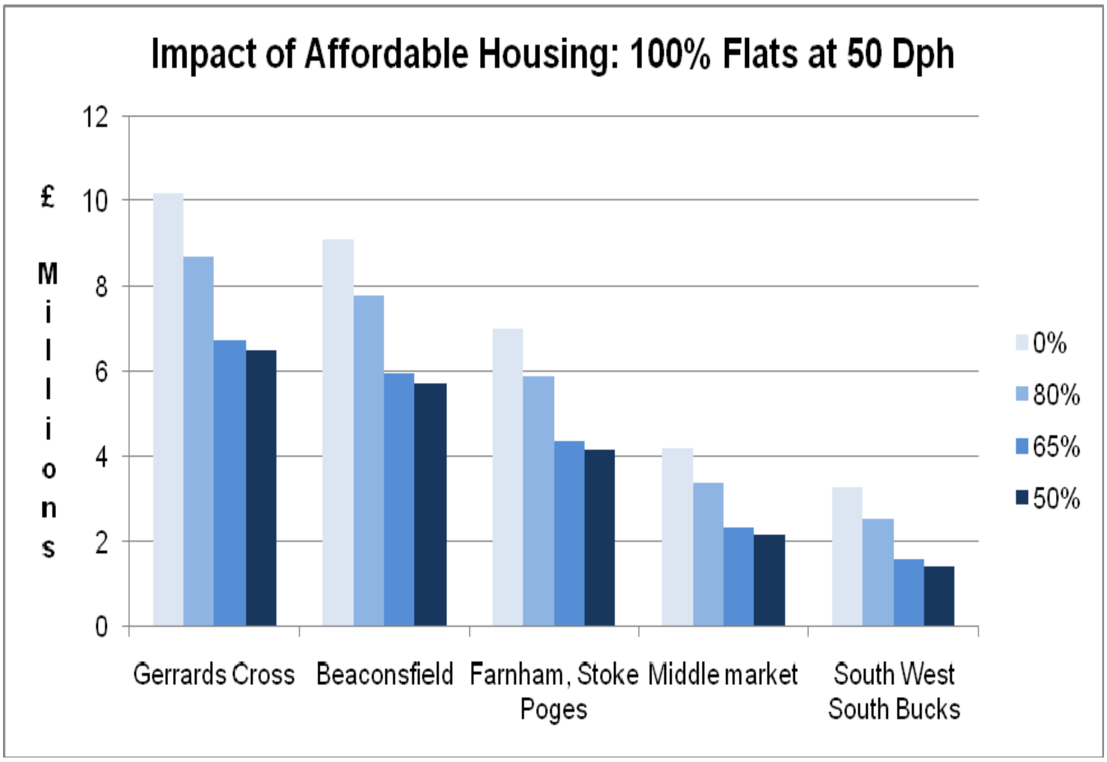


Figure 2 Residual site values: scheme of 100% flats at 50 dph

The Figure shows that apartment developments, even at the lower density of 50 dph, generate very high site values in most locations. A regional benchmark site value for residential is currently around £4.5 million per hectare. This figure is from the Valuation Office's Property Market report for 2007 and relates to sites for flats and maisonettes.

Figure 2 suggests that sites in the top two housing market locations (Gerrards Cross and Beaconsfield) will generate land values very significantly above the regional average at 50% affordable housing. We have not tested the figures, but would suggest that a target significantly in excess of 50% would still be viable on many sites in these locations.

Towards the bottom end of the market – to the west and south west, site values are anticipated to be significantly lower. At a point between 20% and 35% affordable housing (see Figure 2), site value falls below the £2 million per hectare level. We think that in many locations, where sites are being brought forward from industrial use, that this (residential potential value) may not be sufficient to bring the site forward.

Where the apartment development is denser (see Figure 3), the economics are, as is to be expected, more favourable. Site value at 50% affordable housing in Gerrards Cross, is according to our best estimates, double the Regional residential average for the South East and in Middle Market South Bucks site values at 50% are approaching that (regional) level. In South West South Bucks, the £2 million per hectare mark is expected to be exceeded at 50% affordable.

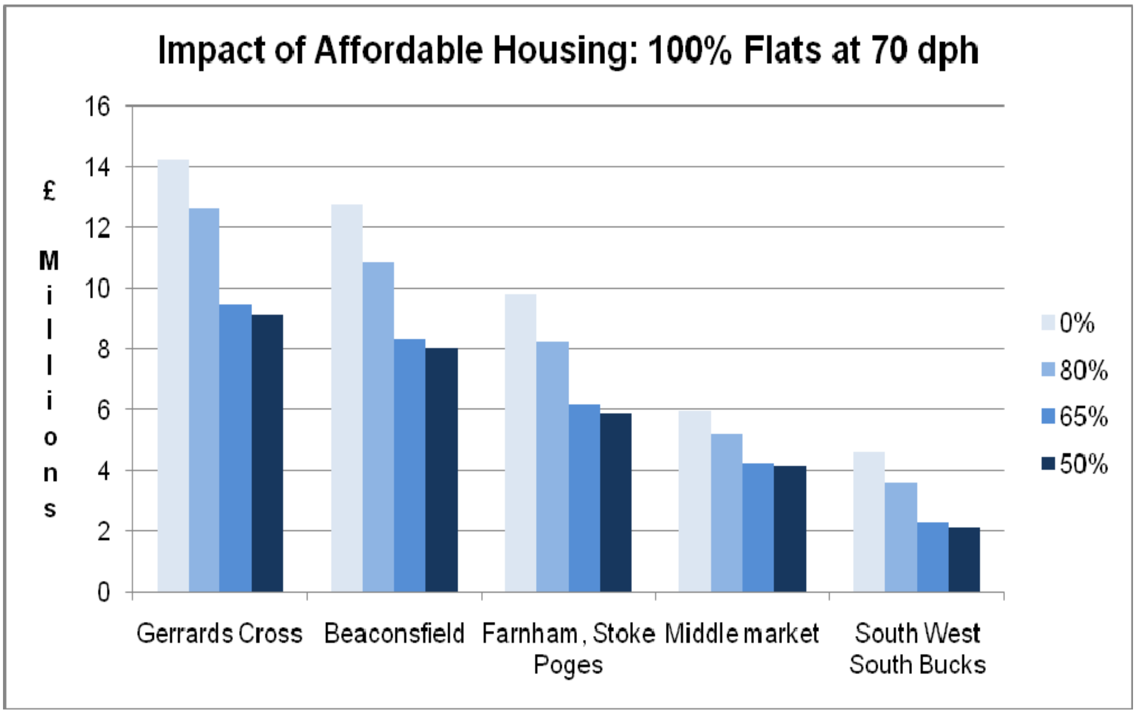


Figure 3 Residual site values: scheme of 100% flats at 70 dph

It is important to consider the results from Figures 2 and 3 (and indeed in the graphs that follow in Figures 4, 5 and 6) to note the impact of affordable housing tenure mix on site values. It can be seen that (note for example Figure 3) the biggest 'step down' in value occurs between the 20% affordable option and that at 35%. This is consistent with other scenarios and happens because the balance between Social Rent and New Build HomeBuy is shifted from a 50%:50% split to one (under the 35% overall affordable housing scenario) where over 70% of the affordable element is Social Rent.

The importance of New Build HomeBuy to site value is further understood when comparing the 35% affordable scenario (65% market housing) with the 50% option. This shows, under all scenarios, only a very marginal reduction in value. This is because the 50% scenario is split half and half between Social Rent and New Build HomeBuy (as for 20% affordable current plan option), where the New Build HomeBuy housing is holding up value.

As would be expected, the 35% affordable housing delivers relatively low site value compared with 20%. The reason for this is not simply the difference between the two 'targets'. The split of the affordable housing component between Social Rent and New Build HomeBuy also makes a difference. It is useful also to note that the 50% 'target' (where there is a 50:50 split between Social Rent and New Build HomeBuy) delivers similar results to the 35% 'target'. All scenarios here assume a modelling approach without grant.

3.3 Town or terraced house type developments

The second scheme scenario tested for affordable impacts was for town house type developments. These are units essentially built in terraced form, although in new development will often be ‘staggered’ to avoid the flat facades that older terraced housing gives, and to increase flexibility for integrating gardens.

It was agreed that these would be tested at 40 dph. As Figure 4 shows, a mix of 50% 3 bed houses and 50% 4 bed houses was tested.

In the broad picture, developing houses versus flats (flats at 70 dph and town houses at 40 dph) makes little difference to site viability. Indeed if the Farnham – Stoke Poges market is taken as a focus, there is very little difference in site value between flats at 70 dph and town houses at 40 dph (compare this market in Figures 3 and 4).

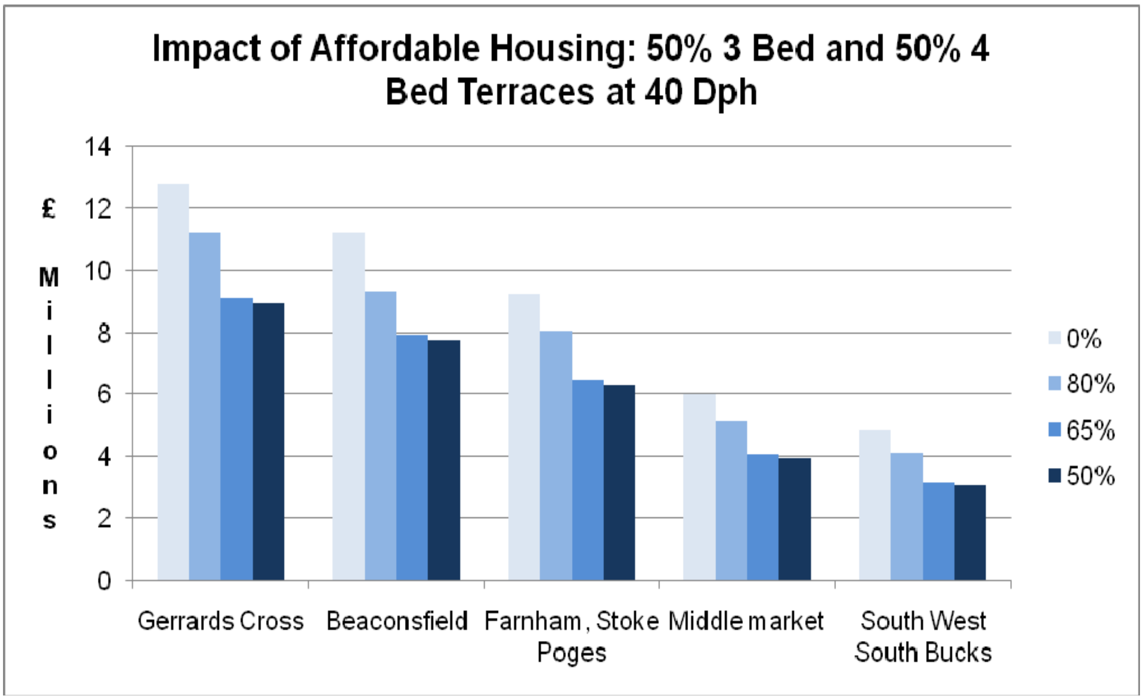


Figure 4 Residual site values: scheme of terraced housing at 40 dph

However at the upper and lower ends, the same conclusion is not reached. In Gerrards Cross the apartment scheme generates significantly higher land values than for lower density (40 dph) town houses. In the weaker areas, the situation is reversed however, with housing providing a better return to the land owner. This is almost certainly related to the relationships between selling prices and costs for the different dwelling types. In particular, apartment build is normally more expensive and hence in weaker market areas site value is ‘squeezed’ by relatively low selling prices. The conclusion therefore is that an affordable element, where integrated into a scheme, is more likely to be viable in weaker market areas where housing (rather than apartments) is the main form of development. However very high density apartments (at densities above those we have tested) may also be viable in weaker markets but we have not tested this.

Figure 5 tests the same development mix as in Figure 4, although at a higher (50 dph) density. The results in Figure 5 show a broadly commensurate increase over those in Figure 4.

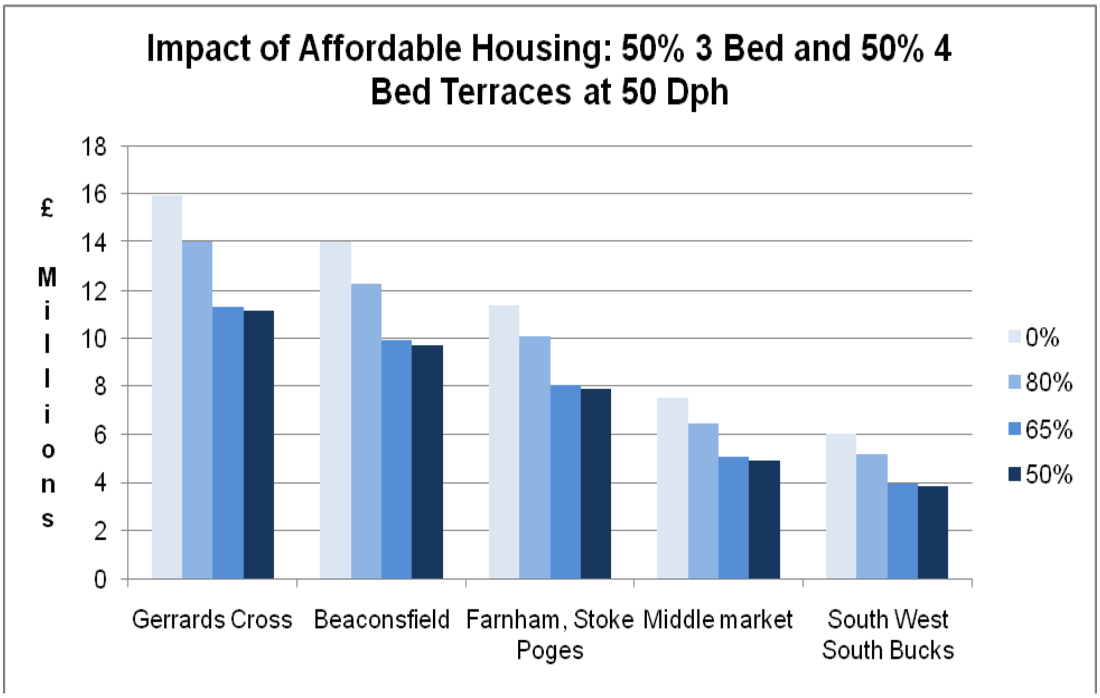


Figure 5 Residual site values: scheme of terraced housing at 50 dph

In theory, even higher site values would be achievable with scheme density increases. However, in practice, there comes a point where housing could not be provided satisfactorily and a scheme would need to start to include an element of apartments.

3.4 Larger housing at lower density

Larger housing, developed at lower density is also a key option in South Bucks. Here (see Figure 6 below) we tested site values for a scheme incorporating 3 bed semi detached and 4 bed detached.

The results, as with other scenarios (Figures 2 to 5) show very high residual values, certainly in the context of the South East region.

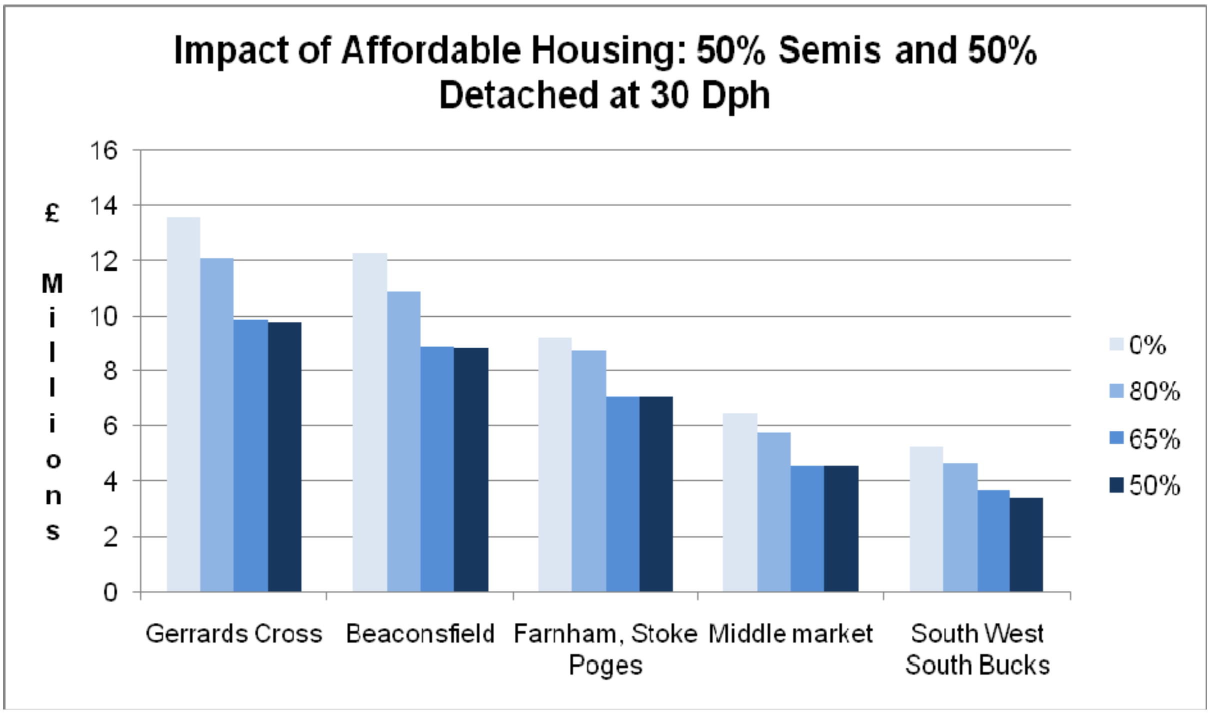


Figure 6 Residual site values: scheme of semi and detached housing at 30 dph

3.5 Impact of grant on scheme viability

Our starting point for economic testing is that no grant is available – the outputs from sections 3.1 to 3.5 are on the basis of no grant being available. We have considered the impact of grant on the development economics for a more limited range of scenarios than set out above.

The current round of Housing Corporation funding has delivered £53,000 per unit on average for Social Rent and £17,000 for Shared Ownership. It was agreed that Three Dragons would test at £50,000 for Social Rent and £15,000 for New Build HomeBuy.

For the sake of showing clear findings, we tested grant impacts at the top and bottom ends of the South Bucks market – first for an apartment scheme at 50 dph.

3.5.1 Grant impacts: Gerrards Cross

Figure 7 shows, as is to be expected, that Social Housing Grant has a beneficial impact on site value. Grant feeds straight into the affordable housing revenue. It adds to it, and, if it is not needed to 'prise' the site from its existing use, then feeds either into the pocket of the land owner or the developer.

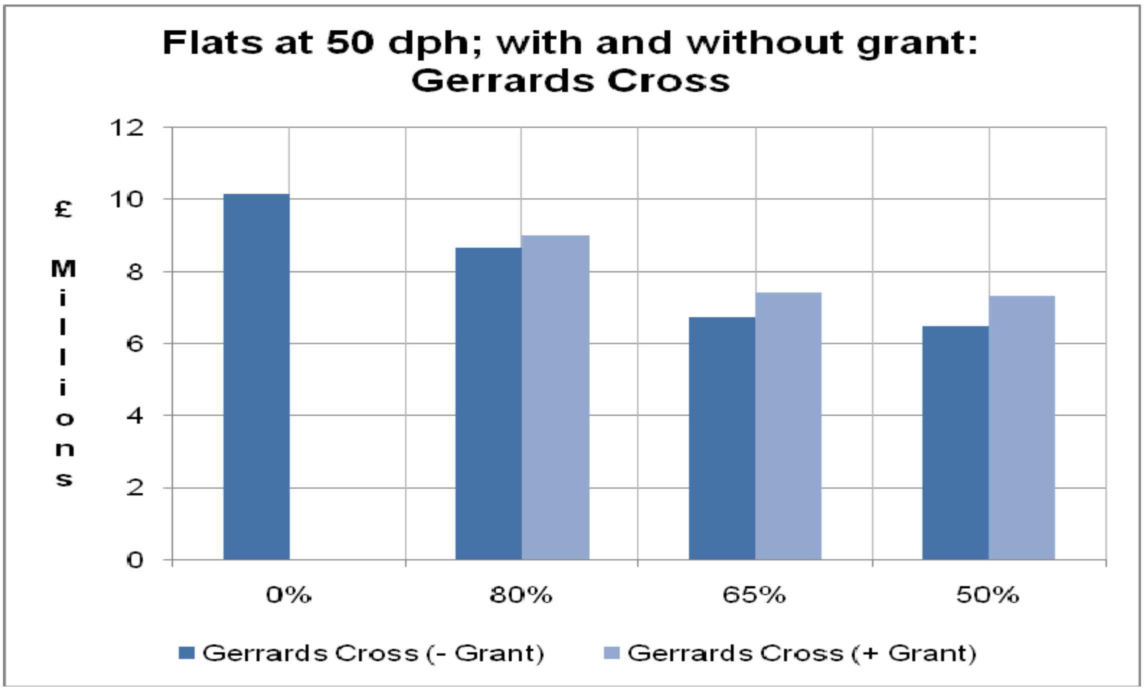


Figure 7 Residual site values: scheme of flats at 50 dph comparing 'with and 'without' grant assumptions, Gerrards Cross

Figure 7 shows, that in the case of a high value area, such as Gerrards Cross, grant (at the District level averages tested) makes very little impact on site value. It may in practice help to increase the proportion of affordable housing by encouraging a site with an already high value existing use, to come forward. But, we would question the need for grant where site value, even at 50% affordable housing is well in excess of the South East average.

3.5.2 Grant impacts: South West South Bucks

At the other end of the scale, where house prices are much lower, the conclusion is different. Taking the case of the South West South Bucks area, the need for grant is appreciable, particularly where the policy is to increase the level of affordable housing towards and beyond the South East Regional Plan position of 35%.

Figure 8 shows the analysis. It shows that grant may be very instrumental in bringing sites forward at higher affordable housing target level. At 35% affordable, and 50% affordable, the grant impact is very significant both in absolute ('£' terms) as well as in relative terms. Grant would increase site value at the 35% affordable housing option by around 43%, and could make the difference between bringing forward an industrial site (typical values £1 to £2 million per hectare – see also Figure 11 below) and not bringing it forward.

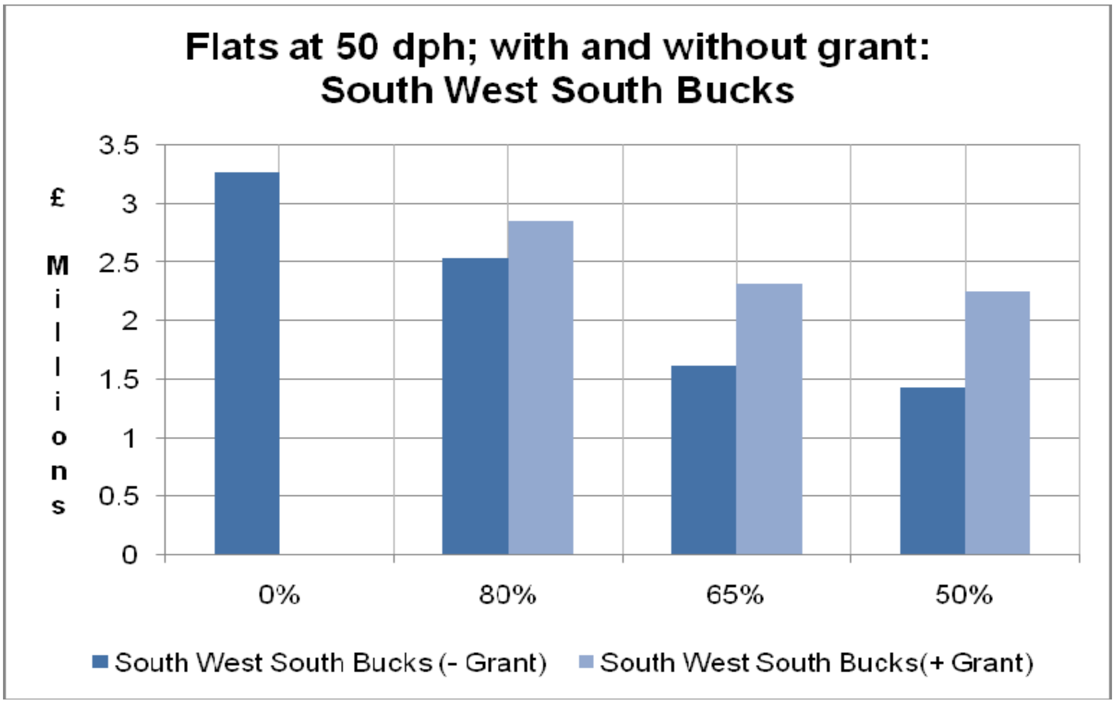


Figure 8 **Residual site values: scheme of flats at 50 dph comparing 'with and 'without' grant assumptions, South West South Bucks**

3.6 Schemes of 100% affordable housing

As suggested by the Council, we also considered the option of schemes incorporating 100% affordable housing. This is relevant in the context of the rural exceptions site policy, but may also be relevant in relation to urban schemes e.g as a policy option for schemes on former employment sites.

The 100% affordable scenario has been tested with a 50% Social Rented element and a 50% New Build HomeBuy element.

Figure 9 shows residual site values for a notional one hectare site, providing data with and without grant being assumed. It suggests most importantly, that in the two weaker market areas, 100% affordable schemes without grant have virtually no value – and in the case of the weakest market areas, actually have a negative value.

At the other end of the scale however, in Gerrards Cross and Beaconsfield, we would expect 100% affordable housing sites to be viable. Figure 9 suggests that with grant, such a scheme in Gerrards Cross should generate a site value broadly equal to the regional market benchmark.

The difference in results between the two markets is explained by the impact of New Build HomeBuy on residual/site values. In high value areas, even at relatively low share size purchased by the consumer (here we tested a 40% share), a significant revenue is generated. In lower value areas, because the same share is applied to a lower house price, the revenue generated to the scheme is significantly lower.

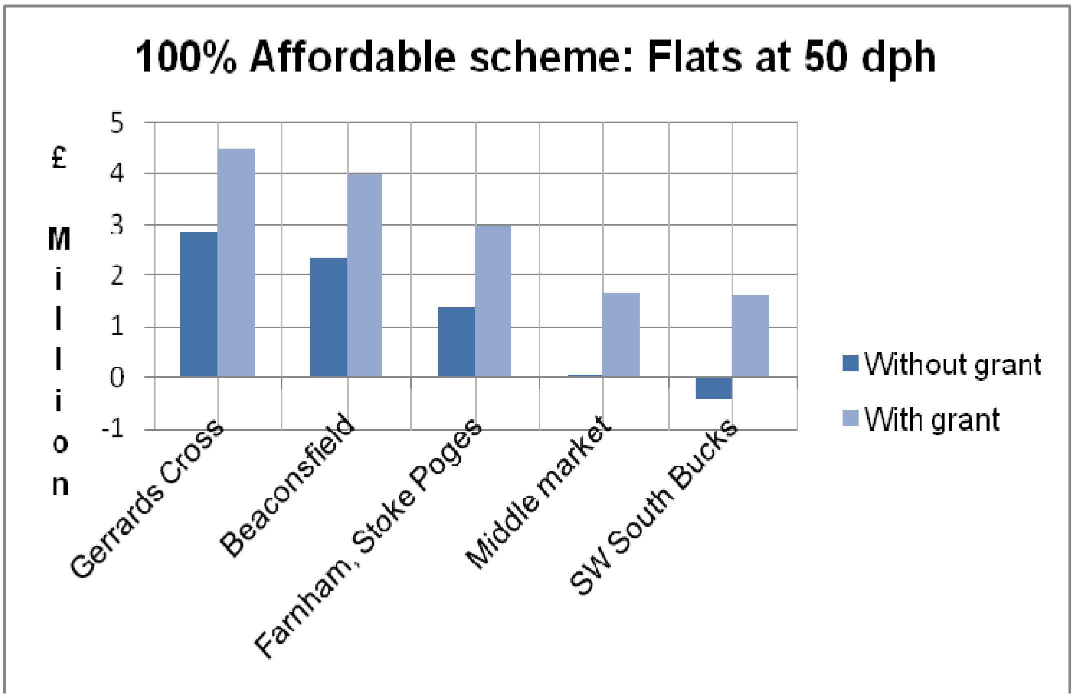


Figure 9 **Residual site values: 100% affordable housing; flats at 50 dph**

Figure 10 looks at a 100% affordable scheme but with housing (at 40 dph). The results show healthy (by regional standards) site values in Gerrards Cross and Beaconsfield, even without grant. Improved results are achieved (versus Figure 9) at the lower end of the market.

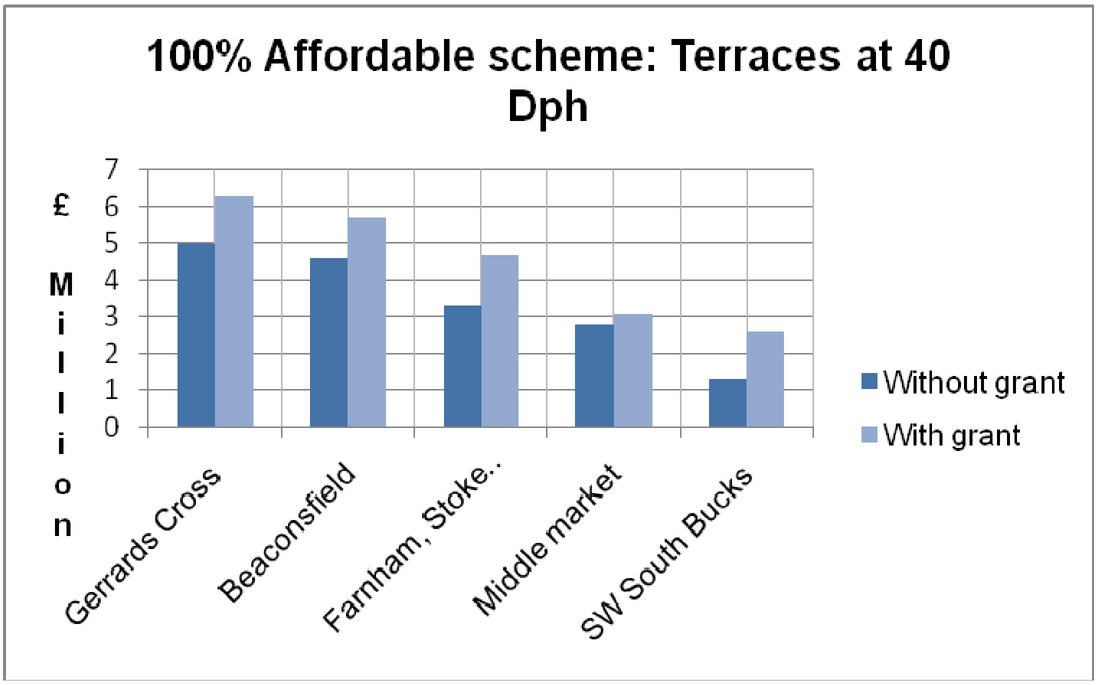


Figure 10 **Residual site values: 100% affordable housing; flats at 40 dph**

3.7 Summary of main points from Section 3

As identified earlier in the report, South Bucks is a highly varied housing market, having some of the more 'desirable' locations in the South East, as well as some areas which have prices more in line with the regional average. The 'upshot' of this is that site values and land prices vary significantly according to location.

Whilst the purpose of this research is not about trying to 'level up' site values across the District, we feel that there is nevertheless a strong case for a differential starting point for negotiating affordable housing and we comment on this in Section 4 below.

More compelling however is the case for increasing affordable housing targets across the board. Even in the weakest economic circumstances (eg flats at 50 dph in South West South Bucks) site values (see for example Figure 2 above), and at the highest affordable targets, we would expect schemes to realise a site value on parity with industrial land. Stronger market areas would 'clear' this 'hurdle' by some considerable margin.

SOUTH EAST	From £s per ha	To £s per ha	Typical £s per ha
Crawley	2,250,000	2,950,000	2,250,000
Eastbourne	800,000	1,000,000	900,000
Canterbury	800,000	1,100,000	950,000
Medway Towns	925,000	1,100,000	1,000,000
Maidstone/Medway Gap	1,100,000	1,400,000	1,225,000
Guildford/Egham	1,750,000	2,300,000	2,100,000
Sunbury	2,000,000	2,650,000	2,350,000
Milton Keynes	1,000,000	1,250,000	1,150,000
Oxford	850,000	1,200,000	950,000
Reading	1,800,000	2,100,000	1,900,000
Basingstoke	1,350,000	2,100,000	1,800,000
Portsmouth	1,050,000	1,700,000	1,300,000
Southampton	1,550,000	2,200,000	1,900,000
Newport(IOW)	300,000	600,000	450,000

Figure 11 Benchmark residual site values for industrial land (Source: Valuation Office Property Market report 2007)

There are a number of more subtle and detailed conclusions from the research.

The division between social rented and intermediate housing matters very much in terms of delivering affordable housing viably. The key example is where we tested the Regional affordable target of 35%, without grant. In South Bucks, we think that this should not make sites unviable, but undoubtedly, there will be cases where the existing use value of the site will not encourage the owner to release it at these levels of affordable housing. Under these circumstances, the Council could consider introducing a higher % of New Build HomeBuy and/or directing grant when it is available to these sorts of schemes.

Generally, density matters. In isolation site values of particular built forms of housing (either flats or houses) will normally increase in value as density increases. We initially ran a 30 dph scenario for apartment which showed very low values. At 70 dph, flats generate very significant values. However, the picture is more complex since it is the interaction of density and development type that matters. Our analysis suggests that lower density town housing (at around 40 dph) can generate site values broadly equivalent to that for flats at 70 dph.

However, the picture becomes even more complex when looking at what happens at the polar ends of the housing market. Whilst values for flats in higher value areas compensate for high development costs with apartments, this does not appear to happen with lower value areas. Thus we think that affordable housing has less of an impact on site viability in weaker market areas where houses are built rather than apartments.

The data indicates that sites for 100% affordable housing (e.g. rural exception sites) will be viable in many cases, but particularly in the higher value areas. We think though, that schemes for houses are more likely to be viable than apartment schemes. Apartment schemes appear not to be viable without significant levels of grant in the Middle South Bucks market and in South West South Bucks..

3.8 Impacts of other Section 106 contributions

We have also tested the impact development economics of other planning obligations. We agreed to test three alternative notional levels of planning obligation ‘bundles’ - £2,000, £5,000 and £10,000 per unit. We have calculated this on the total number of units in the scheme.

Gerrards Cross and Beaconsfield: we think that schemes will ‘stand’ an affordable housing contribution up to 50% and other Section 106 at £10,000 per unit without jeopardising viability, certainly up to the 70 dph we tested. There are exceptions – low density flats and the 100% affordable schemes, although the latter might bear some other section 106 up to 30% affordable.

Farnham, Stoke Poges and rural hinterland: The £10,000 per unit would begin to push site values down towards the regional benchmark. This may be difficult to achieve and therefore £5,000 per unit may be more realistic. Other Section 106 looks unlikely on 100% affordable schemes unless the site is clean green field.

Middle market and South West South Bucks: a more modest contribution - £2,000 to £5,000 per unit may work with housing developments, but is much more difficult with flats, unless very high density.

4 Small Sites and Site Size Thresholds

4.1 Site supply

PPS3 now requires local authorities to 'set out the range of circumstances in which affordable housing will be required'. This allows authorities to reduce thresholds to 15 dwellings or below on the basis of local evidence given that a 15 dwelling threshold is a 'national indicative' figure only.

It is clear that where the 'portfolio' of sites is mainly small, then it makes sense to 'capture' affordable housing by lowering thresholds. Indeed, in South Bucks, this is the case, where the vast majority of sites coming forward are likely to be small. Figure 12 shows new residential planning permissions granted in the period April 2005 to March 2006. This indicates that the vast majority of sites coming forward are under fifteen dwellings; indeed with five applications coming in under at 14 – just under the current affordable housing threshold.

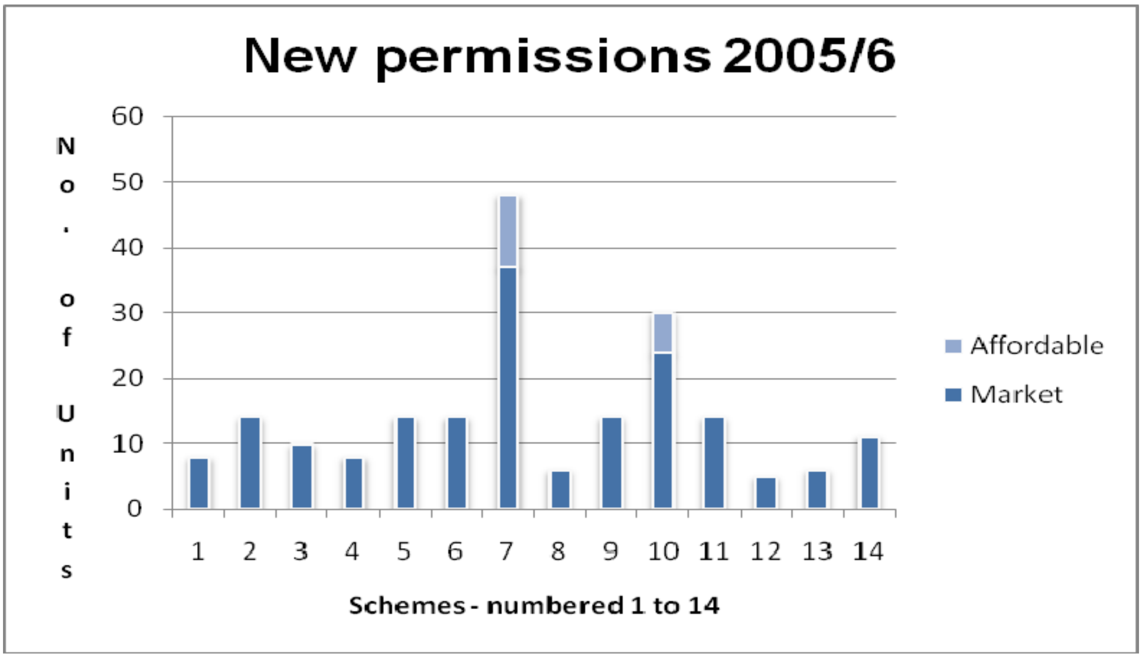


Figure 12 Profile of planning permissions in South Bucks 2005/6

Figure 13 shows the profile of completions over the same period. This shows an overwhelming number of sites for just one dwelling and only one site attracting an affordable housing contribution.

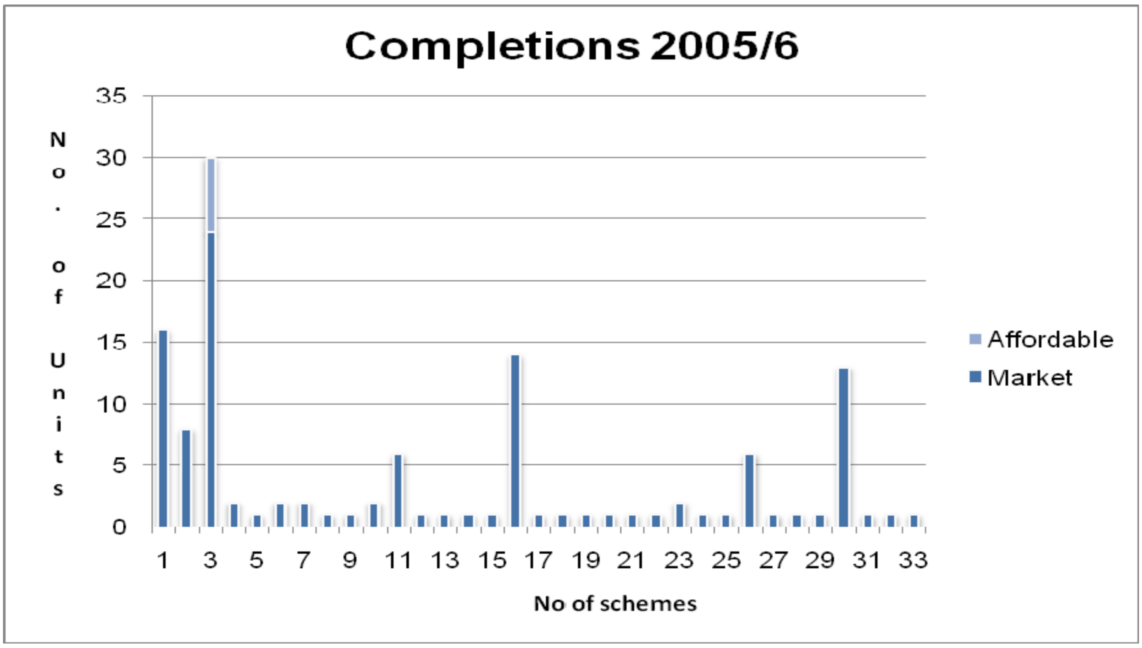


Figure 13 Profile of completions in South Bucks 2005/6

Thus there is a very strong case, on the basis of both housing needs, and the current portfolio of sites coming forward, for a lowering of thresholds across the District.

4.2 Evidence in support of lower thresholds; viability issues

PPS3 (paragraph 29) states that *'local planning authorities can set lower thresholds where viable and practicable*', although they will need to '*undertake an informed assessment of the economic viability of thresholds and proportions of affordable housing proposed, including the likely impact upon overall levels of delivery and creating mixed communities.*'

Our study finds that a variable affordable housing target would be sensible given the dramatically varying housing markets within South Bucks. But should thresholds also vary and at what level should they be set?

The arguments against lower thresholds are normally that affordable housing, if included on smaller sites, will make them less viable, or that the policy of taking an affordable housing contribution on a smaller site will lead land owners to withdraw sites.

4.2.1 Are small sites less likely to 'stack up' financially?

We would emphasise that viability is about scheme viability as well as site viability. Scheme viability is whether values exceed costs for the residential planning permission given. Site viability is whether the value of residential planning permission exceeds that of the current use value.

There are two main variables which need to be taken into account in terms of scheme viability – costs and values. Research carried out by Three Dragons, Nottingham Trent University and Tym and Partners (Greater London Authority, 2003) found no concrete evidence to suggest that smaller development projects were systematically so much more expensive to develop that site size should have a defining role in setting thresholds.

We commissioned a report from the Royal Institution of Chartered Surveyors' Building Cost Information Service which, whilst it found marginal economies of scale on build costs with larger sites, nevertheless, based on the very wide range of data for residential schemes, was inconclusive on the question of whether small schemes were more or less expensive to develop. The report found:

"*this variance* [in the build cost data] *would appear to confirm qualitative views expressed by house builders and RSLs that whilst scheme size is undoubtedly a factor contributing to cost other factors such as location, design and site conditions are also significant factors. Put another way, the data demonstrates that although it is possible to calculate an average cost for schemes of a particular size, each scheme is unique and cost will vary to reflect a range of factors of which size is only one*" (page 22 of the report).

The data that was produced on development costs for the GLA report showed a reasonably 'straight line' relationship between number of units and cost per unit. There were certainly no 'step changes' as would seem to be implied by a threshold of 15, or indeed, at any other particular number of dwellings.

A general conclusion from the report was that schemes of 6 units (the lowest the data provide evidence for) were 2% more expensive than for ones of 15 units. In the context of South Bucks that this would hardly be sufficient to stop the land market for small sites in its tracks.

On scheme value, the report found little evidence to suggest that site values fall with smaller sites. The report found that '*scheme size is not a critical or consistent factor determining market value. This is more likely to be influenced by location and access to facilities*' (page 43).

Indeed, further evidence (see Figure 14 below) suggests that small sites actually achieve higher land values than larger ones – completely opposing the assertion that small sites are less viable than large ones. The table shows that in nearly all the locations shown from across the South East, small sites have the highest value.

This could be for a variety of reasons including the possibility that a different type of housing product may usually be built on smaller sites and/or that the value of larger sites have already been 'depressed' by the requirement to deliver affordable housing. It may also reflect an uplift in house prices on small sites which reflects the 'more exclusive' housing environment created.

However, on the basis of the data, there is no evidence to suggest that sites for smaller schemes cannot provide robust land values.

SOUTH EAST			
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
Brighton	3,700,000	3,350,000	7,350,000
Eastbourne	2,350,000	2,100,000	3,000,000
Folkestone	2,400,000	2,150,000	2,400,000
Medway Towns (Rochester)	2,900,000	2,700,000	2,700,000
Tunbridge Wells	3,250,000	3,250,000	3,250,000
Guildford	5,750,000	5,500,000	5,850,000
Reigate	5,300,000	5,150,000	5,550,000
Worthing	3,225,000	2,750,000	3,750,000
Aylesbury	3,800,000	3,700,000	5,250,000
Oxford	8,000,000	8,000,000	8,500,000
Wokingham	3,650,000	3,400,000	5,000,000
Basingstoke	3,950,000	3,850,000	3,950,000
Portsmouth	3,100,000	3,100,000	3,550,000
Southampton	3,950,000	3,850,000	4,200,000
Ryde, Isle of Wight	1,750,000	1,650,000	1,750,000

Figure 14 Benchmark residual site values for residential land (Valuation Office Property Market report 2007)

4.2.2 Smaller sites – an example appraisal

In order to counter the possible argument that small sites are less viable, we have run scenarios for a middle market location in South Bucks using a notional 0.1 Ha scheme for flats at 50 dph (this is not the most viable of options generally – see Appendix A).

We have assumed that build costs are 10% higher than average and that selling prices are 10% lower than average. It should be noted that this is for the purposes of testing only and we do not accept that these assumptions necessarily reflect reality.

Figure 15 shows that under all affordable scenarios, site values per hectare are significantly above that for industrial land (used here as a benchmark).

This does not mean that in every small site situation, affordable housing will not impact on viability, but that, on a measured analysis, site size should not be a significant factor in bringing sites forward.

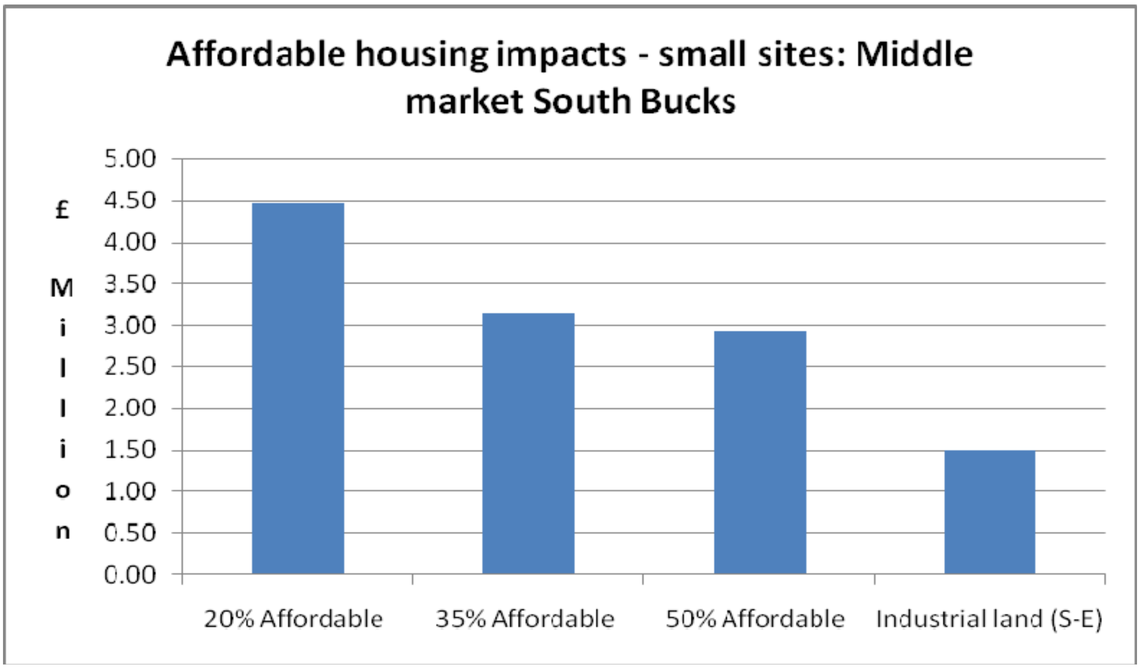


Figure 15 Affordable housing impacts – smaller sites

4.2.3 What gets built on smaller sites?

Figure 16 below shows the relationship between site size and density. It would indicate that on the basis of data for 2005 and 2006, density varies much more radically on the smallest sites than on the larger ones. It also indicates that densities tend to be higher.

Where sites are developed at higher density, they will often generate higher land values. Although, in developing at higher density, the impact on small sites may be to 'trigger' the (current 15) dwelling threshold, in practice, given the number of schemes coming in at 14 dwellings, higher density schemes on smaller sites do not appear to be delivering affordable housing.

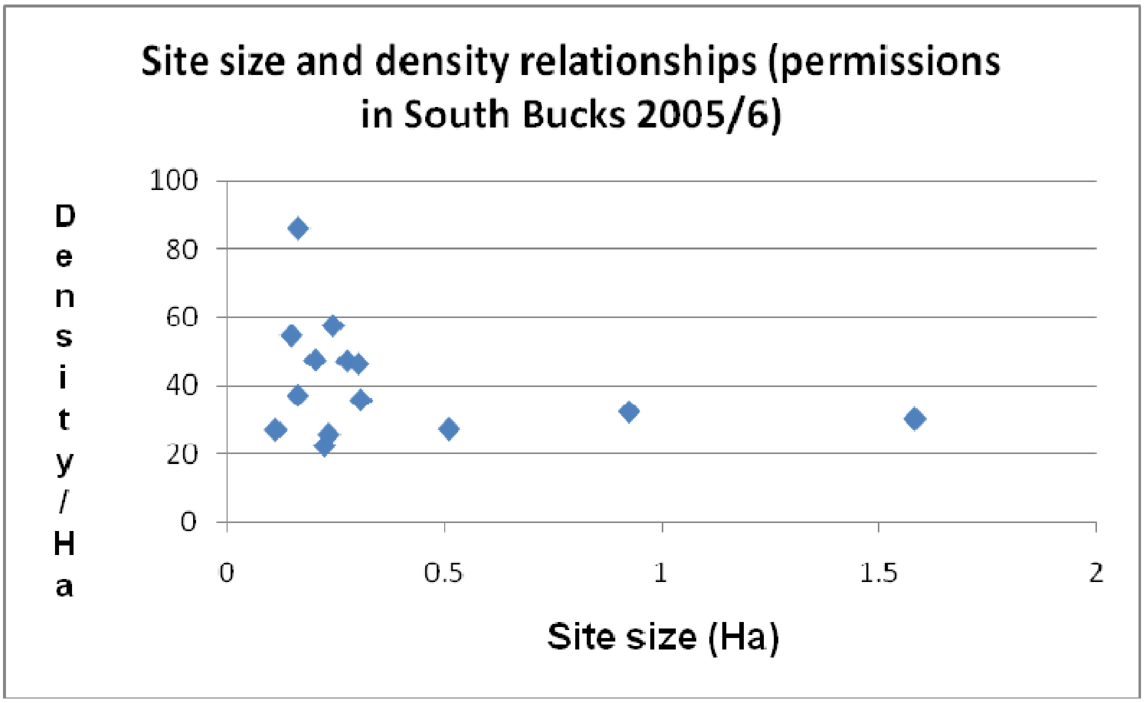


Figure 16 Relationship between site size and density in South Bucks

4.3 Recommendation on thresholds

We feel that there is sufficient evidence, from a variety of sources to support a case for lowering thresholds. There is no particular logic in the threshold of 15 units. And South Bucks has both the needs and the profile of sites which demand that thresholds are lowered if affordable housing is to be delivered through the planning system.

To ensure that affordable housing delivery is maximised, we recommend that the threshold is reduced. We have not seen evidence to suggest that this would have an adverse impact on housing supply or on the viability of sites.

One option is to reduce the threshold to 5 dwellings (which would capture a larger number of sites but still miss out on the many sites in the 1-4 dwelling band, which come forward in South Bucks). The threshold could go lower – even down to one unit, with the caveat that affordable housing is negotiable subject to site specific testing. The main issue then would become whether the Development Control officers could accommodate the workload caused by the additional negotiations.

The Council would also need to consider the sort of affordable housing contribution it would seek. Clearly on sites of one or two dwellings, it would seem impractical to ask for on-site provision. In these cases, a payment in lieu of on site provision would be appropriate. Sites of, say, 3-10 dwellings could provide on-site opportunities for affordable housing but the Council would need to take into account management issues for affordable housing providers, of having small numbers of affordable units 'scattered' around the district. The views of managing RSLs should be canvassed on this point before any policy decision is made.

5 Commuted Sums

Three Dragons understands (given widespread need for AH and limited opportunities for residential development) that it will be important to seek on-site provision on all qualifying sites and that payment in lieu or commuted sums should only be used in very exceptional circumstances. Such circumstances would include, for example, very high service charges associated with a particular form of apartment development.

Commuted sums are calculated in different ways in different local authorities. Government has fought shy of a standardised formula. In our experience, commuted sums have tended to be based on either value or cost. Some authorities still link commuted sums to the old Total Cost Indicator (TCI) system.

A typical cost based approach would commit the land owner/developer to meeting the shortfall in funding between what a housing association could generate on the basis of rents (or in the case of New Build HomeBuy, equity and rental) and, on the other hand, the cost of providing the units. In other words, the commuted sum would ‘gap fund’ where grant might otherwise ‘foot the bill’.

This type of approach does not usually however result in the local authority, as recipient of the commuted sum, being able to develop as many affordable homes as would have been provided on site.

We believe that the approach which gives the most equitable and sensible solution to all parties is based on an ‘equivalence principle’. That is to say, the commuted sum should be equivalent to the reduction in residual value were the affordable housing to be provided on site. Using the Toolkit, we have come forward with an assessment of this, comparing the residual value for a scheme of 100% market housing with that for a scheme of a given percentage age and mix of affordable housing.

Clearly the economics will vary from place to place, although the general trend will be that commuted sums increase as the target percentage of affordable housing rises.

Figure 17 shows an example for Farnham and Stoke Poges – for town housing at 50 dph. The size of the commuted sum relates (as previously) to a notional one hectare site (here with 50 homes).

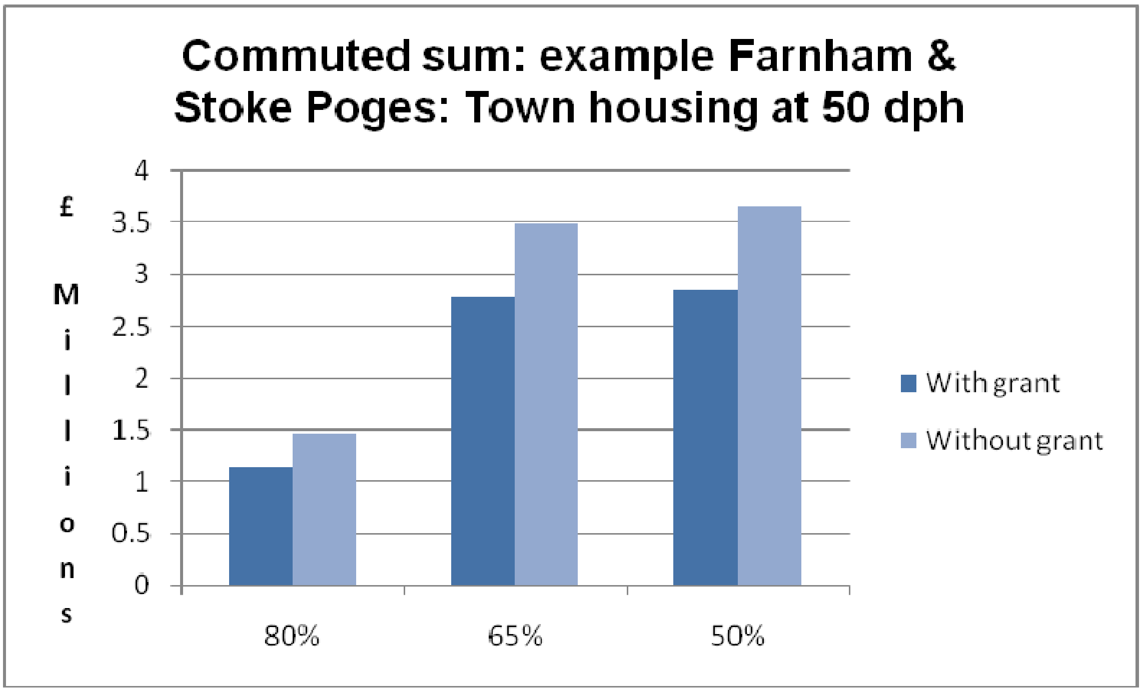


Figure 17 Residual site value showing indicative commuted sums with and without grant assumed

Figure 17 shows that commuted sums would increase as the policy target increases. Under the current policy option (20%) and without grant, the payment would be around £1.5 million or £150,000 per unit.

If a policy of 35% affordable housing were to be adopted, along with the commuted sum formula proposed, then the commuted sum without grant would be around £3.5 million. This would result in a payment of around £200,000 per unit. At 50% affordable without grant, the sum would be £3.6 million or £144,000 per unit. It should be noted that the 35% affordable scenario generates the highest commuted sum. There is nothing 'magic' about this number; merely that the testing at the 50% affordable mark includes a significantly higher % of intermediate affordable housing reducing the overall 'scope' for commuted sum capture since the 100% market scenario will generate a closer value at 50% which has the higher New Build HomeBuy element.

We believe that the equivalence approach provides a reasonable way forward and is consistent with PPS3, para 29 which states:

> "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…".

Where money is collected from commuted sums, the Council should consider having in place a 'strategy' for using the money collected, to ensure it can be spent quickly and for maximum benefit.

Options for spending could include: use in other mixed tenure schemes which would not proceed without financial support, support for 100% affordable housing schemes where these are consistent with mixed community objectives, purchase of open market housing for affordable housing to improve the range of affordable opportunities in selected markets and redevelopment of existing affordable housing which is in need of regeneration. These are merely suggestions which the Council may choose to accept or reject but we do emphasise the need to link the collection of any commuted sums to a clear strategy for their use.

6 Conclusions on Policy Options

6.1 Policy options

The report has considered the economic impact on different development types of alternative amounts of affordable housing (along with contributions to other planning obligations). We have reviewed the impact of a % target for affordable housing of 20% (as per the current policy), 35% (as per the draft South East Plan) and 50% (as a higher figure for testing purposes. The report does not comment on the need in the District for affordable housing and which of the three alternative amounts of affordable housing tested (or any other figure) are the most appropriate from this perspective. In coming to its preferred policy approach, the Council will need to consider this alongside the development economics implied by the three alternatives we have tested.

As a result of our analysis, we are setting out three policy options:

i) <u>50% Affordable Housing Across the District (25% SR and 25% NBHB)</u>

This option maximises the amount of affordable housing. In economic terms, the option generates residual values which compare well with the regional average in the highest value areas but in lower value areas it could reduce residual values to levels which might hold back development. This would be less of an issue with appropriate mixes of housing but apartment developments at lower densities would appear to be financially marginal.

What must also be recognised is that going from the current policy of 20% affordable housing to 50% would considerably reduce the residual value achieved. Although the absolute residual value at 50% in higher priced areas is very high in relation to regional averages, current landowner expectations might be ‘dented’. Land owners might argue that they wouldn’t bring sites forward until the policy was reviewed or disbanded.

However, we would question this potential reluctance. In favour of a higher target is the point that opportunities to bring forward sites in South Bucks are relatively few and hence the cost of holding land with any development potential is likely to be very significant, even with a substantial affordable allocation.

However, if a 50% target were adopted, the policy would need to be applied flexibly and consideration given i) to the ability also to pay for other planning obligations required ii) to dwelling mix and iii) to the balance between Social Rent and Intermediate housing (New Build HomeBuy) which is sought. A 50% policy which allowed a relatively high percentage of New Build HomeBuy would have significantly less impact on residual values than a policy which, for instance, required a 50:50 split between Social Rent and New Build HomeBuy.

Where public subsidy were available, it would be usefully directed to lower value areas to help meet the 50% target and to maintain the supply of affordable housing.

ii) 35% Affordable Housing Across the District (25% SR and 10% NBHB)

A policy which sought 35% affordable housing across the District would significantly reduce the potential to deliver affordable housing (versus for example a 50% target).

On the other hand, a 35% target would:

- Be relatively easy to deliver in terms of residual values achieved – for nearly all locations and dwelling types and densities;
- Be arguably less of a 'shock' to local land markets;
- Require less public subsidy to achieve the target, although some schemes (again especially in lower value areas) may need some subsidy and/or a balance of affordable housing more slanted towards New Build HomeBuy.

iii) A target of 50% affordable housing in high value areas and 35% in lower value areas.

This option may appear to offer the best position for South Bucks – maximising the delivery of affordable housing in both high value and lower value areas, whilst delivering residual values which compare favourably with the regional average. There may still be a need for some public subsidy to support particular schemes in a small number of locations.

However, this approach would still suffer from the problems of the Council-wide 50% option which could cause an undue shock to the land market in higher value areas. It would also be difficult to draw a line between those areas in the District to which the 50% and 35% policies would be applied.

The 20% policy retained

There is then the option of retaining the 20% Policy. This would deliver the least affordable housing. Residual values would remain high (and very high in some locations) in comparison with regional averages. There would be no change in land market conditions (as affected by planning policy).

Inevitably, whichever policy option is adopted, some flexibility will be needed in settling affordable housing negotiations. The analysis here is based on five market areas which are relatively broad and sites, as they are brought forward, may not always ‘fit’ expectations of viability. Thus, whilst we believe the key policy messages are robust, the Council should always consider site specific appraisals in tandem with the findings of this report. This will allow for specific targets to be both increased as well as decreased against the recommended starting point.

6.2 100% Affordable Housing Sites

Sites being developed for 100% affordable housing schemes might be Rural Exception Sites (RESs) or sites currently in employment use. Clearly greater use of RESs would increase affordable housing supply as would a policy adopted by the Council to develop affordable homes on employment sites.

In policy terms, developing 100% affordable schemes on employment sites may discourage speculative proposals for a switch from employment to residential use, whilst allowing for sites which are genuinely no longer suitable for employment to find an acceptable alternative use.

Our analysis (see in particular Figures 9 and 10) shows that these types of schemes, whilst generating low values relative to mainstream Section 106 type schemes, do nevertheless generate healthy residual site values under most circumstances in relation to location and development mix. We would expect (Figure 10) 100% affordable housing schemes incorporating terraced type housing to generate site values exceeding industrial land in most locations without grant and in all locations where grant is available.

With respect to RESs, where the current land value is significantly lower, most (100% affordable) development schemes should be viable, although as Figure 9 shows, apartments at lower density (50 dph) would appear marginal or not viable in the weaker market areas without grant.

These conclusions are of course dependent on the affordable housing tenure split and a higher percentage of intermediate housing (relative to Social Rent) should, all other things equal, provide higher site values.

6.3 Site Size Thresholds

We have looked at the question of thresholds in the light of site supply and evidence on the economics of developing small sites. We do not find a case for retaining thresholds at 15 dwellings on the basis of viability. The key issue to recognise is that size of site is not the only, or even the major determinant, of scheme viability (location, scheme mix, density, the make-up of the affordable component and availability of grant all have a significant impact on development economics). In arriving at its preferred site size threshold, the Council will need to take into account other factors – notably the need for affordable housing and the size profile of sites. We have commented on these aspects in Section 4.

We are recommending that thresholds be reduced to at least 5 dwellings and, if the Council are prepared for additional affordable housing negotiations, then beyond that to two, or even one dwelling (i.e. the Council operate without a threshold).

By adopting a structured yet flexible approach to scheme mixes and the use of grant, the Council should be able to considerably reduce the site size threshold without a major impact on the land market.

6.4 Commuted Sums

We recognise that off-site contributions and commuted sums (or payments in lieu) will only be acceptable in exceptional circumstances. We have put forward an approach to assessing the value of commuted sums which the Council may consider using and which are based on the difference in residual value between a scheme of 100% market housing and the value of a site with affordable housing provided on-site in accordance with policy.

Reference

Three Dragons, Nottingham Trent University and Roger Tym and Partners (2003) **Thresholds for Application of Affordable Housing Requirements**, Greater London Authority (can be accessed from the GLA website).

Appendix A Results in full from the policy testing

Key tables:

A1 Base scenario: 100% flats including 1 Beds @ 30%; 2 Beds @ 60% and 3 Beds @ 10%.

MARKET AREA A: Gerrards Cross

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£4.91	£3.38	£3.68	£2.92	£3.34	£2.80	£3.29
50 Dwellings per Ha.	£10.15	£8.68	£9.01	£6.73	£7.43	£6.49	£7.31
70 Dwellings per Ha.	£14.21	£12.61	£12.16	£9.42	£10.39	£9.09	£10.23

MARKET AREA B: Beaconsfield

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£4.28	£3.51	£3.70	£2.45	£2.87	£2.34	£2.83
50 Dwellings per Ha.	£9.10	£7.75	£8.07	£5.94	£6.64	£5.72	£6.53
70 Dwellings per Ha.	£12.74	£10.84	£11.30	£8.32	£9.30	£8.01	£9.18

MARKET AREA C: Farnham, Stoke Poges and rural hinterland

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£3.02	£2.38	£2.57	£1.51	£1.93	£1.41	£1.90
50 Dwellings per Ha.	£7.00	£5.87	£6.19	£4.38	£5.08	£4.18	£4.99
70 Dwellings per Ha.	£9.78	£8.21	£8.67	£6.14	£7.11	£5.85	£6.97

MARKET AREA D: Middle market South Bucks

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£1.36	£0.89	£1.08	£0.27	£0.69	£0.19	£0.68
50 Dwellings per Ha.	£4.22	£3.39	£3.71	£2.32	£3.02	£2.14	£2.95
70 Dwellings per Ha.	£5.91	£4.73	£5.19	£3.24	£4.22	£2.99	£4.13

MARKET AREA E: South West South Bucks

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£0.78	£0.38	£0.57	-£0.15	£0.26	-£0.23	£0.25
50 Dwellings per Ha.	£3.27	£2.53	£2.85	£1.61	£2.31	£1.43	£2.25
70 Dwellings per Ha.	£4.57	£3.56	£4.00	£2.25	£3.23	£2.08	£3.14

A2 Base scenario: development mix including 50% 3 bed town houses and 50% 4 bed town houses.

MARKET AREA A: Gerrards Cross

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
40 Dwellings per Ha.	£12.77	£11.23	£11.49	£9.08	£9.64	£8.91	£9.55
50 Dwellings per Ha.	£15.97	£14.03	£14.36	£11.34	£12.05	£11.13	£11.94

MARKET AREA B: Beaconsfield

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
40 Dwellings per Ha.	£11.22	£9.83	£10.09	£7.92	£8.48	£7.76	£8.41
50 Dwellings per Ha.	£14.02	£12.29	£12.62	£9.90	£10.60	£9.70	£10.51

MARKET AREA C: Farnham, Stoke Poges & Rural Hinterland

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
40 Dwellings per Ha.	£9.22	£8.05	£8.31	£6.44	£6.99	£6.29	£6.94
50 Dwellings per Ha.	£11.53	£10.06	£10.38	£8.05	£8.75	£7.87	£8.68

MARKET AREA D: Middle market South Bucks

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
40 Dwellings per Ha.	£6.01	£5.12	£5.44	£4.05	£4.61	£3.92	£4.58
50 Dwellings per Ha.	£7.51	£6.47	£6.81	£5.06	£5.76	£4.92	£5.73

MARKET AREA E: South West South Bucks

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
40 Dwellings per Ha.	£4.83	£4.12	£4.38	£3.13	£3.73	£3.06	£3.71
50 Dwellings per Ha.	£6.03	£5.15	£5.47	£3.96	£4.66	£3.83	£4.64

A3 Base scenario: development mix including 50% 3 bed semi-detached houses and 50% 4 bed detached houses.

MARKET AREA A: Gerrards Cross

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£13.58	£12.07	£12.27	£9.86	£10.28	£9.79	£10.28

MARKET AREA B: Beaconsfield

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£12.24	£10.86	£11.06	£8.86	£9.29	£8.81	£9.29

MARKET AREA C: Farnham, Stoke Poges & Rural Hinterland

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£9.20	£8.70	£8.89	£7.06	£7.47	£7.03	£7.52

MARKET AREA D: Middle market South Bucks

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£6.49	£5.73	£5.93	£4.56	£5.01	£4.56	£5.07

MARKET AREA E: South West South Bucks

OPTIONS	OPEN MARKET	SOUTH BUCKS LOCAL PLAN		SOUTH EAST REGIONAL PLAN		ASPIRATIONAL TARGET	
	100% Market: 0% Affordable	80 % Market: 10% SR: 10% NBHB.		65% Market: 25% SR: 10% NBHB.		50% Market: 25% SR: 25% NBHB.	
		Without grant	With grant	Without grant	With grant	Without grant	With grant
DENSITIES							
30 Dwellings per Ha.	£5.26	£4.63	£4.82	£3.67	£4.09	£3.68	£4.17

A4 100% Affordable Housing schemes: Flats at 50 dph, 30% 1 bed; 60% 2 bed; 10% 3 bed

OPTIONS	Gerrards Cross		Beaconsfield		Farnham & SP		Middle Market		South West South Bucks	
	No grant	With grant	No grant	With grant	No grant	With grant	No grant	With grant	No grant	With grant
DENSITIES										
50 Dwellings per Ha.	£2.84	£4.46	£2.34	£3.97	£1.37	£2.98	£0.05	£1.67	-£0.4	£1.62

A5 100% Affordable Housing schemes: Terraces at 40 dph, 50% 3 Bed Terraces, 50% 4 Bed Terraces

OPTIONS	Gerrards Cross		Beaconsfield		Farnham & SP		Middle Market		SW South Bucks	
	No grant	With grant	No grant	With grant	No grant	With grant	No grant	With grant	No grant	With grant
DENSITIES										
40 Dwellings per Ha.	£5.04	£6.34	£4.48	£5.78	£3.37	£4.66	£1.86	£3.16	£1.29	£2.59

Appendix B Key assumptions made in relation to the policy testing

B1 Scenarios for testing

For a notional 1 hectare site for each of the 3 scheme densities noted above - agreed that the following tests would be carried out to check impact on viability:

100% market housing;
South Bucks Local Plan – 20% affordable – 10% SR and 10% HomeBuy;

South East Plan – 35% affordable with 25% SR and 10% HomeBuy;
50% affordable housing, split 25% SR and 25% HomeBuy;

B2 Affordable Housing Assumptions

B2.1 Social Rent

Rents

One bedroom	£70
Two bedroom	£80
Three Bedroom	£90
Four + bedroom	£100

B2.2 Costs

Management and maintenance	£1,000 per annum
Voids/bad debts	3% of gross rent
Repairs reserve	£700 per annum

B2.3 On-costs

10% of development costs

B3 Newbuild HomeBuy

B3.1 Revenue assumptions

Modelled at 2.75% rental but also test implication of 0% charge on rental element

Used 40% average share size.

B3.2 Grant assumptions

It was stated that grant may not be available in the future although the current round of Housing Corporation funding has delivered £53,000 per unit on average for Social

Rent and £17,000 for Shared Ownership. It was agreed that 3D would test at £50,000 for Social Rent and £15,000 for Shared Ownership.

B4 Planning obligations

There are currently no standard or benchmark Section 106 contributions operating in South Bucks. This was discussed and was agreed that 3D will test for the impact of planning obligation ‘bundles’ of £2,000, £5,000 and £10,000 per unit.

B5 Development costs

It was agreed that the analysis will be based on the BCIS source and on four base build types – small houses, larger houses, low rise flats and medium rise flats.