

Wrexham and Flintshire

**Affordable Housing and Community
Infrastructure Levy and Development Viability
Assessment**

Draft Final Report

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1 INTRODUCTION

Review of project aims and background to the project

1.1 Wrexham County Borough Council and Flintshire Council appointed Andrew Golland Associates to carry out a Viability Study in relation to the development of their Local Plans. The instruction was to assess the impact of the Councils' relevant policies on plan viability. The particular focus was to be on affordable housing and the CIL (Community Infrastructure Levy).

1.2 The specific aims of the project are to:

- Set affordable housing targets;
- Set affordable housing thresholds;
- Set a CIL Charge across the range of different use classes as required by the CIL regulations.

CIL is a relatively recent policy option and the key provisions are set out at the end of this chapter.

Policy background

1.3 Viability is an important consideration at both a national and local level. Nationally, TAN 2 states that: 'When setting site-capacity thresholds and site specific targets local planning authorities should balance the need for affordable housing against site viability..... Local planning authorities should also take into account the impact on the delivery of the affordable housing target and the objective of creating sustainable communities across the plan area and in the individual parts of the plan area.

1.4 Planning Policy Wales (Edition 6, February 2014) states that 'Development plans must include an authority-wide target for affordable housing (expressed as numbers of homes) based on the LHMA and identify the expected contributions that the policy approaches identified in the development plan (for example, site thresholds, site specific targets, commuted sums and affordable housing exception sites) will make to meeting this target. The target should take account of the anticipated levels of finance available for affordable housing, including public subsidy, and the level of developer contribution that can be realistically sought.

- 1.5 The CIL also has to have strong regards for viability and deliverability. At the local level charging authorities must aim to strike an appropriate balance between the desirability of funding from CIL (in whole or in part) the actual and expected cost of infrastructure required to support the development and expected sources of funding, section 106 implications and administrative costs, and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the whole area.
- 1.6 The study is being undertaken jointly between the two authorities with a view towards setting policies and CIL charges which are both logical, evidence based and harmonious.

Flintshire

- 1.7 Policy HSG10 of the Flintshire UDP (adopted September 2011) 'Affordable Housing within Settlement Boundaries' states that 'Where there is a demonstrable need for affordable housing to meet local needs, the Council will take account of this as a material consideration when assessing housing proposals. Where this need exists the Council will negotiate with developers to provide 30% affordable housing in suitable or appropriate schemes within settlement boundaries.
- 1.8 Policy in Flintshire seeks further to provide at least 30% affordable housing on sites with a minimum size threshold of 1.0 hectare or 25 dwellings. This is significantly less than the recommendations contained within the Housing Needs Survey undertaken in 2005 'but is justified by the need for a balanced policy which is considerate of inevitable and unforeseeable economic changes which can dramatically affect the viability of a development scheme'.
- 1.9 The County are now embarking on the preparation of a Local Development Plan (LDP).

Wrexham

- 1.10 The Council had already submitted a Local Development Plan in 2011, but due to a range of matters including housing supply and affordable housing, the Plan was withdrawn (March 2012).
- 1.11 The Council argued for a 30% affordable housing target in the Deposit Plan but this had relied on a range of types of site, including housing association and windfall developments. The Inspector found in the Preliminary Report that delivery of affordable housing would rely mainly on allocations, some of which were reliant on a 10% increase in house prices in order to achieve a 30% target.
- 1.12 The evidence base is now being reviewed and this report aims to provide a robust assessment of viability with a view to setting affordable housing targets and CIL. Policy H7 of the UDP seeks an element of affordable housing on sites with a capacity of 25 dwellings or more, with the threshold of 25% identified in Local Planning Guidance note no 28.

Research undertaken for this study

- 1.13 There were four main strands to the research undertaken to complete this study:
- Discussions with a project group of officers from the Councils to help inform the structure of the research approach;
 - Analysis of information held by the authority, including that which described the types of sites coming forward;
 - Use of the Wales Development Appraisal 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. The feedback notes from the Workshop are shown at Appendix 1 of this report.

Structure of the report and objectives of each chapter

- 1.14 Chapter 2 sets out the overarching approach to viability assessment. This is important in establishing the ‘ground rules’ for target and threshold setting for affordable housing, and in setting the CIL charges.
- 1.15 Chapter 3 sets out the results of the residual value analysis. It does this for both authorities for residential development across a range of densities and sub markets. The information is detailed and shows how residual value varies according to market location in particular. The aim is to set out the residual values, but at this stage, not to conclude viability (this is discussed later in the report, mainly at Chapter 8).
- 1.16 Chapter 4 looks at site supply for the residential sector. This chapter aims to provide a context for the local authorities in framing a decision on where to set affordable housing thresholds.
- 1.17 Chapter 5 examines the viability of small residential sites. This is important, in conjunction with Chapter 4, in helping the Councils to decide whether, and to what extent, to lower thresholds for affordable housing development.
- 1.19 Chapter 6 shows the results of the analysis of the commercial property schemes. It tests a range of commercial uses and shows, as with the residential analysis at Chapter 3, the residual values.
- 1.19 Chapter 7 looks at viability benchmarks in the context of the residual values;
- 1.20 Chapter 8 presents the main findings, conclusions and options of the report.

General provisions of CIL

- 1.21 The CIL Viability Study will need to establish a testing ‘framework’ that reflects the legal context of CIL, mostly helpfully set out in DCLG’s ‘Community Infrastructure Levy: An Overview (May 2011)’. Significant points in framing the analytical framework for a Viability Study are:

- All types of development (housing, commercial and other uses) should be viability tested. This means the testing process is in principle, extensive;
- CIL is payable on floor area, not units. It is furthermore payable on net increases in floorspace. Since many developments involve demolition, only low payments may ensue. However, it would appear that studies completed so far have taken a 'worst case' scenario, being based on gross development areas;
- Exemptions to a CIL charge – Affordable Housing and Charity projects. This does not mean that Affordable Housing does not have to be tested; just that where mixed tenure development scheme examples are tested, no CIL charge is applied to the Affordable Housing element;
- CIL can be used to cover a range of infrastructure uses: physical, social and environmental. Thus the testing framework should aim to test ambitious CIL scenarios wherever practicable.

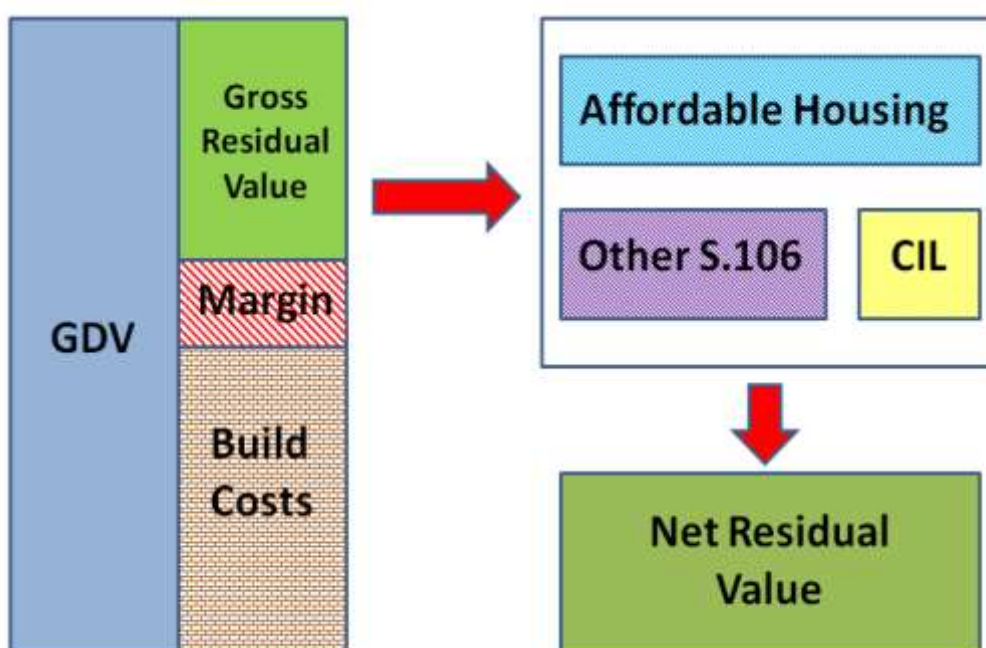
2 METHODOLOGY

Introduction

Viability – starting points

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

Figure 2.1 Viability, CIL and Affordable Housing

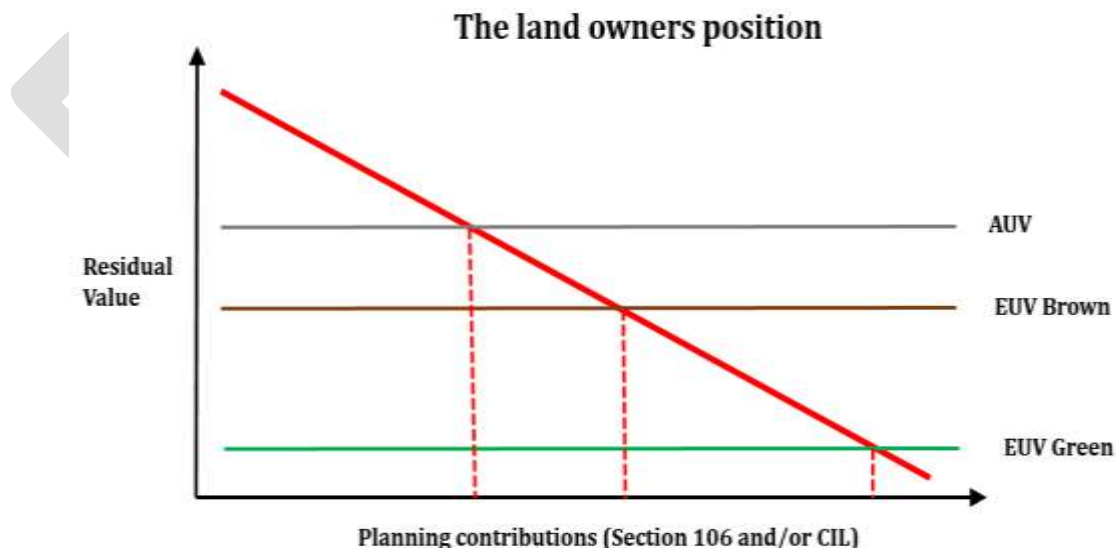


- 2.3 The gross residual value is the starting point for negotiations about the level and scope of Section 106 or CIL contribution. The

contribution will normally be greatest in the form of affordable housing but other Section 106 items or CIL will also reduce the gross residual value of the site. Once the Section 106 contributions/CIL have been deducted, this leaves a net residual value.

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

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



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

3 RESIDENTIAL VIABILITY ANALYSIS

Introduction

- 3.1 This chapter of the report considers viability for residential schemes including affordable housing. It provides an understanding of how residual value varies under different housing market circumstances, different policy impacts and different development densities and mixes.
- 3.2 The chapter is important in calculating residual values against which land value benchmarks are set. These are discussed in Chapter 7 on benchmarking.
- 3.3 It will be recalled in the previous chapter (2) that assessing viability will be considered by reference to both residual value (assessed here in Chapter 3) and the land value benchmarks assessed in Chapter 7.

Sub Market areas

- 3.4 Variation in house prices has an important impact on development viability and residual value is very sensitive to changes or differences in house prices.
- 3.5 We have taken a consistent approach to the determination of sub market areas in line with other studies carried out in England and Wales. This involves the use of postcode sector aggregated data and house price sales. The data has been subject to further scrutiny through the workshop process.
- 3.6 All studies have undertaken an analysis of house prices using HM Land Registry data to identify the sub markets. The house prices which relate to the sub markets provide the basis for a set of indicative new build values. The sub markets and prices were subject to scrutiny at the Stakeholder Workshop. Table 3.1 and 3.2 below sets out the sub markets for each LPA area:

Table 3.1 Sub Markets: Wrexham County Borough Council

Sub Market	PCSS	Settlement Hierarchy			
		First Tier	Second Tier	Third Tier	4th, 5th & 6th Tier
South Wrexham	LL11 1	Wrexham South East			
	LL13 7	Wrexham South West			
Rural East	SY13 2				Bettisfield
	LL13 0			Rhostyllen	Cross Lanes; Bangor is y Coed; Worthenbury; Overton
	LL13 9			Holt	Horseman's Green; Marchwiell; Hanmer; Bronington; Penley
	LL12 0			Rossett	Lavister; Burton
	SY14 7				Tallarn Green
North Wrexham & Gresford	LL12 8		Gresford		Bradley; Marford
	LL12 7	Wrexham North East			
	LL11 4	Wrexham North West			
Rural West, Chirk	LL14 5		Chirk		Pentre; Halton
	LL20 7			Glyn Ceiriog	Dolywern; Pontfadog; Ceiriog; Tregeiriog
	LL14 6		Ruabon		
North West settlements	LL11 5			Brymbo	Bwlchwyn
	LL11 2		Gwersyllt	Broughton	Rhosrobin
	LL11 6			New Broughton	Southsea
	LL11 3		Coedpoeth		Minera; Tanyfron; New Brighton; Gwynfryn
	LL12 9			Llay	Sydallt
LL14 4				Bersham	
Cefn Mawr & Rhos	LL14 2		Rhos	Johnstown; Penycae	
	LL14 3		Cefn Mawr	Acrefair	Froncysyllte; Trevor; Garth
	LL14 1		Rhos		

Map 3.1 Wrexham sub markets

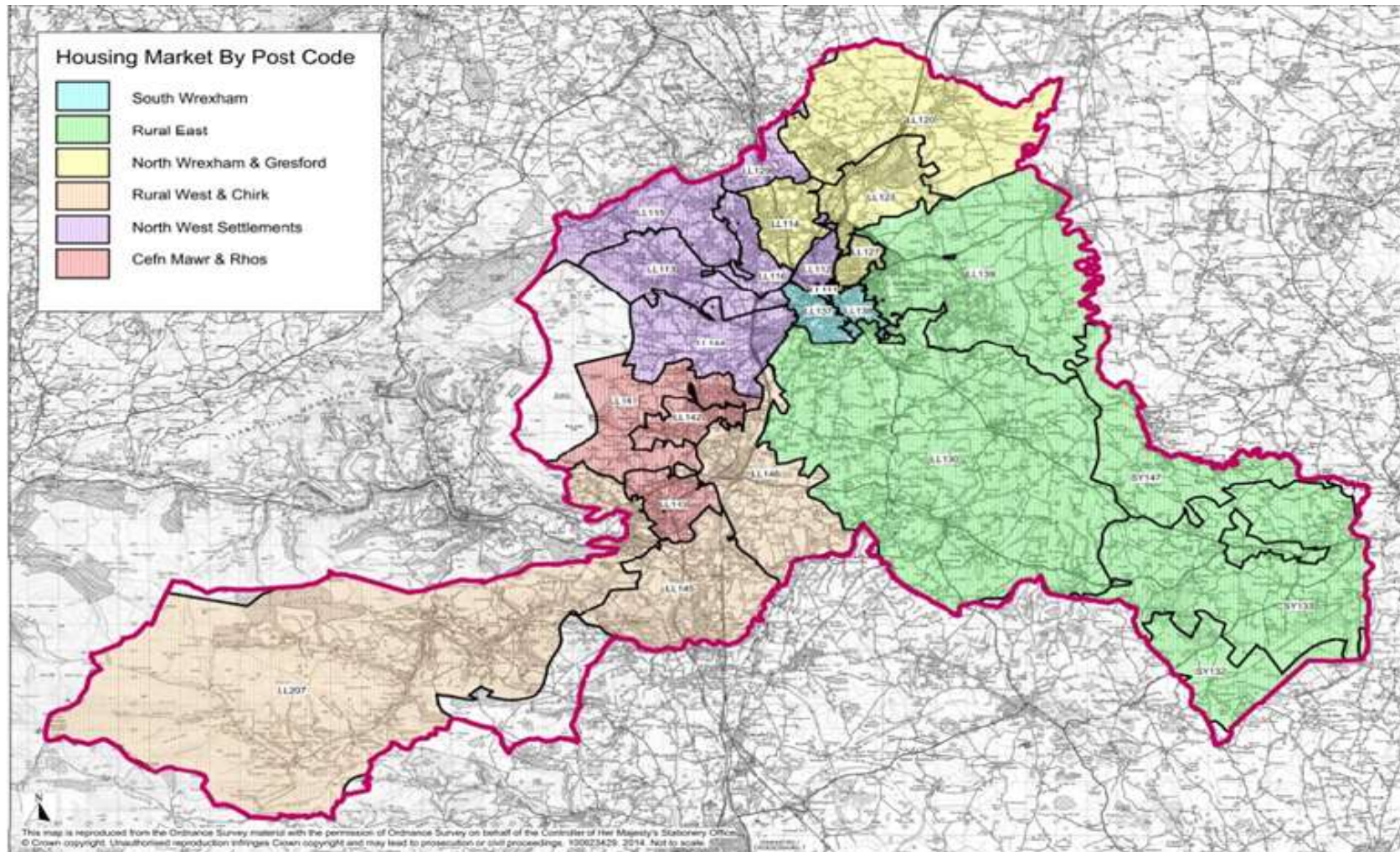
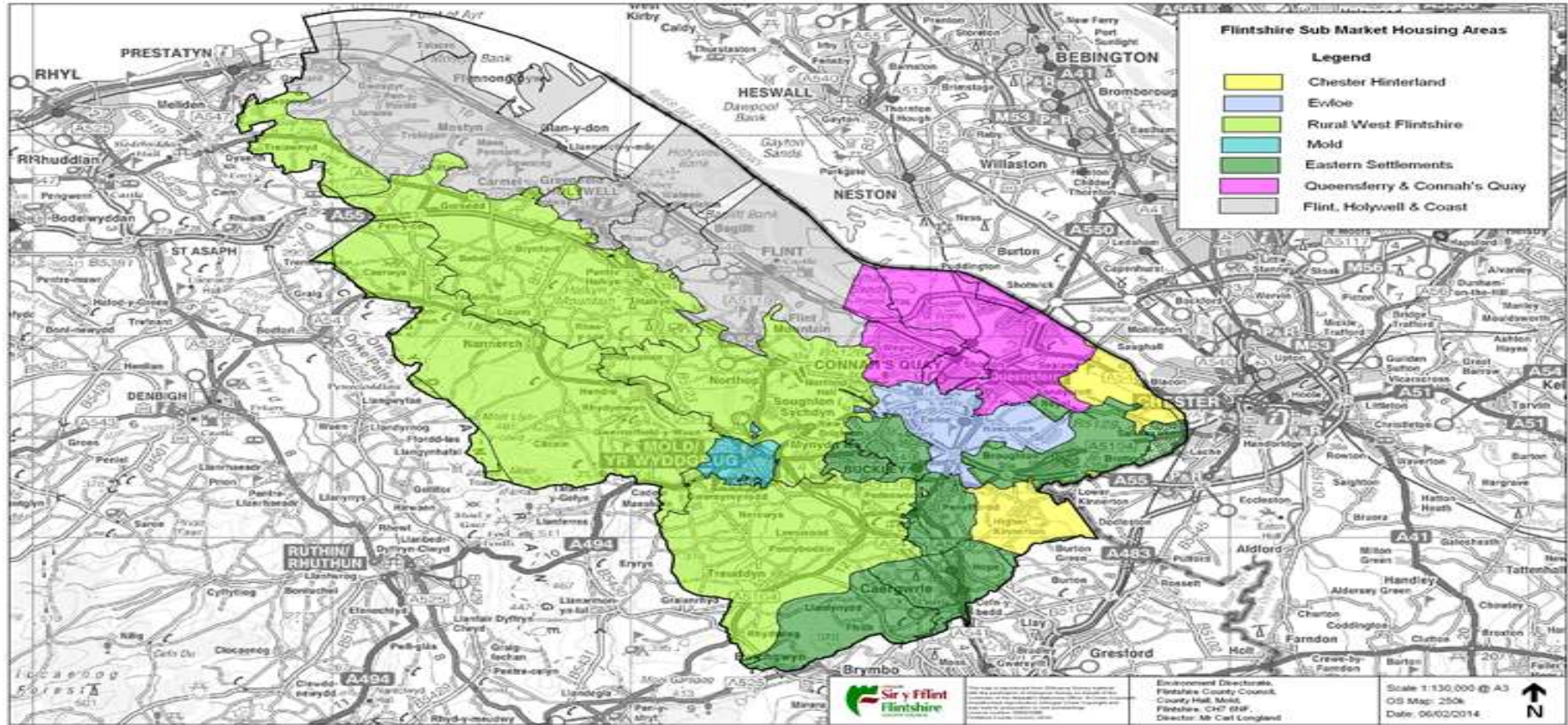


Table 3.2 Sub Markets: Flintshire County Council

Sub Market	PCs	Urban	Semi Urban/Villages	Small villages
Chester Hinterland	CH1 6			
	CH4 9			Higher Kinnerton
Ewloe	CH5 3	Ewloe	Hawarden, Pengffordd	Dobshell, Pengmngydd
Rural West Flintshire	LL18 6			Gwaengsgor; Trelawngd
	CH7 5			Nannerch; Rhydwmyn;; Ysceifiog; Afonwen; Cadole; Cilcain;
	CH8 8			Gorsedd; Pentre Halkyn; Halkyn; Lizwm; Caerwys; Brynford
	CH7 6		Northrop Hall; Northrop; Sgchdgn	Rhosemor
	CH7 4		Treuddgn; Leeswood	Nercwys; Pontybodkin; Coed Talon; Ponblyddgn
Mold	CH7 1	Mold	Gwergmngydd, Mngdda Isa, New Brighton	Gwernaffield, Pantgmwgn
Eastern settlements	CH7 3	Buckley (East)	Drury and Burntwood	
	CH7 2	Buckley (West)		Alltami
	CH4 0		Broughton	Bretton;
	LL12 9			Cymau
	LL11 5		Caergwle;Abermorddu	Llanfngydd; Ffrith
Queensferry & Connah's Quay	CH5 1	Shotton		
	CH5 2		Sandycroft; Mancot; Garden City; Pentre	
	CH5 4	Connah's Quay		
Flint, Holywell & Coast	CH6 5	Flint		Flint Mountain
	CH6 6		Bagillt;	
	CH8 7	Holywell	Carmel Holwag; Greenfield	Rhes y Cae
	CH8 9		Gronant; Maes Pennant	Gwespr; Llanasa; Talacre; Ffngnongrogw; Whitford; Trelogan; Rhewl Most

Map 3.2 Flintshire sub markets



Testing assumptions

- 3.7 The analysis is based on a range of policy tests. Specifically, affordable housing targets of 5% through to 40%.
- 3.8 We have generated residual values that are gross of any other (than affordable housing contributions). In other words, the tests have not included the impact of any other (than affordable housing) contributions. If there are therefore contributions to cover items included within CIL or conventional Section 106, these will have to come from the residual generated after the affordable housing has impacted on the scheme.
- 3.9 As ever, and as discussed in Chapter 2 in particular, whether a scheme is viable will depend on the relationship between residual and existing use value.
- 3.10 A full range of schemes are tested here. Densities of 20 Dwellings per Hectare (dph), 30 dph, 40 dph and 50 dph have been tested for both local authority areas. The tests relate to the full range of Affordable Housing percentages, from 0% (100% Market Housing scheme) to 40% Affordable.
- 3.11 The results are shown in full (Residual Value in £ million) at Appendix 3 for both authorities and each density is looked at in turn below.

Residual values at 20 dph

Wrexham

- 3.12 Table 3.3 shows residual values for the Wrexham sub markets at a density of 20 dwellings per hectare. It shows residual values at a range of Affordable Housing targets from 0% through to 40%. As is to be expected, residual value declines as the percentage of Affordable Housing within a scheme increases.

Table 3.3 Residual values (£ million per hectare) at 20 Dwellings per Hectare: Wrexham

	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£1.41	£1.33	£1.24	£1.16	£1.01	£0.99	£0.91	£0.83	£0.75
Rural East	£0.95	£0.89	£0.84	£0.77	£0.71	£0.65	£0.59	£0.53	£0.47
N. Wrex/Gresf d	£0.78	£0.74	£0.68	£0.63	£0.58	£0.52	£0.48	£0.42	£0.37
Rural West & Chirk	£0.50	£0.46	£0.42	£0.39	£0.34	£0.31	£0.27	£0.23	£0.20
NW Settlements	£0.47	£0.42	£0.40	£0.35	£0.32	£0.28	£0.24	£0.21	£0.17
Cefn Mawr & Rhos	£0.08	£0.06	£0.05	£0.03	£0.01	£0.00	-£0.03	-£0.05	-£0.05

3.13 What is perhaps most notable is the range of residual values. At the top end of the Wrexham market (South Wrexham), residual value is £750,000 per hectare at a 40% Affordable Housing contribution. In distinct contrast, residual value at the bottom of the market (Cefn Mawr) is negligible, even with nil Affordable Housing.

3.14 At 20% Affordable Housing (an example only), residual value is £1.01 million per hectare in South Wrexham; £580,000 per hectare in North Wrexham and £320,000 per hectare in the North West Settlements.

Flintshire

3.15 Table 3.4 shows residual values for the Flintshire sub markets at a density of 20 dwellings per hectare.

Table 3.4 Residual values (£ million per hectare) at 20 Dwellings per Hectare: Flintshire

	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£2.17	£2.05	£1.93	£1.80	£1.68	£1.56	£1.44	£1.32	£1.20
Ewloe	£1.35	£1.27	£1.19	£1.11	£1.04	£0.95	£0.86	£0.78	£0.71
Rural West Flintshire	£0.97	£0.91	£0.85	£0.78	£0.72	£0.66	£0.60	£0.54	£0.48
Mold	£0.67	£0.62	£0.58	£0.53	£0.49	£0.43	£0.39	£0.34	£0.30
Eastern Settlements	£0.58	£0.53	£0.49	£0.44	£0.41	£0.36	£0.32	£0.28	£0.23
Q'ferry & Connah's Q	£0.30	£0.27	£0.24	£0.22	£0.19	£0.16	£0.13	£0.10	£0.07
Flint, Holywell & Coast	£0.23	£0.20	£0.17	£0.15	£0.13	£0.10	£0.08	£0.05	£0.03

3.16 As with Wrexham, there is a significant variation in residual value across the sub markets. Indeed, a 40% Affordable Housing contribution in the Chester Hinterland sub market should generate a residual value in the region of £1.2 million per hectare. By contrast, a scheme with nil Affordable Housing in the Flint, Holywell and Coast sub market looks likely to generate a residual value of around £250,000 per hectare.

3.17 Residual values look marginally more robust at the bottom end of the market in Flintshire than in Wrexham.

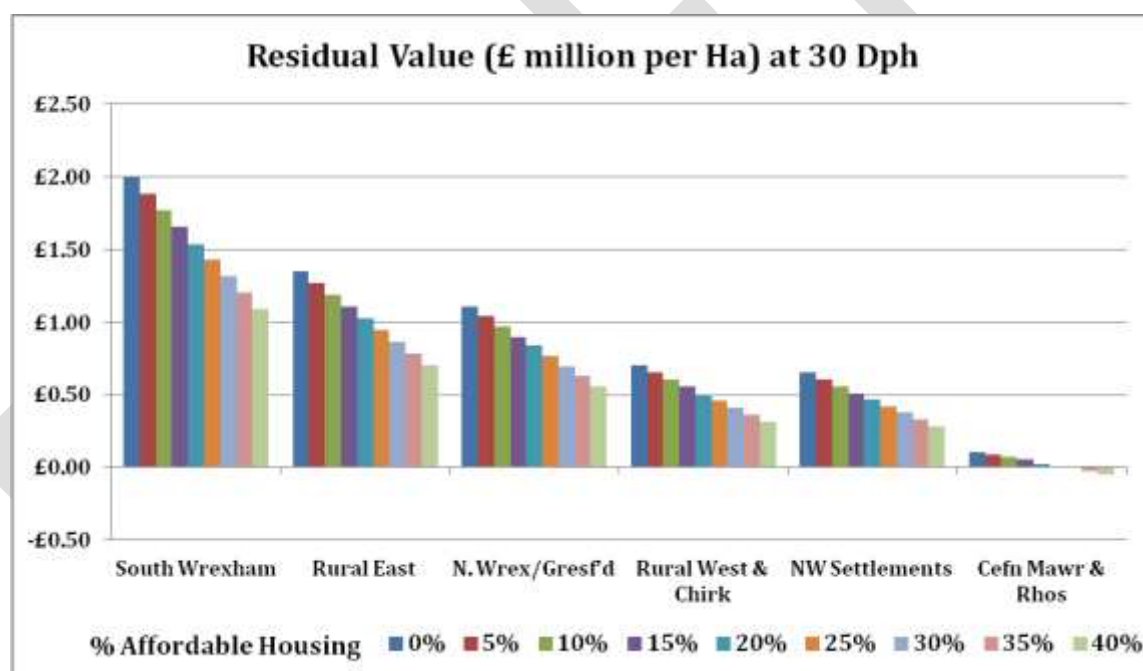
3.18 At 20% Affordable Housing (an example only), residual value is £1.68 million per hectare in Chester Hinterland; £490,000 per hectare in Mold and £190,000 per hectare in Queensferry and Connah’s Quay.

Residual values at 30 dph

Wrexham

3.19 Figure 3.1 shows residual values for Wrexham. Showing the residual values in graph form demonstrates very clearly how variant they are. Whereas for example, the residual value is around £1 million per hectare at the top end of the market assuming a 40% Affordable Housing contribution, it is for example only half of this at 15% Affordable Housing in the North West Settlements.

Figure 3.1 Residual value at 30 dph: Wrexham

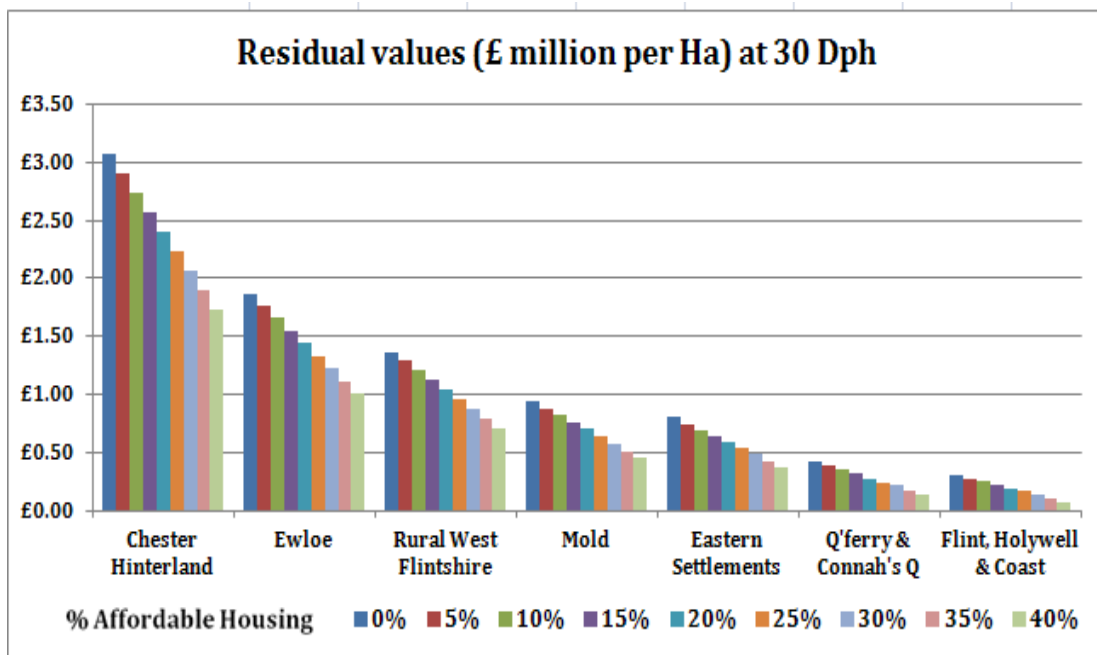


3.20 At 30% Affordable Housing residual value is £1.31 million at the top end of the market, and £380,000 per hectare in a lower value sub market such as North West Settlements at the same percentage.

Flintshire

3.21 Figure 3.2 shows residual values for Flintshire at 30 dwellings per hectare.

Figure 3.2 Residual value at 30 dph: Flintshire



3.22 The chart shows very significant variation. In particular, the Chester Hinterland sub market generates very robust residual values even at higher Affordable Housing percentages; at 40%, residual value is almost £1.75 million per hectare. This level of residual allows significant headroom for other Section 106 and/or CIL payments.

3.23 At 20% Affordable Housing residual value is £2.40 million at the top end of the market, and £600,000 per hectare in a lower value sub market such as the Eastern Settlements.

3.24 Increasing density, as may be expected, has some beneficial impacts for residual value in terms of increased figures. Set out below are some specific examples:

- Wrexham (South Wrexham): An increase in residual value of 45% from 20 dph to 30 dph at 40% Affordable Housing;
- Wrexham (North Wrexham/Gresford): An increase in residual value of 44% from 20 dph to 30 dph at 30% Affordable Housing;
- Wrexham (North West Settlements): An increase in residual value of 47% from 20 dph to 30 dph at 20% Affordable Housing;
- Flintshire (Chester Hinterland): An increase in residual value of 45% from 20 dph to 30 dph at 40% Affordable Housing;
- Flintshire (Mold): An increase in residual value of 49% from 20 dph to 30 dph at 30% Affordable Housing;

- Flintshire (Queensferry and Connah's Quay): An increase in residual value of 47% from 20 dph to 30 dph at 20% Affordable Housing;

Residual values at 40 dph

Wrexham

3.25 Increasing density does not change the overall conclusion that there is a significant variance between sub markets. This applies to both local authority areas. Table 3.5 sets out the residual values for Wrexham at 40 dph.

Table 3.5 Residual values (£ million per hectare) at 40 dph: Wrexham

	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£2.37	£2.21	£2.12	£2.01	£1.88	£1.76	£1.64	£1.51	£1.40
Rural East	£1.59	£1.50	£1.43	£1.34	£1.26	£1.18	£1.10	£1.02	£0.93
N. Wrex/Gresf'd	£1.31	£1.24	£1.17	£1.11	£1.04	£0.96	£0.89	£0.83	£0.76
Rural West & Chirk	£0.83	£0.78	£0.74	£0.69	£0.65	£0.60	£0.56	£0.51	£0.47
NW Settlements	£0.77	£0.73	£0.68	£0.64	£0.60	£0.56	£0.51	£0.48	£0.43
Cefn Mawr & Rhos	£0.11	£0.10	£0.09	£0.08	£0.07	£0.06	£0.06	£0.05	£0.05

Flintshire

3.26 Table 3.6 sets out the residual values at 40 dph for the Flintshire sub markets.

Table 3.6 Residual values (£ million per hectare) at 40 dph: Flintshire

	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£3.65	£3.47	£3.28	£3.10	£2.91	£2.72	£2.54	£2.35	£2.16
Ewloe	£2.09	£1.97	£1.87	£1.76	£1.66	£1.55	£1.44	£1.33	£1.22
Rural West Flintshire	£1.62	£1.54	£1.46	£1.37	£1.29	£1.20	£1.12	£1.04	£0.95
Mold	£1.12	£1.05	£0.99	£0.94	£0.87	£0.82	£0.76	£0.70	£0.64
Eastern Settlements	£0.95	£0.89	£0.85	£0.80	£0.75	£0.69	£0.65	£0.59	£0.54
Q'ferry & Connah's Q	£0.49	£0.46	£0.43	£0.41	£0.38	£0.35	£0.32	£0.30	£0.26
Flint, Holywell & Coast	£0.35	£0.33	£0.32	£0.29	£0.27	£0.25	£0.23	£0.21	£0.19

Observations at 40dph

3.27 Generally, (if the Cefn Mawr sub market is excluded), residual values vary more across the Flintshire local authority area than across Wrexham. At an Affordable Housing contribution of 20% (excluding Cefn Mawr), residual values are 3.1 times higher in South Wrexham

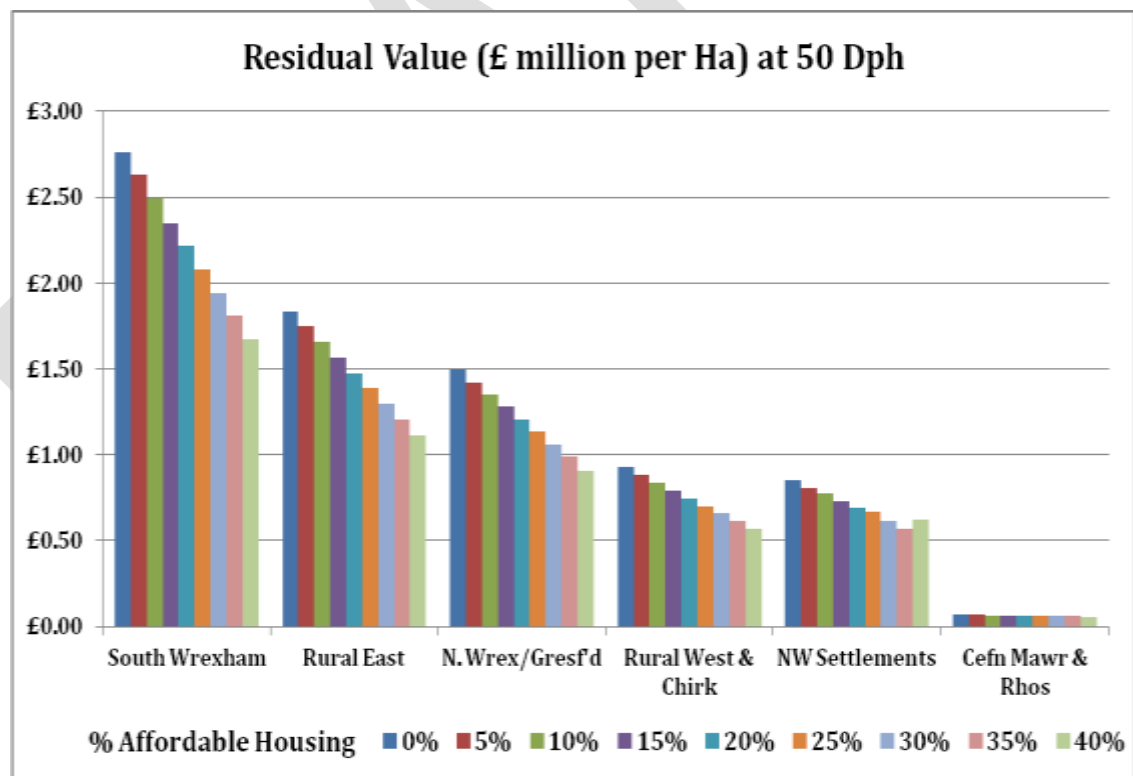
than in the North West Settlements. However (assuming the same 20% scenario), in Flintshire, the factor is 10.77. This largely due to the fact that the market is very polarised by Chester to the east and the coastal industrial areas to the north and west.

Residual values at 50 dph

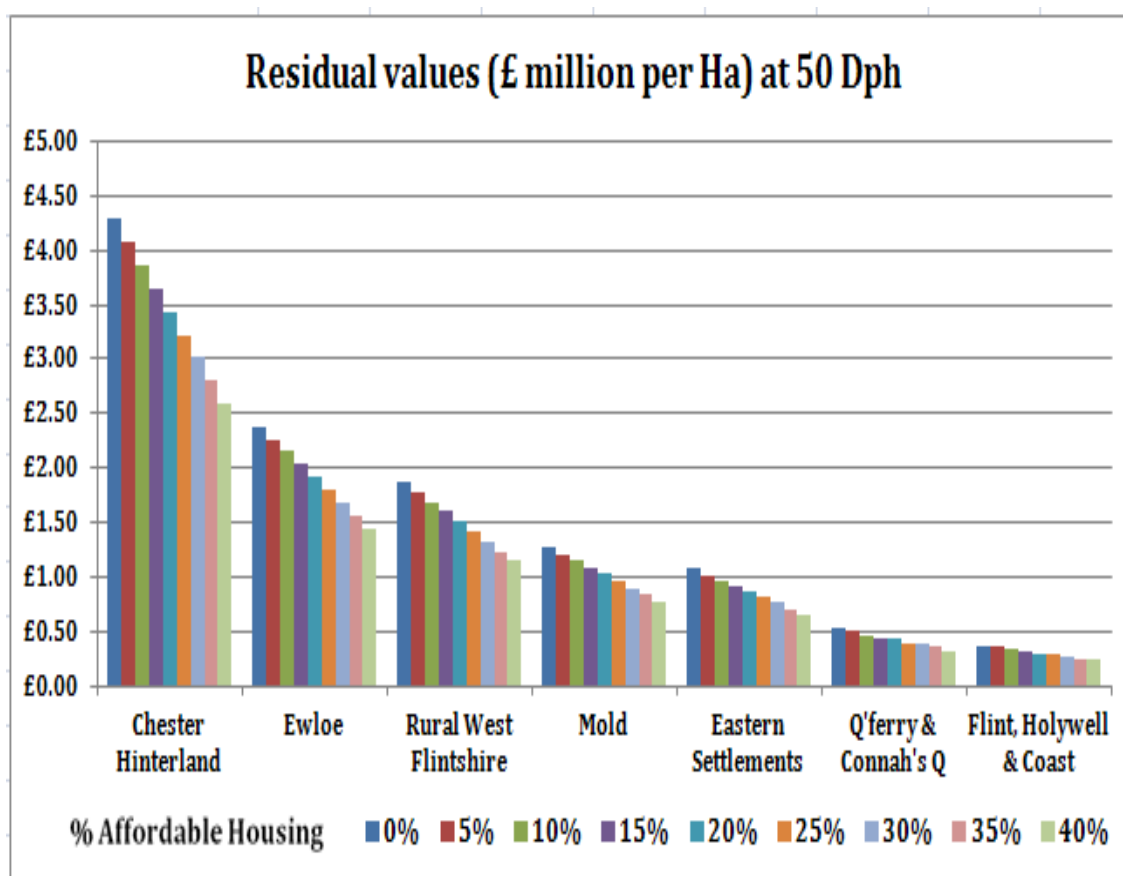
- 3.28 Figure 3.3 shows residual values per hectare for both local authority sub markets at 50 dph.
- 3.29 As previously, the pattern or spread of values remains as for other density analyses. There is again significant variation across the sub markets, indicating a need for a sensitive approach to policy setting.
- 3.30 Residual values are now at their highest in the high values areas, although in the lowest value areas it is evident that at increased density, viability has not improved (in the case of Wrexham it remains unchanged vis-a-vis the 40 dph scenario)

Figure 3.3 Residual values per hectare at 50 dph

Wrexham



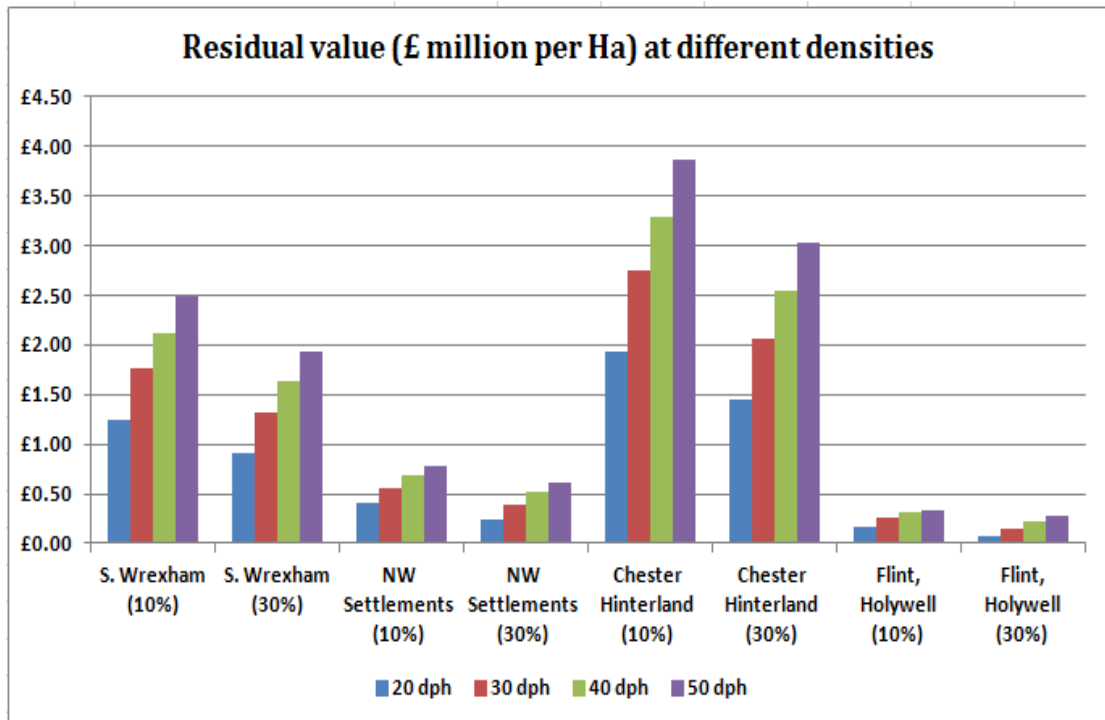
Flintshire



A note on density and mix

- 3.31 It is important to note that the results generated (see also Appendix 3 which presents the results in full) that the relationship between development mix, density and location is complex.
- 3.32 Figure 3.4 shows residual value at a range of different densities at in higher and lower value sub markets of both local authority areas.

Figure 3.4 Residual value at differing densities



3.33 The chart shows that increasing density generally increases residual value. However, the impacts are not consistent.

3.34 Generally, an increase from 20 dph to 30 dph generates the largest increases (although different assumptions on development mix would impact here).

3.35 Also significantly, the chart shows that in the weaker sub market areas, a law of 'diminishing returns' applies, where increasing density between for example 40 and 50 dph does not bring the same increases as at lower densities.

Conclusions

3.36 The analysis in this chapter shows that:

- Residual value varies significantly by market location;
- RV is very sensitive to house prices. Small price differences can make large differences in RV;
- Density and housing mix are key in determining differences in residual value. Generally an increase in density generates an increase in RV. However, this follows only up to a point, and the RVs generated are a function of the interaction between location and development mix;
- The findings here in isolation cannot inform how affordable housing policies are set. The findings here need to be considered

in the context of the chapter which look at land value benchmarks.

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4 SITE SUPPLY

Introduction

- 4.1 To develop affordable housing and CIL policies, it is helpful to understand more about the profile of site supply. In particular to look at the question of whether there is a justification for reducing the current affordable housing thresholds. Important to note here is that both Wrexham and Flintshire have affordable housing thresholds at 25 dwellings. This means that currently a number of schemes will be exempted from affordable housing contributions.
- 4.2 Understanding more about the nature of site supply in the two authorities is not only important for affordable housing policy, but also for CIL charging. This is because where the affordable housing threshold is set, is significant to viability. Those sites which do not attract an affordable housing contribution are, ceteris paribus, more viable than those that do. Where the threshold is drawn is hence significant to how CIL is set. In some instances it may be justifiable have set a higher CIL on smaller sites (where affordable housing does not apply) than on larger sites, where it does. To meet these objectives, I have analysed the housing supply data, drawing on a range of the Council's data sources, in particular the Housing Land Availability Study. Each Authority is looked at in turn below.

Wrexham

- 4.3 Table 4.1 shows the overall profile of site supply for Wrexham. The data is based on two data sources: for large sites (10 and more units) the figures are taken from permissions over the previous three years (as at January 2014) and for smaller sites (1 to 9 dwellings) from permissions as at April 2013. The figures were provided by the Council. The Council have stated that it is important to note that the data shown in the charts and tables below does not take account of the Council's candidate sites coming through the Local Development Plan.

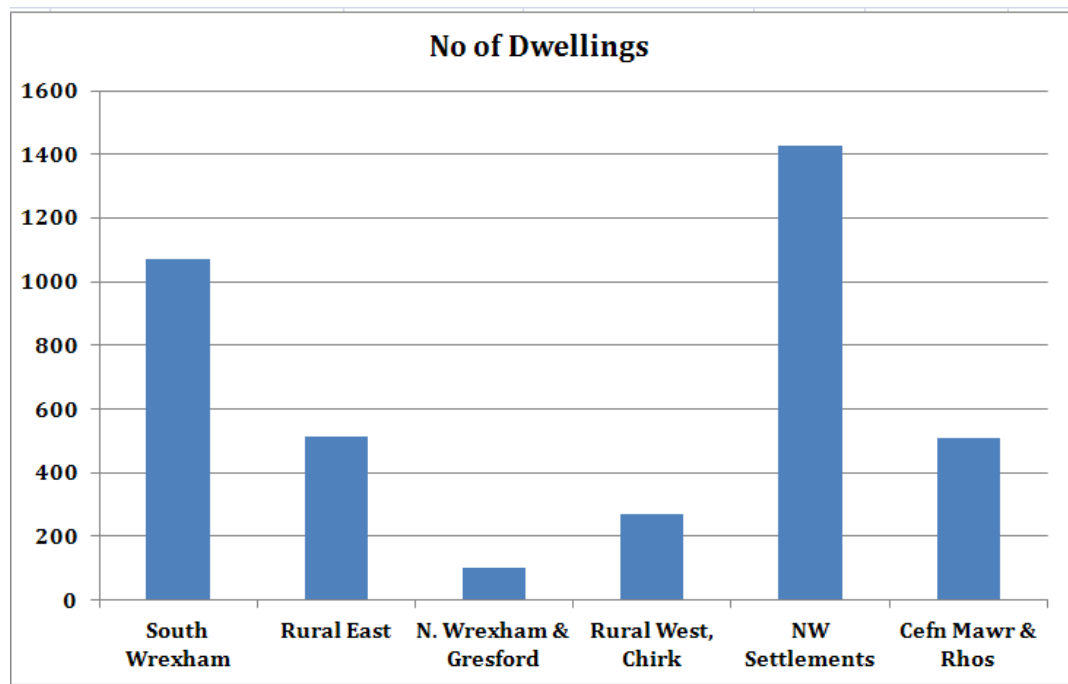
Table 4.1 Dwelling supply by scheme size: Wrexham

Scheme Size	Total Dwellings	Scheme Incidence	Average	% Dwellings
-------------	-----------------	------------------	---------	-------------

1	165	165	1.0	4.24
2 to 3	190	83	2.3	4.89
4 to 5	164	37	4.4	4.22
6 to 10	186	24	7.8	4.78
11 to 15	186	14	13.3	4.78
16 to 25	379	18	21.1	9.75
26 to 50	108	3	36.0	2.78
50 to 100	481	4	120.3	12.37
101 to 200	296	2	148.0	7.61
201 to 300	1209	5	241.8	31.09
> 300	525	1	525.0	13.50
Totals	3889	356		100.00

- 4.4 The table shows that a significant proportion of supply has come from larger sites. Indeed 65% of all supply has come from sites with a capacity of 50 dwellings or more. This does not however take into account any potential strategic sites that could come forward as a result of LDP allocations; it only provides a view of the historic sources of supply for information.
- 4.5 Figure 4.1 shows in turn the supply of dwellings by sub market. This shows that although a significant amount of supply has been developed in the North West Settlements (as a weaker sub market area), there has also been a substantial amount of development built in higher value areas such as South Wrexham and the Rural East.

Figure 4.1 Overall supply by sub market: Wrexham



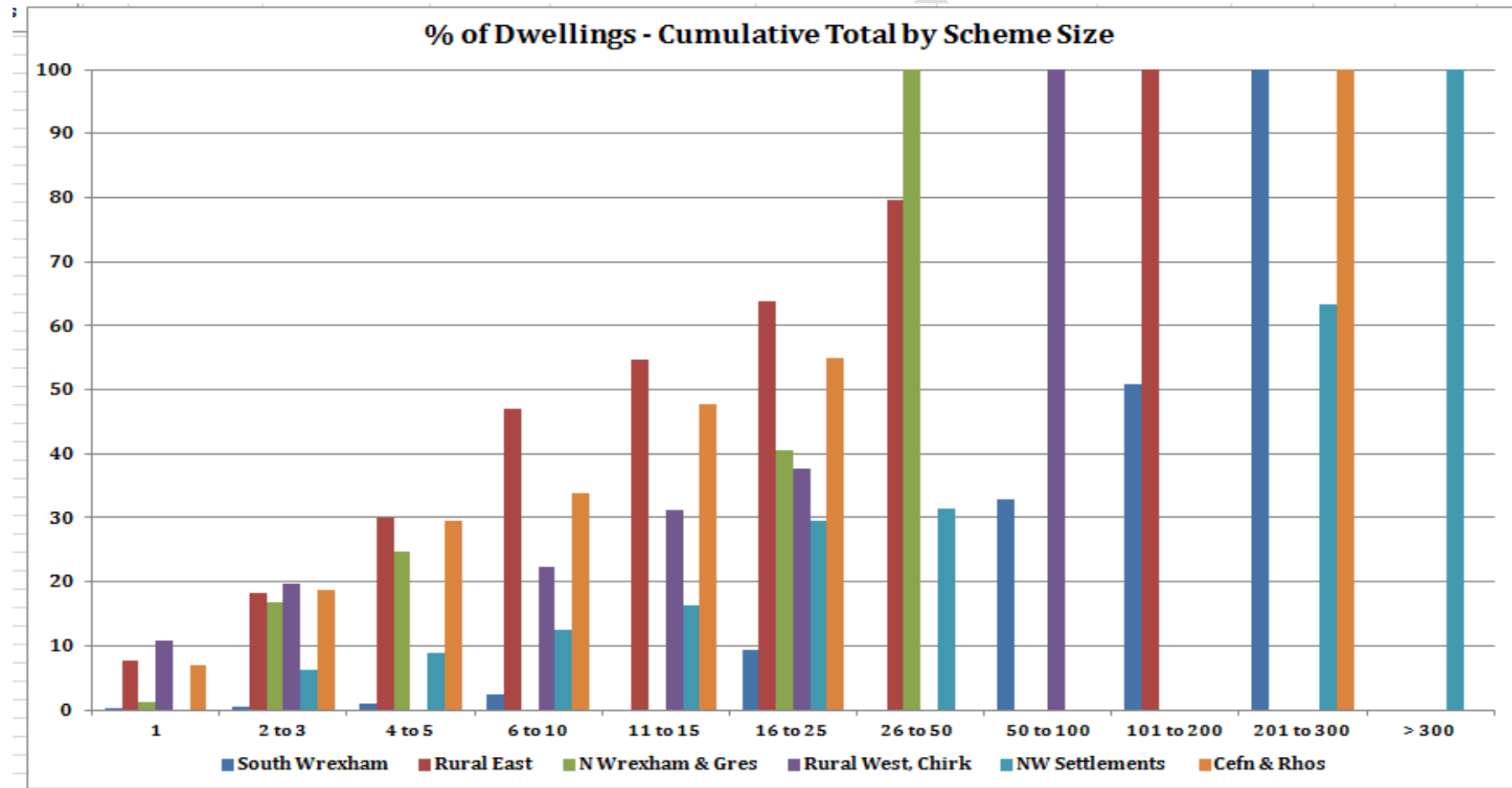
- 4.6 Table 4.2 below shows the number of dwellings by sub market. This shows (as above) that the bulk of the supply has come from the South Wrexham area and the North West Settlements. In these areas, supply has been more reliant on large sites.
- 4.7 Some locations have had a much greater reliance on smaller sites; notably the Rural East. In that sub market, 64% of all supply has come from sites of less than 25 dwellings. This is a relatively high value area.

Table 4.2 Number of Dwellings by Sub Market: Wrexham

Scheme Size	South Wrexham	Rural East	N Wrexham & Gres	Rural West, Chirk	NW Settlements	Cefn & Rhos
1	3	40	13	29	44	36
2 to 3	2	54	4	24	47	59
4 to 5	5	60	8		36	55
6 to 10	16	87		7	53	23
11 to 15		39		24	53	70
16 to 25	73	47	16	17	189	37
26 to 50		81	60		27	
50 to 100	253			168		
101 to 200	192	104				
201 to 300	525				454	230
> 300					525	
Totals	1069	512	101	269	1428	510
Grand Total	3889					

- 4.8 Figure 4.2 shows the same data, but presented cumulatively. The chart shows that some sub markets have had a relatively steady increase in capacity by site size; for example, the Rural East. Others, for example the North West settlements, have their capacity 'loaded' within larger sites.
- 4.9 The chart (Figure 4.2) is potentially useful in thinking about where an affordable housing threshold might be set. In the case for example of the North West Settlements, which is a relatively low value area, with a high historical reliance on larger sites, there may not be significant benefit in having a low affordable housing threshold.
- 4.10 In contrast, some of the rural and higher value areas, there is likely to be considerable advantage in reducing the threshold to catch a higher amount of affordable housing.

Figure 4.2 % of Dwellings – Size of Scheme by Cumulative Running Total: Wrexham



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Table 4.3 Percentage of Sites by Existing Use and Sub Market: Wrexham

Types of Sites	S. Wrexham	Rural East	N. Wrex & Gres	Rural West, Chirk	NW Settlements	Cefn & Rhos
	Percentage of Dwellings					
Single Garden/Green Field Plot	0.09	4.88		0.74	0.14	
Single Brownfield		1.56	12.87	5.58	1.85	4.71
Change of Use/Conversion (Less than 10 Dw)	0.84	9.96	3.96	5.95	2.61	4.51
Change of Use/Conversion (More than 10 Dw)	8.33					
Barn/Farm Building Conversions		15.04	1.98	1.86	0.14	
Industrial/PDL (Less than 10 Dw)	0.84	10.74	5.94	2.23	4.05	23.73
Industrial/PDL (10 to 25 Dw)		7.81	15.84	15.24	10.92	5.69
Industrial/PDL (25 to 50 Dw)	6.83	16.02			9.96	
Industrial/PDL (More than 50 Dw)	36.67			30.86		
Pub sites (Less than 10 Dw)	0.65					
Pub sites (More than 10 Dw)		1.37				
Green Field (Less than 25 Dw)		4.88		5.95	3.09	16.27
Green Field (25 to 100 Dw)		7.42	59.41	31.60		
Green Field (101 to 200 Dw)	17.96	20.31				
Green Field (201 to 300 Dw)	27.78				31.18	45.10
Green Field (More than 300 Dw)					36.06	
Totals	100.00	100.00	100.00	100.00	100.00	100.00
Totals	1069	512	101	269	1456	510

Flintshire

4.12 A similar analysis has been carried out for Flintshire. The data analysed is from (larger sites) the 2013 JHLAS (sites with permissions) and smaller sites (permissions as at April 2013). As for Wrexham, candidate and strategic sites have been excluded; notably the site at Croes Atti (637 dwellings on green field land at Flint) and Land North West of Garden City (650 dwellings on mostly green field land)

4.13 Table 4.4 shows the overall profile of site supply for Flintshire. It shows, as for Wrexham, that even when the two strategic sites are excluded, that the local authority depends to a significant extent on large sites for housing supply.

Table 4.4 Dwelling supply by scheme size: Flintshire

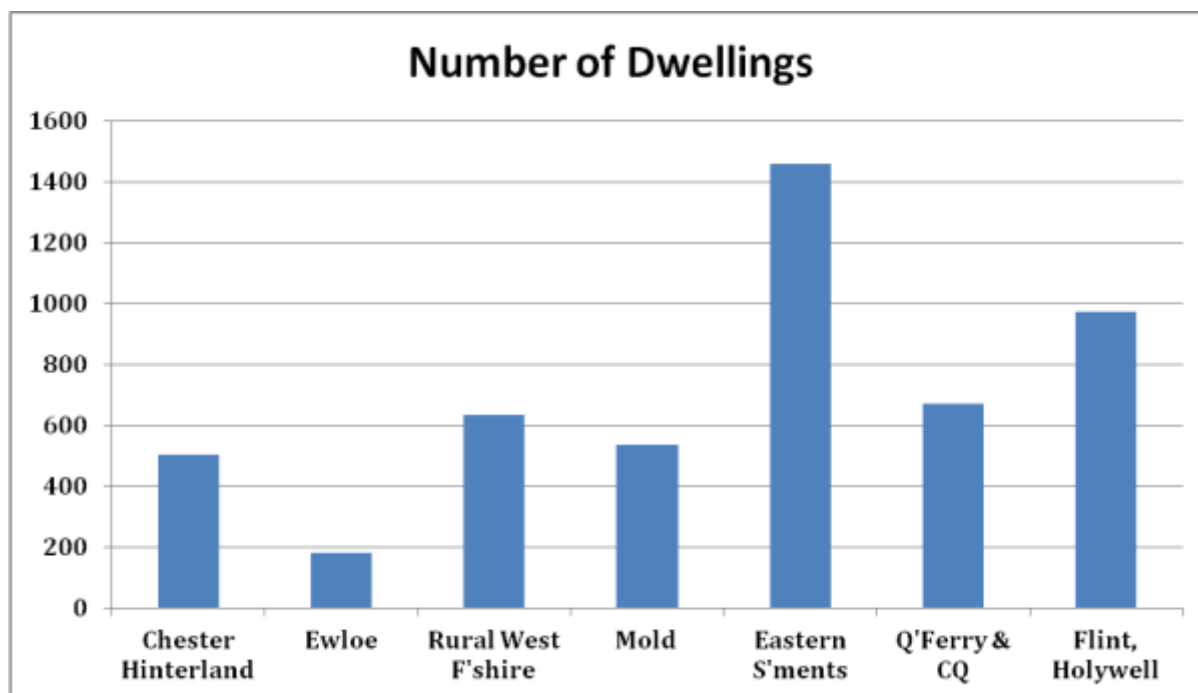
Scheme Size	Total Dwellings	Scheme Incidence	Average	% Dwellings
1	199	199	1.0	4.0
2 to 3	213	92	2.3	4.3
4 to 5	122	28	4.4	2.5
6 to 10	259	33	7.8	5.2
11 to 15	138	10	13.8	2.8
16 to 25	391	17	23.0	7.9
26 to 50	911	24	38.0	18.4
51 to 100	1089	16	68.1	22.0
101 to 200	830	6	138.3	16.8
201 to 300	797	3	265.7	16.1
	4949	428		100

4.14 Indeed, less than 20% of all dwellings will be delivered on sites with a capacity of less than 15 dwellings.

4.15 Figure 4.3 shows the distribution of dwelling development across Flintshire by sub market. This shows a rather problematic picture in that a very significant proportion of total development is in the weaker sub market areas. The largest amount of development will be in the Eastern Settlements which have relatively low house prices. A

significant amount of development falls within the Flint, Holywell and Coast sub market which has the lowest house prices in the area.

Figure 4.3 Overall supply by sub market: Flintshire



4.16 Table 4.5 shows in more detail where the housing supply will come from by scheme size and by sub market. This shows, not unsurprisingly, that some of the more rural locations (best example Rural West Flintshire) have a higher percentage of supply coming from smaller sites. In the case of Rural West Flintshire, almost 30% of all supply will be from sites of less than 15 dwellings.

4.17 However, the Flint, Holywell and Coast sub market has a relatively high proportion of dwellings coming from smaller sites (31%).

4.18 There would not appear to be a particularly strong case for a low affordable housing threshold at the higher end of the market, since supply in these locations (notably Chester Hinterland and Ewloe) do not together have a high supply of housing from smaller sites.

Table 4.5 Number of Dwellings by Sub Market: Flintshire

Scheme Size	Chester H'land	Ewloe	Rural West F'shire	Mold	Eastern S'ments	Q'Ferry & CQ	Flint, Holywell & Coast
1	5	7	46	24	48	21	48
2 to 3	2	10	31	21	57	37	57
4 to 5	4		27	13	26	21	32
6 to 10		20	40	7	41	45	114
11 to 15			27	27	30		55
16 to 25		24	23	64	100	89	69
26 to 50	82	118	181	48	117	70	298
51 to 100			258	210	360	87	180
101 to 200	128			122	162	299	120
201 to 300	280				517		
Totals	501	179	633	536	1458	669	973

- 4.19 Table 4.6 shows the percentage of sites by existing use and sub market in Flintshire. This shows a significant proportion of single plot schemes; in many cases garden plots.
- 4.20 Some locations, notably Rural West Flintshire and Mold, have a relatively high level of conversions.
- 4.21 Locations such as the Eastern Settlements have a high proportion of large green field sites coming forward.
- 4.22 There is still a significant amount of development coming forward on brown field land in the weaker sub markets. This may be problematic to deliver.

Table 4.6 Percentage of Sites by Existing Use and Sub Market: Flintshire

Scheme Size	Chester H'land	Ewloe	Rural West F'shire	Mold	Eastern S'ments	Q'Ferry & CQ	Flint, Holywell
Single Garden/ Green Field Plot	0.40	3.35	4.27	1.49	1.99	1.49	2.36
Single Plot (PDL)	0.60	0.00	2.37	1.31	0.62	1.94	1.44
Change of Use/Conversion (< 10 Dw)	1.20	3.91	1.74	6.72	2.61	7.62	6.37
Change of Use/Conversion (> 10 Dw)		2.23	7.11	3.92		0.00	
Industrial/PDL (Less than 10 Dwellings)				0.37	3.09	2.84	20.97
Industrial/PDL (10 to 25 Dwellings)	9.58		22.12	5.60	6.04	11.06	
Industrial/PDL (25 to 50 Dwellings)			9.00	13.62	1.99	10.61	4.42
Industrial/PDL (More than 50 Dwellings)		13.41	15.17	61.94	22.63	0.00	19.63
Green Field (Less than 25 Dwellings)	6.79	77.09	38.23	5.04	6.58	2.84	6.89
Green Field (25 to 100 Dwellings)	25.55				27.98	16.89	37.92
Green Field (101 to 200 Dwellings)	55.89				11.11	44.69	
Green Field (201 to 300 Dwellings)					15.36	0.00	
Totals	501	179	633	536	1458	669	973
Totals	100.00	100.00	100.00	100.00	100.00	100.00	100.00

5 ANALYSIS OF SMALL SITES

Introduction

- 5.1 To inform the development of policy for both affordable housing and CIL, it is helpful to look at viability on small sites. There is no perfect way of sampling a choice of sites to test, However, Tables 4.3 and 4.6 provide a good basis and show the historical sources of supply for both Wrexham and Flintshire respectively..
- 5.2 On the basis of the profile of site supply for both authorities, the following types of small sites have been selected for further analysis:
- Single plot (green and brown field);
 - Small scale conversion – 2 Dwellings - Barn/Agricultural;
 - Small scale conversion – 3 Dwellings - Chapel
 - Small scale development – 5 dwellings – Brown & Green Field;

Single plot development

- 5.3 This is a simple example, taking say one four bed detached house in a range of situations.
- 5.4 A selection of sub markets have been tested for this example, and for those that follow. The sub markets tested for Wrexham are:
- South Wrexham ;
 - North Wrexham & Gresford;
 - North West Settlements; and
 - Cefn Mawr & Rhos

The submarkets tested for Flintshire are:

- Rural West Flintshire;
 - Chester Hinterland;
 - Eastern Settlements; and
 - Flint, Holywell & Coast .
- 5.5 The residual values are shown in Table 5.1 below. This assumes the construction of a four bed detached house. The figures in black are

the plot values and the figures in blue, the residual values on a per hectare basis.

Table 5.1 Residual values for single dwelling development

Single Dwelling					
	0%	10%	20%	30%	40%
Chester Hinterland	£167,000	£146,500	£126,000	£105,000	£84,000
	£3,340,000	£2,930,000	£2,520,000	£2,100,000	£1,680,000
South Wrexham	£111,000	£95,500	£81,000	£65,500	£51,000
	£2,220,000	£1,910,000	£1,620,000	£1,310,000	£1,020,000
Rural West Flintshire	£78,000	£66,500	£54,000	£42,500	£31,000
	£1,560,000	£1,330,000	£1,080,000	£850,000	£620,000
North Wrexham & Gresford	£65,000	£54,500	£44,000	£33,500	£23,000
	£1,300,000	£1,090,000	£880,000	£670,000	£460,000
Eastern settlements	£49,000	£40,500	£31,000	£21,500	£13,000
	£980,000	£810,000	£620,000	£430,000	£260,000
North West settlements	£41,000	£32,500	£25,000	£16,500	£8,000
	£820,000	£650,000	£500,000	£330,000	£160,000
Flint, Holywell & Coast	£23,000	£16,500	£11,000	£4,500	£-2,000
	£460,000	£330,000	£220,000	£90,000	£-40,000
Cefn Mawr & Rhos	£13,000	£7,500	£3,000	£2,500	£-8,000
	£260,000	£150,000	£60,000	£50,000	£-160,000

- 5.6 As with the testing of a one hectare site, the residual values vary considerably according to locality. As an example, a 40% affordable housing contribution for example in the Chester Hinterland area generates a residual value almost four times as much as that at nil affordable in Flint. A similar comparison can be made between the higher and lower value markets in Wrexham.
- 5.7 In terms of viability the issue with this type of scheme will be existing use value. In many instances the EUV will be the loss in value to the retained property from building in a garden or on back land. There is no precise way of evaluating viability but assuming a 20% reduction in value to a £250,000 detached property, that would mean that residual value for a new build would have to achieve more than £50,000.
- 5.8 This would mean that only schemes in the higher value areas (Chester Hinterland, South Wrexham and Rural West Flintshire) will achieve an affordable housing contribution. In locations such as North Wrexham and Gresford schemes will be marginal and in the lower value areas, not viable in many cases.

Small scale conversion (2 dwellings: barn/rural)

- 5.9 These schemes do come forward and the question is whether they can sustain affordable housing contributions.
- 5.10 These schemes tend to be very specific with generally higher build costs, but higher selling prices as well.
- 5.11 The table (5.2) below shows residual values for small rural conversions

Table 5.2 Residual values for rural conversions – two dwellings

Barn conversion: 2 Dwellings					
	0%	10%	20%	30%	40%
Chester Hinterland	£170,000	£137,000	£105,000	£72,000	£40,000
	£4,857,143	£3,914,286	£3,000,000	£2,057,143	£1,142,857
South Wrexham	£71,000	£49,000	£26,000	£3,000	-£20,000
	£2,028,571	£1,400,000	£742,857	£85,714	-£571,429
Rural West Flintshire	-£45,000	-£55,000	-£67,000	-£78,000	-£89,000
	-£1,285,714	-£1,571,429	-£1,914,286	-£2,228,571	-£2,542,857

- 5.12 The analysis is based on values and costs being 30% higher than in the baseline study. This is by no means an empirical assumption, but reflects in my experience the fact both variables are likely to be higher in these schemes.
- 5.13 The residual values shown suggest that only in the highest value sub markets are these likely to prove viable in terms of an affordable housing contribution. Given the variability of costs and values with these schemes, the Councils should in my view proceed with care.

Small scale urban conversion – chapel or hall

- 5.14 There have been several urban conversions coming forward. The planning data suggests that these are conversions from halls or chapels to two or three dwellings. These are likely to be flats on most cases.

5.15 Here are tested schemes across the sub markets of two, one bed flats, and one, two bed flats. To reflect my experience in assessing this type of scheme, I have taken conversion costs at 70% of new build, and prices at 90% of new build respectively.

Table 5.3 Residual values for urban conversions - three dwellings

Urban conversion: 3 Dwellings					
	0%	10%	20%	30%	40%
Chester Hinterland	£177,000	£167,000	£157,000	£147,000	£138,000
	£5,894,100	£5,561,100	£5,228,100	£4,895,100	£4,595,400
South Wrexham	£118,000	£114,000	£110,000	£107,000	£103,000
	£3,929,400	£3,796,200	£3,663,000	£3,563,100	£3,429,900
Rural West Flintshire	£83,000	£83,000	£82,000	£82,000	£81,000
	£2,763,900	£2,763,900	£2,730,600	£2,730,600	£2,697,300
North Wrexham & Gresford	£68,000	£67,500	£67,000	£66,500	£66,000
	£2,264,400	£2,247,750	£2,231,100	£2,214,450	£2,197,800
Eastern settlements	£52,000	£50,500	£48,000	£46,500	£45,000
	£1,731,600	£1,681,650	£1,598,400	£1,548,450	£1,498,500
North West settlements	£44,000	£43,000	£42,000	£41,000	£40,000
	£1,465,200	£1,431,900	£1,398,600	£1,365,300	£1,332,000
Flint, Holywell & Coast	£24,000	£24,000	£24,500	£25,000	£25,000
	£799,200	£799,200	£815,850	£832,500	£832,500
Cefn Mawr & Rhos	£12,000	£13,000	£13,000	£13,500	£14,000
	£399,600	£432,900	£432,900	£449,550	£466,200

5.16 Table 5.3 shows the residual values as previously. In the bottom four sub markets residual values are less than £50,000, and this is likely to be insufficient to bring schemes forward given existing use value. It should be noted that residual value in the very lowest value area is similar whether including affordable housing or otherwise. This is largely due to two factors: low market values and the fact that market housing will require a higher return than affordable.

5.17 This does not generate a case for affordable housing as the residual values are low in the first instance.

5.18 Residual values at the higher end of the market look viable, and should deliver affordable housing contributions.

5.19 However, specific location will play a role because in denser urban areas, these schemes may have to be assessed by reference to alternative use value, for example, commercial.

Small scale new building development – five dwellings

- 5.20 Small scale development is significant in both Wrexham and Flintshire. Here a scheme of five dwellings is tested: three, three bed terraces and two, four bed detached.
- 5.21 This type of scheme might be developed in an urban or a rural context and on previously developed or green field land.
- 5.22 Table 5.4 shows residual values for a scheme of five dwellings. As with the other small schemes, although the residual values on a per hectare basis are relatively robust for the weaker market areas, the absolute values are low, and very low in some instances.

Table 5.4 Residual values for scheme of five dwellings

Small site - five dwellings					
	0%	10%	20%	30%	40%
Chester Hinterland	£608,000	£541,500	£474,000	£406,500	£340,000
	£4,012,800	£3,573,900	£3,128,400	£2,682,900	£2,244,000
South Wrexham	£400,000	£353,500	£308,000	£261,500	£215,000
	£2,640,000	£2,333,100	£2,032,800	£1,725,900	£1,419,000
Rural West Flintshire	£280,000	£245,500	£211,000	£177,500	£143,000
	£1,848,000	£1,620,300	£1,392,600	£1,171,500	£943,800
North Wrexham & Gresford	£228,000	£199,500	£170,000	£141,500	£112,000
	£1,504,800	£1,316,700	£1,122,000	£933,900	£739,200
Eastern settlements	£170,000	£146,500	£124,000	£100,500	£77,000
	£1,122,000	£966,900	£818,400	£663,300	£508,200
North West settlements	£140,000	£119,500	£99,000	£78,500	£59,000
	£924,000	£788,700	£653,400	£518,100	£389,400
Flint, Holywell & Coast	£73,000	£59,500	£46,000	£32,500	£19,000
	£481,800	£392,700	£303,600	£214,500	£125,400
Cefn Mawr & Rhos	£33,000	£23,500	£14,000	£4,500	£-5,000
	£217,800	£155,100	£92,400	£29,700	£-33,000

Conclusions

- 5.23 The analysis of small sites here emphasises the findings of the high level testing to a significant extent. That is to say, location is the key to establishing residual value. Scheme size is not so significant and there will be large sites in weak locations that are not viable, whilst there will be small sites in higher value locations which are viable.

5.24 Viability is, as has previously been discussed, subject to existing use and certain types of schemes are likely to prove more viable than others. Here, typically schemes involving conversions can prove more challenging as although build costs can be lower, existing use values are often higher, hence cancelling out any relative 'savings' that there may have been.

6 COMMERCIAL PROPERTY VIABILITY ANALYSIS

6.1 The CIL legislation requires that where a local authority decides to adopt a CIL, it should be applied not only to residential property, but also to commercial development. This development falls mainly under the Use Classes Orders – Class A and Class B.

6.2 The assessment of viability with respect to commercial development is the same in principle as for residential. That is say, the total scheme revenue should be calculated and the costs of development taken off the revenue to see if there is any residual which may then provide the basis for a Section 106 or CIL payment.

6.3 The precise sample of scheme types to test is always difficult to define to ensure that a full picture of viability is gained. We requested further information on this from attendees at the Viability Workshop. However this was not forthcoming.

6.4 We have therefore utilised best local experience of the commercial property market in the Wrexham and Flintshire area, where the inputs of Wingetts have been particularly helpful.

6.5 The use classes include A1 to A3 reflecting retail uses and which are shown in Tables 6.1 and 6.2 on the following page.

6.6 Specific and further uses include a range of B1 (Offices and Light Industry), B2 (General Industry) and B8 (Storage and Distribution).

6.7 Table 6.1 includes a range of indicative rental values for all these uses along with indicative yields. Both rental values and yields will vary on a site by site basis.

6.8 As may be anticipated, rentals are highest and yields lowest for retail uses. Rental values for retail are quoted in aggregate across the areas

of the property. Rents for industrial and office uses are significantly lower. For industrial units between £50 and £70 per square metre and for offices between £70 and £130 per square metre, depending on location and scale.

6.9 Yields for industrial and offices range from 8% to 9%.

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Table 6.1 Typical commercial schemes in the Wrexham area with rents and yields

USE CLASS	LOCATION	SIZE	RENTAL VALUE (£ psm)	YIELD
A1 Use	High Street Shop	150 sq m	200	8
A1 Use	Superstore	5,000 sq m	150	7
A2 Use	Town Centre Offices	500 sq m	150	8
A3:Use	High Street Uses	300 sq m	200	8
B1 Use	Small Office	300 sq m	120	8
B2 Use	General Industrial - Large factory	5,000 sq m	50	9
B2 Use	General Industrial - Small factory	500 sq m	70	8.5
B8 Use	Large Warehouse	5,000 sq m	30	9
D1 Use	Health; Education; Religion	500 sq m	130	7
D2 Use	Assembly and Leisure	300 sq m	100	8

Table 6.2 Typical commercial schemes in the Flintshire area with rents and yields

USE CLASS	LOCATION	SIZE	RENTAL VALUE (£ psm)	YIELD
A1 Use	High Street Shop	150 sq m	250	8
A1 Use	Superstore	5000 sq m	150	7
A2 Use	Town Centre Offices	500 sq m	160	8
A3 Use	High Street Uses	300 sq m	225	8
B1 Use	Small Office	300 sq m	130	8
B2 Use	General Industrial - Large factory	5000 sq m	50	9
B2 Use	General Industrial - Small factory	500 sq m	70	8.5
B8 Use	Large Warehouse	5000 sq m	30	9
D1 Use	Health; Education; Religion	500 sq m	130	7
D2 Use	Assembly and Leisure	300 sq m	100	8

- 6.10 The costs of development have been taken from the BCIS (Building Cost Information Services). This source of information shows base build costs for a variety of commercial development types. The information is bespoke, as with the residential analysis, to Wrexham and Flintshire.
- 6.11 We have taken the following costs as per BCIS categories:
- A1 Retail - Shops Generally – at £880 per square metre;
 - A3 Restaurants – at £1,560 per square metre;
 - B1 – B8 – at £563 to £1,271 per square metre depending on unit size. All examples here relate to Wrexham.
- 6.12 The appraisals for the commercial development are set out in full in Appendix 4. The Appendix shows the baseline spreadsheet we have used and the key assumptions made.
- 6.13 The revenues have been estimated from a range of sources including agent feedback, property market survey reports (for example from the Valuation Office and CBRE) and from an extensive search of local property market websites.
- 6.14 Tables 6.3 (Wrexham) and 6.4 (Flintshire) show the results of the analysis in summary form.

Table 6.3 Results of the commercial property analysis: Wrexham

Use Class	Location	Total Revenue	Total Cost	Residual Value
A1 Use	High Street Shop	£375,000	£242,868	£132,132
A1 Use	Superstore	£10,710,000	£9,384,500	£1,324,500
A2 Use	Town Centre Offices	£937,500	£1,022,410	- £84,910
A3 Use	High Street Uses	£750,000	£762,575	- £12,576
B1 Use	Small Office	£450,000	£593,967	- £143,967
B2 Use	General Industrial - Large factory	£2,275,000	£5,383,912	- £2,608,062
B2 Use	General Industrial - Small factory	£411,600	£561,187	- £149,587
B8 Use	Large Warehouse	£1,666,666	£4,130,132	- £2,465,466
D1 Use	Health; Education; Religion	£928,200	£1,146,367	- £308,592
D2 Use	Assembly and Leisure	£375,000	£504,418	- £129,418

Table 6.4 Results of the commercial property analysis: Flintshire

Use Class	Location	Total Revenue	Total Cost	Residual Value
A1 Use	High Street Shop	£468,750	£257,698	£211,052
A1 Use	Superstore	£10,710,000	£9,154,000	£1,556,000
A2 Use	Town Centre Offices	£1,000,000	£1,007,210	- £7,210
A3 Use	High Street Uses	£843,750	£759,398	£84,352
B1 Use	Small Office	£487,500	£584,847	- £97,347
B2 Use	General Industrial - Large factory	£2,275,000	£5,264,890	- £2,764,890
B2 Use	General Industrial - Small factory	£411,764	£546,329	- £134,565
B8 Use	Large Warehouse	£1,666,500	£4,012,105	- £2,345,606
D1 Use	Health; Education; Religion	£928,200	£1,003,850	- £105,650
D2 Use	Assembly and Leisure	£375,000	£489,904	- £114,904

- 6.15 These figures provide the starting point for setting CIL. The figures show that there is some positive residual value from which a CIL might be taken.
- 6.16 The main conclusion however is that commercial property development in both local authority areas looks challenging. There is a lack of viability for most types of commercial development. Residual values are negative in most instances, but in particular for larger industrial B1 and Warehouse B8 type uses. This reflects reality on the ground, where agents reported that there is little demand for this type of development.
- 6.17 Smaller offices and smaller industrial units should be developable, although there is little if nil residual value by which land purchase can be financed. This does not necessarily mean that development will not go ahead. The build costs we have adopted are general and in some instances it may be anticipated that costs are lower; or indeed that the capital value or revenue is higher.
- 6.18 But what the figures do suggest is that there is very little headroom, if any, for Section 106 or CIL type contributions in so far as most uses are concerned. On the ground, surveyor feedback suggests that there is significant oversupply for office development, particularly in Wrexham. An additional problem appears to be the rates which are now over set, with the review being some way off in 2017.
- 6.19 The main exceptions to the generally weak picture is retail. Here large stores are likely to generate significant residual value from which a CIL might be taken, and, to a lesser extent, high street shops, where new development should generate positive residual values.
- 6.20 With respect to the high street, it is clear however that many areas are struggling (Wrexham being a good example) and where new development might work there will be the twin challenge of existing use value and only marginal net floor area gain to consider and hence the Councils may want to think hard about the wisdom of levying a charge for this type of use.

CHAPTER 7 – BENCHMARKING AND VIABILITY

Benchmarks and policy development

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

a reasonable benchmark for green field land. Assuming a net to gross factor of around 70%, this would mean a land value benchmark on a net basis in the region of £400,000 per hectare.

- 7.7 The most recent Property Market Report (Valuation Office, 2011) suggests that industrial land in Wrexham is only around £260,000 per hectare, therefore suggesting perhaps that brown field land should have a lower benchmark. This conclusion could well be supported on the basis that many brown field sites will have significant clean up costs that are not included in the DVS figures.
- 7.8 Inevitably there will be brown field sites where existing use value is high (because of a relatively high investment value). However, there are many large brown field sites, particularly in the Wrexham area, where there is low existing use value plus heavy decontamination costs. Given the challenge in delivering housing numbers, and increasing reliance on green field sites it may make sense to have a higher benchmark for green field.
- 7.9 This approach would however tend to run counter to most studies where the benchmark for brown field tends to be higher. I therefore suggest that in the case of Wrexham and Flintshire, that the benchmark is kept the same.
- 7.10 My own experience from Wales in two current studies suggests a benchmark of £300,000 per net hectare to be justified. One is a predominantly urban area and the other mainly rural. The urban authority figure is based on the Council's own land disposals and the other, the rural authority, is based on local consultation.
- 7.11 Assuming a figure of £300,000 per hectare is the amount required by the land owner, this will have to be net of any affordable housing contributions plus any other Section 106 contributions and/or Community Infrastructure Levy.

The buffer

- 7.12 When developing policy which aims to underpin delivery, it may be prudent to allow a 'buffer' to the land value benchmark to take account of additional costs. The case for the buffer can be argued to be superfluous if there is no similar contingency made on the revenue side of the equation.
- 7.13 However, the onus of the test of the robustness of a Local Development Plan seems to lie with the local authority, to show that

the Plan can be delivered, rather than with the development industry, to show that it cannot.

- 7.14 In addition, the CIL charge is a strict one, and cannot be negotiated; hence, an increased justification for being on the safe side, and in turn for a buffer.
- 7.15 Typically the development industry in Wales, mainly via the Home Builders Federation have pressed for two main items: abnormal costs and costs associated with the building code. Via discussions at examinations the latter is now accepted at £3,000 per unit. This covers the costs of implementing the sprinkler installation policy. This policy will not come into force until January 2016 and hence it is debateable whether it should, without making assumptions about house prices, be allowed in the buffer.
- 7.16 However, including it will add some £90,000 per net hectare to the build costs.
- 7.17 The case for abnormal costs to be included in the buffer is debateable since the base build costs which support this analysis are taken from the BCIS database which draws only on the costs of small developers and housing associations. These operators cannot usually take advantage of economies of scale and hence for the bulk of development in the two local authority areas, the BCIS costs are argued to have an in-built buffer in the first instance. This argument was sustained successfully at the Conwy Affordable Housing Examination recently.
- 7.18 That being stated, the BCIS costs, whilst they cover the costs of on-site infrastructure such as estate roads, do not cover the cost of major infrastructure works such as trunk roads and major access links. Larger sites, and particularly green field ones, which are less well linked to the infrastructure network, will incur costs beyond BCIS.
- 7.19 For this reason, an additional allowance could be argued for. There is no perfect information here, but in my experience this can be up to £300,000 per net hectare. On the basis that both authorities potentially have a significant amount of large green field supply, I have allowed an additional £100,000 per hectare for this element to the land value benchmark. In doing so it should be noted that this may be 'overkill' with respect to smaller and medium sites, but the points remain about the need to show a buffer, particularly in the light of the fixed CIL charges.

7.20 To summarise therefore, the land value benchmark assuming a 30 dph scheme is:

Baseline	£300,000 per hectare
Allowance for sprinklers	£90,000 per hectare
Allowance for additional infrastructure	£100,000 per hectare
Total	£490,000 per hectare

7.21 In reality, the benchmark will vary according to location and sub market, since some locations will be in greater demand than others, and hence land owners will adjust their expectations around this.

7.22 The baseline element therefore is likely to vary and I have, in line with relative house prices across the two local authority areas, adjusted this element for location.

7.23 I set out below three tables which provide the local authority with policy options showing the inherent trade-offs between Affordable Housing and CIL:

7.24 Table 8.1 shows the affordable housing targets achievable assuming a nil CIL:

Table 8.1 Affordable Housing targets with no CIL

If maximising AH										
30 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£650,000	£2.00	£1.88	£1.77	£1.66	£1.54	£1.43	£1.31	£1.21	£1.09
Rural East	£550,000	£1.35	£1.27	£1.19	£1.11	£1.03	£0.95	£0.86	£0.78	£0.70
N. Wrexham/Gresford	£500,000	£1.11	£1.04	£0.97	£0.90	£0.84	£0.77	£0.69	£0.63	£0.56
Rural West & Chirk	£450,000	£0.70	£0.66	£0.60	£0.56	£0.50	£0.46	£0.41	£0.36	£0.32
NW Settlements	£440,000	£0.66	£0.60	£0.56	£0.51	£0.47	£0.42	£0.38	£0.33	£0.28
Cefn Mawr & Rhos	£375,000	£0.11	£0.09	£0.07	£0.05	£0.03	£0.01	£0.00	-£0.03	-£0.05
40 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£650,000	£2.37	£2.21	£2.12	£2.01	£1.88	£1.76	£1.64	£1.51	£1.40
Rural East	£550,000	£1.59	£1.50	£1.43	£1.34	£1.26	£1.18	£1.10	£1.02	£0.93
N. Wrexham/Gresford	£500,000	£1.31	£1.24	£1.17	£1.11	£1.04	£0.96	£0.89	£0.83	£0.76
Rural West & Chirk	£450,000	£0.83	£0.78	£0.74	£0.69	£0.65	£0.60	£0.56	£0.51	£0.47
NW Settlements	£440,000	£0.77	£0.73	£0.68	£0.64	£0.60	£0.56	£0.51	£0.48	£0.43
Cefn Mawr & Rhos	£375,000	£0.11	£0.10	£0.09	£0.08	£0.07	£0.06	£0.06	£0.05	£0.05
30 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£770,000	£3.07	£2.90	£2.74	£2.57	£2.40	£2.23	£2.06	£1.90	£1.74
Ewloe	£580,000	£1.86	£1.76	£1.66	£1.55	£1.44	£1.33	£1.22	£1.12	£1.01
Rural West Flintshire	£550,000	£1.37	£1.29	£1.21	£1.13	£1.04	£0.96	£0.87	£0.79	£0.71
Mold	£500,000	£0.95	£0.88	£0.82	£0.77	£0.70	£0.64	£0.58	£0.51	£0.46
Eastern Settlements	£475,000	£0.80	£0.75	£0.69	£0.65	£0.59	£0.53	£0.49	£0.42	£0.38
Q'Ferry & Connah's Quay	£420,000	£0.42	£0.39	£0.35	£0.32	£0.28	£0.24	£0.22	£0.17	£0.14
Flint, Holywell & Coast	£410,000	£0.31	£0.28	£0.26	£0.22	£0.19	£0.16	£0.14	£0.10	£0.07
40 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£770,000	£3.65	£3.47	£3.28	£3.10	£2.91	£2.72	£2.54	£2.35	£2.16
Ewloe	£580,000	£2.09	£1.97	£1.87	£1.76	£1.66	£1.55	£1.44	£1.33	£1.22
Rural West Flintshire	£550,000	£1.62	£1.54	£1.46	£1.37	£1.29	£1.20	£1.12	£1.04	£0.95
Mold	£500,000	£1.12	£1.05	£0.99	£0.94	£0.87	£0.82	£0.76	£0.70	£0.64
Eastern Settlements	£475,000	£0.95	£0.89	£0.85	£0.80	£0.75	£0.69	£0.65	£0.59	£0.54
Q'Ferry & Connah's Quay	£420,000	£0.49	£0.46	£0.43	£0.41	£0.38	£0.35	£0.32	£0.30	£0.26
Flint, Holywell & Coast	£410,000	£0.35	£0.33	£0.32	£0.29	£0.27	£0.25	£0.23	£0.21	£0.19

7.25 This table shows that at the top of the market, a 40% affordable housing target is viable, although at the bottom end the figures suggest that even market housing looks marginal.

7.26 Table 8.2 shows the affordable housing targets which are viable assuming a CIL equivalent payment of £5,000 per unit. Note that here (as with Table 8.3) there is an additional buffer to the conclusions as CIL is only applicable for market units (and I have taken the impact across the whole scheme).

Table 8.2 Affordable Housing targets with a CIL equivalent of £5,000 per unit

With a CIL equivalent of £5,000 per unit										
30 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£650,000	£2.00	£1.88	£1.77	£1.66	£1.54	£1.43	£1.31	£1.21	£1.09
Rural East	£550,000	£1.35	£1.27	£1.19	£1.11	£1.03	£0.95	£0.86	£0.78	£0.70
N. Wrexham/Gresford	£500,000	£1.11	£1.04	£0.97	£0.90	£0.84	£0.77	£0.69	£0.63	£0.56
Rural West & Chirk	£450,000	£0.70	£0.66	£0.60	£0.56	£0.50	£0.46	£0.41	£0.36	£0.32
NW Settlements	£440,000	£0.66	£0.60	£0.56	£0.51	£0.47	£0.42	£0.38	£0.33	£0.28
Cefn Mawr & Rhos	£375,000	£0.11	£0.09	£0.07	£0.05	£0.03	£0.01	£0.00	-£0.03	-£0.05
40 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£650,000	£2.37	£2.21	£2.12	£2.01	£1.88	£1.76	£1.64	£1.51	£1.40
Rural East	£550,000	£1.59	£1.50	£1.43	£1.34	£1.26	£1.18	£1.10	£1.02	£0.93
N. Wrexham/Gresford	£500,000	£1.31	£1.24	£1.17	£1.11	£1.04	£0.96	£0.89	£0.83	£0.76
Rural West & Chirk	£450,000	£0.83	£0.78	£0.74	£0.69	£0.65	£0.60	£0.56	£0.51	£0.47
NW Settlements	£440,000	£0.77	£0.73	£0.68	£0.64	£0.60	£0.56	£0.51	£0.48	£0.43
Cefn Mawr & Rhos	£375,000	£0.11	£0.10	£0.09	£0.08	£0.07	£0.06	£0.06	£0.05	£0.05
30 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£770,000	£3.07	£2.90	£2.74	£2.57	£2.40	£2.23	£2.06	£1.90	£1.74
Ewloe	£580,000	£1.86	£1.76	£1.66	£1.55	£1.44	£1.33	£1.22	£1.12	£1.01
Rural West Flintshire	£550,000	£1.37	£1.29	£1.21	£1.13	£1.04	£0.96	£0.87	£0.79	£0.71
Mold	£500,000	£0.95	£0.88	£0.82	£0.77	£0.70	£0.64	£0.58	£0.51	£0.46
Eastern Settlements	£475,000	£0.80	£0.75	£0.69	£0.65	£0.59	£0.53	£0.49	£0.42	£0.38
Q'Ferry & Connah's Quay	£420,000	£0.42	£0.39	£0.35	£0.32	£0.28	£0.24	£0.22	£0.17	£0.14
Flint, Holywell & Coast	£410,000	£0.31	£0.28	£0.26	£0.22	£0.19	£0.16	£0.14	£0.10	£0.07
40 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£770,000	£3.65	£3.47	£3.28	£3.10	£2.91	£2.72	£2.54	£2.35	£2.16
Ewloe	£580,000	£2.09	£1.97	£1.87	£1.76	£1.66	£1.55	£1.44	£1.33	£1.22
Rural West Flintshire	£550,000	£1.62	£1.54	£1.46	£1.37	£1.29	£1.20	£1.12	£1.04	£0.95
Mold	£500,000	£1.12	£1.05	£0.99	£0.94	£0.87	£0.82	£0.76	£0.70	£0.64
Eastern Settlements	£475,000	£0.95	£0.89	£0.85	£0.80	£0.75	£0.69	£0.65	£0.59	£0.54
Q'Ferry & Connah's Quay	£420,000	£0.49	£0.46	£0.43	£0.41	£0.38	£0.35	£0.32	£0.30	£0.26
Flint, Holywell & Coast	£410,000	£0.35	£0.33	£0.32	£0.29	£0.27	£0.25	£0.23	£0.21	£0.19

7.27 Table 8.3 shows the affordable housing targets which are viable assuming a CIL equivalent payment of £10,000 per unit.

With a CIL equivalent of £10,000 per unit										
30 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£650,000	£2.00	£1.88	£1.77	£1.66	£1.54	£1.43	£1.31	£1.21	£1.09
Rural East	£550,000	£1.35	£1.27	£1.19	£1.11	£1.03	£0.95	£0.86	£0.78	£0.70
N. Wrexham/Gresford	£500,000	£1.11	£1.04	£0.97	£0.90	£0.84	£0.77	£0.69	£0.63	£0.56
Rural West & Chirk	£450,000	£0.70	£0.66	£0.60	£0.56	£0.50	£0.46	£0.41	£0.36	£0.32
NW Settlements	£440,000	£0.66	£0.60	£0.56	£0.51	£0.47	£0.42	£0.38	£0.33	£0.28
Cefn Mawr & Rhos	£375,000	£0.11	£0.09	£0.07	£0.05	£0.03	£0.01	£0.00	-£0.03	-£0.05
40 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£650,000	£2.37	£2.21	£2.12	£2.01	£1.88	£1.76	£1.64	£1.51	£1.40
Rural East	£550,000	£1.59	£1.50	£1.43	£1.34	£1.26	£1.18	£1.10	£1.02	£0.93
N. Wrexham/Gresford	£500,000	£1.31	£1.24	£1.17	£1.11	£1.04	£0.96	£0.89	£0.83	£0.76
Rural West & Chirk	£450,000	£0.83	£0.78	£0.74	£0.69	£0.65	£0.60	£0.56	£0.51	£0.47
NW Settlements	£440,000	£0.77	£0.73	£0.68	£0.64	£0.60	£0.56	£0.51	£0.48	£0.43
Cefn Mawr & Rhos	£375,000	£0.11	£0.10	£0.09	£0.08	£0.07	£0.06	£0.06	£0.05	£0.05
30 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£770,000	£3.07	£2.90	£2.74	£2.57	£2.40	£2.23	£2.06	£1.90	£1.74
Ewloe	£580,000	£1.86	£1.76	£1.66	£1.55	£1.44	£1.33	£1.22	£1.12	£1.01
Rural West Flintshire	£550,000	£1.37	£1.29	£1.21	£1.13	£1.04	£0.96	£0.87	£0.79	£0.71
Mold	£500,000	£0.95	£0.88	£0.82	£0.77	£0.70	£0.64	£0.58	£0.51	£0.46
Eastern Settlements	£475,000	£0.80	£0.75	£0.69	£0.65	£0.59	£0.53	£0.49	£0.42	£0.38
Q'Ferry & Connah's Quay	£420,000	£0.42	£0.39	£0.35	£0.32	£0.28	£0.24	£0.22	£0.17	£0.14
Flint, Holywell & Coast	£410,000	£0.31	£0.28	£0.26	£0.22	£0.19	£0.16	£0.14	£0.10	£0.07
40 DPH	Benchmarks	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£770,000	£3.65	£3.47	£3.28	£3.10	£2.91	£2.72	£2.54	£2.35	£2.16
Ewloe	£580,000	£2.09	£1.97	£1.87	£1.76	£1.66	£1.55	£1.44	£1.33	£1.22
Rural West Flintshire	£550,000	£1.62	£1.54	£1.46	£1.37	£1.29	£1.20	£1.12	£1.04	£0.95
Mold	£500,000	£1.12	£1.05	£0.99	£0.94	£0.87	£0.82	£0.76	£0.70	£0.64
Eastern Settlements	£475,000	£0.95	£0.89	£0.85	£0.80	£0.75	£0.69	£0.65	£0.59	£0.54
Q'Ferry & Connah's Quay	£420,000	£0.49	£0.46	£0.43	£0.41	£0.38	£0.35	£0.32	£0.30	£0.26
Flint, Holywell & Coast	£410,000	£0.35	£0.33	£0.32	£0.29	£0.27	£0.25	£0.23	£0.21	£0.19

7.28 Inevitably there are potentially hard (trade off) choices to be made for the local authorities. However in some instances, the trade offs are less significant and at the lower end of the market in both areas, it

looks likely that only very low or nil CIL along with a nil affordable housing target might be the policy decision.

Benchmarks and viability for CIL setting for commercial uses

- 7.29 Whereas for residential, benchmark land values are a very significant issue, the results of the commercial analysis suggest the opposite.
- 7.30 Tables 7.1 and 7.2 suggest that the vast majority of commercial uses are marginal or non viable. Residual value in all cases with the exception of A1 use is negative, although certain high street uses in Flintshire such as restaurants may generate a positive residual value.
- 7.31 However in these cases, and in the case of the high street shops, the residual value is only circa £100,000 to £200,000 per development and hence it is unlikely that land would come forward for a new development on that basis. New occupiers and investors are likely to take on existing units, of which there are plenty available.
- 7.32 Superstores will however generate significant residual values as the development economics are quite different here. In the case of Wrexham the RV is £1.3 million for a 5,000 square metre store and in the case of Flintshire, £1.6 million.
- 7.33 Assuming a 40% building to plot ratio this would mean (taking £1.5 million RV as the marker) an equivalent of around £600,000 per hectare in residual value.
- 7.34 In the case of this type of development I would adopt a figure of £250,000 per hectare as a land value benchmark. This is based on brown field land. Arguably, the figure should be lower where the site is green field. However, as previously set out, infrastructure costs on these sites can be high.
- 7.35 On the basis of a £350,000 surplus, this would mean a CIL charge of £70 per square metre which is not inconsistent with the figure used in the first Wales CIL study (Caerphilly) of £100 per square metre.

8 MAIN FINDINGS AND CONCLUSIONS

Review of objectives and report

- 8.1 The main objective of this report was to provide Wrexham CBC and Flintshire CC with policy options for affordable housing targets and Community Infrastructure Levies. It was further to show that, where viable, an affordable housing contribution as well as a CIL charge might be levied without development becoming unviable.
- 8.2 The analysis shows that in both local authority areas, residual value varies significantly, where house prices (and differences between locations) account for differences in viability. Always, the picture is never clear cut. Whilst house prices drive viability, local circumstances and existing use values in particular, matter when deciding whether a scheme will come forward or not.
- 8.3 The study has looked at a number of key viability related issues. In Chapter 3, which forms the bulk of the analysis, residual values were calculated for a range of densities and sub markets. The residual values, expressed in terms of £ million per hectare are shown below at Appendix 3. There are two key tables there which set out what schemes are likely to generate.
- 8.4 Chapter 6 examined the commercial property sector. It looked at a range of use classes and calculated residual values.
- 8.5 Chapter 7 has considered in some considerable detail, land value benchmarks and buffers for development viability for both residential and commercial sectors.

Affordable housing targets and CIL for residential

- 8.6 There are inevitably trade-offs between affordable housing and other contributions and in turn, CIL. Where policy is pitched and how charges are set, will depend to some extent on local authority decision making. I have set out in my report (see Tables 8.1 to 8.3), a range of affordable housing targets which are based setting CIL at varying levels; in particular, £5,000 per unit and £10,000 per unit. The Councils will need to consider these 'trade offs' carefully and in conjunction with emerging Local Plan reports.

Commercial property

- 8.7 The analysis suggests that only the A1 Use Class is likely to deliver a CIL and this will only be in the case of superstores where costs are

relatively low in relation to values. For offices and industrial development viability is marginal even without additional impacts.

Residential development and the affordable housing threshold

- 8.8 The study looked (Chapter 4) at the profile of sites coming forward across both local authority areas. In the Wrexham CBC area, there has been substantial supply from smaller sites, although factoring in potential strategic sites, this conclusion will be less significant. There are locations such as South Wrexham where a large amount of supply could come from larger sites (an argument against a low affordable housing threshold). Conversely, the Rural East, which is a relatively high value area, has a significant number of dwellings likely to be built on smaller sites. The weaker market areas, for example North West Settlements, have a significant number of dwellings being built on larger sites.
- 8.9 In Flintshire, the lower value areas rely mainly on larger sites, particularly on sites above 25 dwellings. However it is also the case that higher value areas such as Chester Hinterland have supply weighted towards larger sites.
- 8.10 The analysis also looked at the types of sites in a more fine grained way (Tables 4.3 and 4.6) by reference to source of land and property supply. This analysis (Wrexham) shows a significant proportion of supply (circa 40% to 70%) of homes being built on green field sites with a capacity more than 25 dwellings. However, larger industrial sites feature strongly as a source of supply.
- 8.11 In Flintshire the picture is not dissimilar with larger greenfield (more than 25 dwellings) making up 88% (Chester Hinterland), 77% (Ewloe), 61% (Eastern Settlements), and 64% (Queensferry and Connah's Quay) of all dwellings (Potential Strategic Sites excepted).
- 8.12 Locations such as Mold have a higher proportion of sites from industrial land.
- 8.13 Small sites (garden plots and conversions) make up a relatively small element of housing supply.
- 8.14 The study also looked at the economics of development on small sites (Chapter 5). This showed that the nature of small site development varies significantly. The sites tested were single plots, conversions and small urban and rural schemes.
- 8.15 Generally (although not exclusively) these sites are likely to prove challenging. Not on account of site size, but because of general

development values. That being stated, there is a case for requiring an affordable housing contribution on single plot garden or back land development in the higher value areas. There is also a case for affordable housing contributions on smaller sites in higher value areas where new build is the solution.

Policy recommendation on thresholds

- 8.16 Both Wrexham and Flintshire have adopted policy thresholds of 25 dwellings. These are relatively high and in the case of Wrexham reflect the contemporary trend at the time of the adopted UDP (2005).
- 8.17 Policy development in this area can become very complex, particularly as the authorities are setting a CIL at the same time, so it is perhaps helpful to set out options in a relatively straightforward way.
- 8.18 The following would seem to be practical on the basis of the evidence:
- Leave the threshold at 25 units. This would not necessarily have a significant effect in some of the weaker sub markets as these areas are challenged on viability grounds for all types of site;
 - Lower the threshold to a level which allows a higher CIL to be set for smaller sites and which maximises contributions on this basis;
 - Set a lower affordable housing threshold for the higher value sub markets only. This would ensure that smaller sites in higher value areas contribute to a significantly greater extent than previously.
- 8.19 The decision on where to set thresholds will need to be monitored in the light of the profile of site supply. If this shifts towards a greater percentage of new housing being built on larger sites, the relative need to reduce the threshold may reduce.

Appendix 1

JOINT AFFORDABLE HOUSING AND COMMUNITY INFRASTRUCTURE LEVY VIABILITY STUDY FOR WREXHAM AND FLINTSHIRE

Plas Pentwyn Friday 11th April 2013

Delegates

Nick Adamson, Development Surveyor, WCBC
Rebecca Alfonso, Regeneration, FCC
John Allen, Property, FCC
Ken Allen, Bloor Homes
Simon Artiss, Bellway Homes
Anthony Benson, Allies and Morrison Urban Practitioners
Tim Booth, Harrow Estates
Sarah Brett, Planning Policy Officer, WCBC
Scott Brett, Planning Policy FCC
Ian Buxton, Waterways Garden Centre
Victoria Carr, Principal Planning Delivery Officer, CWaC
Nicola Corbishley, Senior Planning Policy Officer, WCBC
Carole Cozens, Housing Strategy Manger, WCBC
Carl Davis, Proactive Construction and Project Management
Andy Delaney, Colliers International
Jen Ellis, Douglas Hughes Architects
Arwyn Evans, Pennaf Housing Group
Mike Forgrave, Gower Homes
Matthew Gilbert, The Planning Consultancy
Dr Andrew Golland, Andrew Golland Associates (AGA)
Ste James, Planning Policy, FCC
Stuart Lawrence, Tudor Griffiths Group
Maureen Lee, Affordable Housing Officer, WCBC
Sandie Lloyd, Planning Policy FCC
Jonathan Masters, Bridgemere Land PLC
Andrew McLaughlin, Development Surveyor, WCBC
Goronwy Owen, Watkin Jones
Phillip Palmer, MacBryde Homes Ltd
Mathew Phillips, Development Control Officer, WCBC
Justin Paul, J10 Planning
Mike Pender, Anwyl Construction

Andy Roberts, Planning Policy Manager, FCC
Stephen Roberts, North Wales Police
Dave Sharp, Building Control Manger, WCBC
Chris Smith, Planning Policy Officer, WCBC
Paul Smith, NJL Consulting
Craig Sparrow, Wales and West Housing Association
Penny Storr, Affordable Housing Officer, FCC
James Sumner, Bowen Son and Watson
Steven Wade, Legat Owen
Adrian Walters, Planning Policy FCC
Alistair Watson, Miller Homes
David Watson, Planning Policy Manager, WCBC
Barrie Whitmore, Whitmore & Humphreys
David Williams, Development Control Manger, WCBC

Apologies:

Peter Disley, Praxis Holdings
Kerry James, Kerry James Planning
Mike Jenkins, Housing Manager, WCBC
Peter Kilsaw, Bloor Homes
Stuart Meadowcroft, Development Surveyor, WCBC
Richard Price, The Home Builders Federation
Richard Shackleton, Castlemead Group
Chris Smith, Planning Policy Officer, WCBC
Ken Whitmore, Whitmore & Humphreys

Workshop Notes

A workshop was held on Friday 11th April 2013 at Plas Pentwyn. Representatives of the development industry, landowners and RSLs were in attendance. In addition local housing and planning officers as well as planning consultants.

Wrexham CBC and Flintshire CC would very much like to thank all those in attendance for their inputs to the study.

At the workshop Andrew Golland gave a presentation summarising the methodology and outlining the process of higher level and detailed testing which would be carried out to determine viability targets.

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

1 Introduction

Andrew Golland Associates (AGA) has been commissioned to carry out an Affordable Housing Viability and Community Infrastructure Levy Viability Assessment in accordance with the requirements of TAN2 and DCLG Guidance in order to establish a robust evidence base to support emerging policy requirements as set out in the LDPs. There are two parts to the commission:

- i) A Viability Study to guide the setting of new affordable housing targets and thresholds for the Local Development Plan;
- ii) A Financial Appraisal Toolkit to assist negotiations on specific sites.

The purpose of the Workshop was to discuss strategic policy and the overall methodology. The purpose of the study is to support the evidence for realistic and accurate policies which reflect the conditions of the general areas to reflect brownfield/greenfield sites.

2 Basis for interpreting viability

AGA outlined the methodology of the viability model which is based upon scheme revenue versus development costs (including developer margin and S106 agreements).

Delegates agreed in principle to the over-riding method for assessing viability. This measures viability by reference to residual scheme value and the existing use value of a site. One key question relates to the quantum of return required by a land owner. It was agreed that this would differ from site to site and to a large extent measurement of viability should be benchmarked against precedent set in appeals and examinations. There are a number of cases here of which the 'Shinfield' decision is perhaps the most recent.

It would be important that local authorities generally monitored this key information through the planning process.

One delegate suggested that residual value is 'normally' 25% of gross development value, although it was not always possible to achieve this in North Wales.

Another delegate suggested that the guidance available in England on viability is more helpful than that available in Wales. The guidance in England (NPPF) flags up the need for a landowner and developer to achieve competitive returns.

The recent RICS guidance on viability was discussed. One delegate pointed out that this has too much 'circularity' in the way it approaches viability and hence is not that helpful.

It was suggested by one delegate that the impacts of the wider housing and land market should be taken into account when thinking about where to pitch policy; in particular, the Cheshire situation was seen to be significant, where a recent lifting of the planning moratorium may have knock on effects in Flintshire and Wrexham. The delegate argued that planning policies should be relaxed in Wrexham and Flintshire in order to stop developers focusing wholly on Cheshire.

3 Overall methodology

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

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

Participants at the workshops did not express any particularly strong comments about the approach set out (see also Powerpoint which explains the approach diagrammatically). AGA explained that this was an approach which has been accepted elsewhere at Core Strategy Exam and is also adopted in the SEWSPEG Good Practice Guide.

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

One delegate stated that policies should emerge from the evidence. Values and development costs that are used in calculations should be clear.

Issues of timing

The issue of the timing of the study and the base datum is significant. It could be the case that a policy is created at a time when the current situation isn't particularly good. Or do we take a stance on the longer term situation – the trouble is getting this right. We need to look at the longer term position and compare it to the current situation.

One delegate suggested that we should have yearly discussions to talk through these issues and work out where the policy level should be. These could also be used as a mechanism to measure the effectiveness of UDP policy. A common ground position needs to be agreed with the creation of a live model and further ongoing dialogue. Another stated that by the time examination is reached, there may be a need to update the information. The amount of affordable housing that can be provided on site from a viability perspective may have an impact upon the location of development.

4 Sub markets and market values

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

It was explained by Three Dragons that prices were derived from three years worth of HM Land Registry data and then adjusted to today's values. AGA clarified that the prices are indicative new build for April 2013.

AGA explained the intention of the submarket area analysis could be to provide different area policy recommendations to the Council which reflect any house price differences.

Comments in relation to Wrexham:

The data table splits the County Borough into distinct areas and tiers from a 2007 policy document. Clarification has been sought on whether these areas and tiers are appropriate. This information has been cross referenced with second hand data on actual sales prices (based upon land valuation data from the Land Registry for the last 3 years + a premium to account for new build) to get the final figures in the table, which are indicative of new build prices. Feedback was very limited but the following points were made:

Prices might be a little high in some locations although it should be accepted that there will be a large range in any given settlement reflecting high and low value spots;

There is a general challenge with lending which is depressing house prices at the current time. Valuers for lenders are sometimes nervous about adding a premium for new build. However this is not always the case and location plays a key role.

North Wrexham has higher house prices due to Cheshire influences. The west side has lower prices due to mining influences. Prices are lower in Cefn and Rhos.

Comments in relation to Flintshire:

Again, feedback on sub markets and prices was very limited. It was however stated by one delegate that Ewloe and Hawarden could be in different sub markets due to local characteristics.

All – please note – prices and market areas are included in the Powerpoint Presentation. Comments please!

5 Land values

Delegates were asked what they thought current land values were although no answers were given.

One delegate stated that 'very few landowners will sell for only a small amount above the residual land value. Local Authorities need to be clear about the figures used in the viability calculations in relation to builder and

landowner returns. This will help (land owners) in deciding how, when and what to sell'.

There are many considerations for land owners when releasing land. For instance with greenfield sites, there is sometimes a longer term decision to be made about releasing land at a time that would achieve the greatest return. Brownfield sites however may need to be sold in a hurry, particularly where there is a business that is in trouble.

6 Density and development mix

Three Dragons set out the suggested range of schemes which the DAT will test. These are set out in the Powerpoint Presentation.

Delegates – please comment on these.

7 Thresholds and the viability of smaller sites

Three Dragons set out the policy position within TAN 2 (citing Para 10.4). AGA noted that the evidence produced could indicate there is a need for a zero threshold in Wrexham and Flintshire.

There were no particular points made about the viability of small sites

Food for thought.....

If LA has threshold of e.g. 10 – those under 10 will not be required to provide an affordable housing contribution. Therefore should CIL be set higher on such sites?

8 Development costs

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

It was stated that Three Dragons will test the analysis at a 17% return rate on gross development value for the market element of a scheme and at 6% for the affordable element of a scheme. These figures have been agreed by

the Home Builders Federation as fair and reasonable. Welsh Government guidance, according to one delegate, is 25% on build cost.

The Councils need to have assumptions that can be varied to take account of different situations, otherwise it will not be possible to calculate the residual value.

It was agreed that scenario testing should be undertaken to take account of Part L and sprinklers.

It was agreed that policy assumptions with respect to development costs (and indeed other variables) will be subject to site specific appraisals.

9 Section 106 costs (in addition to affordable housing) and CIL

The study will consider the impacts of other (than affordable housing) Section 106 as well as CIL viability impacts. The following comments were noted in relations to these issues:

Care needs to be taken in policy preparation but there is often a conflict between flexibility and certainty;

Viability is both an issue with policy creation and implementation. CIL therefore also needs to be correct to ensure that the viability of delivering affordable housing is not affected. CIL is fixed whereas there is more flexibility with AH.

It is important to get the balance between CIL and the affordable housing policy. One of the first authorities to set CIL has a single affordable housing target which applies very generally across the board. However, CIL is set very specifically by location. This is an unbalanced approach since the 'big hit' (affordable housing) is very insensitively set, whilst the CIL ('small hit') is sensitively set.

10 Affordable housing tests and issues

AGA suggested a range of policy scenarios which should be tested and questioned whether they were reasonable. These are set out in the Powerpoint Presentation - 10%; 15%; 20%; 25%; 30%; 35% and 40% AH based on a Rented: Intermediate split.

A key issue for the testing process is the quantum of revenue that affordable housing will generate. Wales and West are hopefully able to share information in this area. Further points:

ACG – Max guide from WG – not a good guide as it's an estimate of costs not a valuation of the unit.

What are the RSL's prepared to pay for a unit on a developed site? – Advice is that price should be 42% of ACG, but this figure is not appropriate to developers. RSLs don't automatically have the ability to buy affordable units from market housing sites as they also have their own schemes. On the back of this, developers are having problems funding shared equity affordable housing where RSLs can't afford to buy the AH units.

Members always assume that AH will be rented, but this is not always possible.

11 Commercial property and CIL

AGA explained that the study will assess the potential of a range of commercial property types to viably deliver CIL.

Feedback on this topic was not extensive, although comments offered were:

'CIL on commercial and retail schemes would be disastrous. Most commercial schemes work out at a loss at the moment. Although food retail is not, they are getting poorer'.

'B1 uses – not likely to be suitable for CIL given existing supply across the North West area. There is a 6-7 year supply within a 10 mile radius of Chester'.

12 General policy and market issues and comments

Comment by a developer that it's better to build in Flintshire than in Gwynedd because of the reduced affordable housing requirements compared to Gwynedd.

Currently in Flintshire there is a maximum approach, which allows the level of affordable housing to be negotiated down. However, it must be remembered that it's the Members who make the decisions. There

therefore needs to be a clear framework to help explain to members the implications of any decisions made. It may not be perfect but it gives a more flexible approach which takes account of land values and other issues. At the moment local authorities do not have a model against which to challenge developers when the viability argument is used as a reason not to provide affordable housing. At the moment there is no benchmark to refer to or to present to Members.

It remains to be decided what uses we are going to charge for CIL, the level and what it will actually be used for. If it's set at a rate which will choke off development, then Section 106/CIL won't be deliverable.

Viability studies are done at the time of submitting applications, which is the most accurate. When Members consider this, it should be on its own merits and considered against what the priorities are for the Council. There is another issue here about how LAs deal with viability. Some use internal staff to consider the assessment whilst others contract out.

13 Next Steps

If you could direct your comments to Andrew Golland at the email address below by Friday 10th May 2013, this would greatly assist in finalising the study.

Thank you

Andrew Golland draig@btopenworld.com

Appendix 2 Method statement and assumptions

A2.1 Development Appraisal Toolkit (DAT)

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

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

The main output of the Toolkit is the residual value. In practice, as shown in the diagram below, there is a 'gross' residual value and a 'net' residual value. The gross residual value is 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.

A2.2 Indicative new build house prices: Wrexham

Sub Market	Detached			Semi Detached			Terraced			Flats			Bungalows	
	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	4 Bed	3 Bed	2 Bed	3 Bed	2 Bed	1 Bed	3 Bed	2 Bed
South Wrexham	£317,000	£288,000	£245,000	£230,000	£191,000	£163,000	£220,000	£183,000	£159,000	£188,000	£157,000	£110,000	£230,000	£196,000
Rural East	£274,000	£250,000	£212,000	£200,000	£166,000	£142,000	£190,000	£159,000	£138,000	£163,000	£136,000	£95,000	£200,000	£170,000
North Wrexham & Gresford	£260,000	£236,000	£200,000	£189,000	£157,000	£133,000	£180,000	£150,000	£130,000	£154,000	£128,000	£90,000	£189,000	£160,000
Rural West, Chirk	£232,000	£212,000	£180,000	£170,000	£141,000	£120,000	£162,000	£135,000	£117,000	£139,000	£115,000	£81,000	£169,000	£144,000
North West settlements	£230,000	£209,000	£177,000	£167,000	£139,000	£118,000	£160,000	£133,000	£116,000	£137,000	£114,000	£80,000	£167,000	£142,000
Cefn Mawr & Rhos	£194,000	£177,000	£150,000	£141,000	£118,000	£100,000	£135,000	£112,000	£98,000	£116,000	£96,000	£67,000	£142,000	£120,000

Indicative new build house prices: Flintshire

Sub Market	Detached			Semi Detached			Terraced			Flats			Bungalows	
	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	4 Bed	3 Bed	2 Bed	3 Bed	2 Bed	1 Bed	3 Bed	2 Bed
Chester Hinterland	£386,000	£351,000	£298,000	£281,000	£234,000	£199,000	£268,000	£223,000	£194,000	£230,000	£191,000	£134,000	£281,000	£239,000
Ewloe	£321,000	£292,000	£248,000	£210,000	£175,000	£149,000	£200,000	£167,000	£145,000	£171,000	£143,000	£100,000	£210,000	£178,000
Rural West Flintshire	£276,000	£251,000	£213,000	£201,000	£167,000	£142,000	£192,000	£160,000	£139,000	£164,000	£137,000	£96,000	£201,000	£171,000
Mold	£248,000	£226,000	£192,000	£180,000	£150,000	£128,000	£172,000	£144,000	£125,000	£148,000	£123,000	£86,000	£180,000	£153,000
Eastern settlements	£239,000	£218,000	£185,000	£174,000	£145,000	£124,000	£166,000	£139,000	£120,000	£143,000	£119,000	£83,000	£174,000	£148,000
Queensferry & Connah's Quay	£214,000	£195,000	£166,000	£156,000	£130,000	£110,000	£149,000	£124,000	£108,000	£127,000	£106,000	£74,000	£156,000	£132,000
Flint, Holywell & Coast	£208,000	£189,000	£160,000	£151,000	£126,000	£107,000	£144,000	£120,000	£104,000	£123,000	£103,000	£72,000	£151,000	£128,000

Notes on indicative selling prices:

- Base is HM Land Registry using consistent method used elsewhere in Wales and England;
- Taking into account current schemes being assessed in Wrexham – e.g. Brymbo, Gatewen, Brother site;
- Taking into account feedback from Workshop from developers and others.

A2.3 Density and development mix

	Dwellings per Hectare			
	20	30	40	50
1 Bed Flats				5
2 Bed Flats		5	5	10
2 Bed Terraces	5	10	15	20
3 Bed Terraces	15	15	25	25
3 Bed Semis	20	20	25	20
3 Bed Detached	25	25	20	15
4 Bed Detached	20	15	10	10
5 Bed Detached	15	10		
	100	100	100	100

Notes on density and mix

- Based on table shown at Workshop;
- Taking into account the Glyndwr HNA Update study which emphasizes the need for two and three bed homes in Wrexham;
- Taking into account feedback from Workshop from developers and others. In particular, feedback that lower density schemes are likely to have a high percentage of detached housing and that no bungalows were likely to be built.

A2.4 Affordable housing assumptions

Target test range:

5%; 10%; 15%; 20%; 25%; 30%; 35% and 40%

Notes:

This was agreed at Workshop, although a 5% target was added given recent outcomes on schemes.

Affordable housing split

Split: 50% Social Rent; 50% Homebuy

Notes:

The Glyndwr HNA suggests this broad split which is not unreasonable in the light of other studies; The Homebuy should probably be tested at say 70% of open market value. This would mean a 3 bed mid market terraced (both local authority areas) being available at around £100,000; Having a good proportion of the affordable as Homebuy (calculated at Discount Market) accords with developer feedback.

Affordable housing revenue

Social Rent: Run at 42% of ACG; Homebuy: Run at 70% of open market value

Very little feedback on this at the Workshop but subsequent discussions with Wales and West suggested 42% of ACG to be a reasonable assumption for Social Rent. This is consistent with other viability studies in Wales.

A2.5 Build costs

Build costs

Basic information taken from BCIS:

<u>Flats (Low Rise)</u>	<u>£1,132 per square metre</u>
<u>Smaller houses</u>	<u>£931 per square metre</u>
<u>Larger houses</u>	<u>£918 per square metre</u>

Notes on build costs

- Build cost allows for 15% allowance for infrastructure and external works;
- Allows for local adjustment factor;
- Method agreed as in previous studies;
- Any abnormal costs to be assessed on a site by site basis or to be dealt with through deferred contributions;
- Part L of the Building Regs and Fire Sprinklers: no additional costs due to recent announcements by WAG that these are cost neutral or won't be brought in until 2016.

Other development costs:

Other Development Costs

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank the Toolkit Value for that row will be used

	Toolkit Values	User Values	
Professional Fees %	12%		of build costs
Internal Overheads	5%		of build costs (Market and ES)
Finance (Market)	6%		of build costs (Market and ES)
Finance (Affordable Housing)	6%		of build costs (SR, NH and IR units)
Marketing Fees	3%		of market value (Market and ES)
Developers Return	17%		of market value (Market and ES)
Contractors Return	5%		of development costs (excl finance) applies to SR, NH and IR units
Land Finance		<input type="text"/>	Please see guidance notes

Notes on other development costs

- As agreed with the Home Builders Federation

A2.6 Unit Sizes

	Affordable	Market
1 Bed Flats	46	45
2 Bed Flats	66	60
2 Bed Terr	68	67
3 Bed Terr	80	78
3 Bed Semis	84	82
3 Bed Detached	90	94
4 Bed Detached	110	120
5 Bed Detached	120	130

Notes on other development costs

- Unit sizes in line with other viability studies carried out in Wales;

- Sizes reduced at top end of the scale to link with indicative selling prices and examples of new developments in the area.

Appendix 3 High Level Testing Results

Wrexham:

20 Dph	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£1.41	£1.33	£1.24	£1.16	£1.01	£0.99	£0.91	£0.83	£0.75
Rural East	£0.95	£0.89	£0.84	£0.77	£0.71	£0.65	£0.59	£0.53	£0.47
N. Wrex/Gresf'd	£0.78	£0.74	£0.68	£0.63	£0.58	£0.52	£0.48	£0.42	£0.37
Rural West & Chirk	£0.50	£0.46	£0.42	£0.39	£0.34	£0.31	£0.27	£0.23	£0.20
NW Settlements	£0.47	£0.42	£0.40	£0.35	£0.32	£0.28	£0.24	£0.21	£0.17
Cefn Mawr & Rhos	£0.08	£0.06	£0.05	£0.03	£0.01	£0.00	-£0.03	-£0.05	-£0.05
30 Dph	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£2.00	£1.88	£1.77	£1.66	£1.54	£1.43	£1.31	£1.21	£1.09
Rural East	£1.35	£1.27	£1.19	£1.11	£1.03	£0.95	£0.86	£0.78	£0.70
N. Wrex/Gresf'd	£1.11	£1.04	£0.97	£0.90	£0.84	£0.77	£0.69	£0.63	£0.56
Rural West & Chirk	£0.70	£0.66	£0.60	£0.56	£0.50	£0.46	£0.41	£0.36	£0.32
NW Settlements	£0.66	£0.60	£0.56	£0.51	£0.47	£0.42	£0.38	£0.33	£0.28
Cefn Mawr & Rhos	£0.11	£0.09	£0.07	£0.05	£0.03	£0.01	£0.00	-£0.03	-£0.05
40 Dph	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£2.37	£2.21	£2.12	£2.01	£1.88	£1.76	£1.64	£1.51	£1.40
Rural East	£1.59	£1.50	£1.43	£1.34	£1.26	£1.18	£1.10	£1.02	£0.93
N. Wrex/Gresf'd	£1.31	£1.24	£1.17	£1.11	£1.04	£0.96	£0.89	£0.83	£0.76
Rural West & Chirk	£0.83	£0.78	£0.74	£0.69	£0.65	£0.60	£0.56	£0.51	£0.47
NW Settlements	£0.77	£0.73	£0.68	£0.64	£0.60	£0.56	£0.51	£0.48	£0.43
Cefn Mawr & Rhos	£0.11	£0.10	£0.09	£0.08	£0.07	£0.06	£0.06	£0.05	£0.05
50 Dph	0%	5%	10%	15%	20%	25%	30%	35%	40%
South Wrexham	£2.76	£2.63	£2.49	£2.35	£2.21	£2.08	£1.94	£1.81	£1.67
Rural East	£1.84	£1.75	£1.66	£1.57	£1.48	£1.39	£1.30	£1.21	£1.12
N. Wrex/Gresf'd	£1.49	£1.42	£1.35	£1.28	£1.21	£1.13	£1.06	£0.99	£0.91
Rural West & Chirk	£0.93	£0.88	£0.84	£0.79	£0.75	£0.70	£0.66	£0.61	£0.57
NW Settlements	£0.86	£0.81	£0.77	£0.73	£0.69	£0.67	£0.61	£0.57	£0.62
Cefn Mawr & Rhos	£0.07	£0.07	£0.06	£0.06	£0.06	£0.06	£0.06	£0.06	£0.05

Flintshire:

20 Dph	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£2.17	£2.05	£1.93	£1.80	£1.68	£1.56	£1.44	£1.32	£1.20
Ewloe	£1.35	£1.27	£1.19	£1.11	£1.04	£0.95	£0.86	£0.78	£0.71
Rural West Flintshire	£0.97	£0.91	£0.85	£0.78	£0.72	£0.66	£0.60	£0.54	£0.48
Mold	£0.67	£0.62	£0.58	£0.53	£0.49	£0.43	£0.39	£0.34	£0.30
Eastern Settlements	£0.58	£0.53	£0.49	£0.44	£0.41	£0.36	£0.32	£0.28	£0.23
Q'ferry & Connah's Q	£0.30	£0.27	£0.24	£0.22	£0.19	£0.16	£0.13	£0.10	£0.07
Flint, Holywell & Coast	£0.23	£0.20	£0.17	£0.15	£0.13	£0.10	£0.08	£0.05	£0.03
30 Dph	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£3.07	£2.90	£2.74	£2.57	£2.40	£2.23	£2.06	£1.90	£1.74
Ewloe	£1.86	£1.76	£1.66	£1.55	£1.44	£1.33	£1.22	£1.12	£1.01
Rural West Flintshire	£1.37	£1.29	£1.21	£1.13	£1.04	£0.96	£0.87	£0.79	£0.71
Mold	£0.95	£0.88	£0.82	£0.77	£0.70	£0.64	£0.58	£0.51	£0.46
Eastern Settlements	£0.80	£0.75	£0.69	£0.65	£0.59	£0.53	£0.49	£0.42	£0.38
Q'ferry & Connah's Q	£0.42	£0.39	£0.35	£0.32	£0.28	£0.24	£0.22	£0.17	£0.14
Flint, Holywell & Coast	£0.31	£0.28	£0.26	£0.22	£0.19	£0.16	£0.14	£0.10	£0.07
40 Dph	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£3.65	£3.47	£3.28	£3.10	£2.91	£2.72	£2.54	£2.35	£2.16
Ewloe	£2.09	£1.97	£1.87	£1.76	£1.66	£1.55	£1.44	£1.33	£1.22
Rural West Flintshire	£1.62	£1.54	£1.46	£1.37	£1.29	£1.20	£1.12	£1.04	£0.95
Mold	£1.12	£1.05	£0.99	£0.94	£0.87	£0.82	£0.76	£0.70	£0.64
Eastern Settlements	£0.95	£0.89	£0.85	£0.80	£0.75	£0.69	£0.65	£0.59	£0.54
Q'ferry & Connah's Q	£0.49	£0.46	£0.43	£0.41	£0.38	£0.35	£0.32	£0.30	£0.26
Flint, Holywell & Coast	£0.35	£0.33	£0.32	£0.29	£0.27	£0.25	£0.23	£0.21	£0.19
50 Dph	0%	5%	10%	15%	20%	25%	30%	35%	40%
Chester Hinterland	£4.29	£4.08	£3.86	£3.65	£3.44	£3.22	£3.02	£2.80	£2.59
Ewloe	£2.39	£2.27	£2.15	£2.03	£1.92	£1.80	£1.68	£1.57	£1.45
Rural West Flintshire	£1.87	£1.78	£1.69	£1.60	£1.50	£1.41	£1.32	£1.23	£1.14
Mold	£1.27	£1.21	£1.14	£1.08	£1.03	£0.96	£0.90	£0.84	£0.77
Eastern Settlements	£1.07	£1.02	£0.96	£0.92	£0.86	£0.81	£0.77	£0.70	£0.66
Q'ferry & Connah's Q	£0.52	£0.50	£0.47	£0.44	£0.42	£0.40	£0.38	£0.35	£0.32
Flint, Holywell & Coast	£0.36	£0.35	£0.33	£0.32	£0.30	£0.29	£0.27	£0.25	£0.23

Appendix 4 Commercial property appraisals

WREXHAM

A1 High Street Shop

Revenue		
Unit Size (Square Metres)		150
Rental Value (£ per Sq M)		£200
Initial Yield		8
Total Rental		£30,000
Years Purchase (YP)		12.5
Capital Value		£375,000
Costs		
Construction		
Unit Size (Square Metres)		150
Base Cost per Sq Metre		£880
Externals and Infrastructure	At 15% Base Construction	£132
Construction costs (sub total)		£1,012
Total Construction Costs		£151,796
Professional Fees	At 6% Base Construction	£9,108
Overheads	At 5% Base Construction	£7,589
Finance	At 7% Base Construction	£10,625
Marketing Fees	At 2% of Capital Value	£7,500

Developer return	At 15% Capital Value	£56,250
Other Development Costs (Total)		£91,072
Total Development Costs		£242,868
Residual Value (Total Rev less Total Cost)		£132,132

A1 Superstore

Revenue		
Unit Size (Square Metres)		5000
Rental Value (£ per Sq M)		£150
Initial Yield		7
Total Rental		£750,000
Years Purchase (YP)		14.28
Capital Value		£10,710,000
Costs		
Construction		
Unit Size (Square Metres)		5000
Base Cost per Sq Metre		£1,115
Externals and Infrastructure	At 15% Base Construction	£167
Construction costs (sub total)		£1,282
Total Construction Costs		£6,410,000
Professional Fees	At 6% Base	£384,600

	Construction	
Overheads	At 5% Base Construction	£320,500
Finance	At 7% Base Construction	£448,700
Marketing Fees	At 2% of Capital Value	£214,200
Developer return	At 15% Capital Value	£1,606,500
Other Development Costs (Total)		£2,974,500
Total Development Costs		£9,384,500
Residual Value (Total Rev less Total Cost)		£1,325,500

Town Centre Offices A2

Revenue		
Unit Size (Square Metres)		500
Rental Value (£ per Sq M)		£150
Initial Yield		8
Total Rental		£75,000
Years Purchase (YP)		12.5
Capital Value		£937,500
Costs		
Construction		
Unit Size (Square Metres)		500
Base Cost per Sq Metre (BCIS)		£1,272
Externals and Infrastructure	At 15% Base Construction	£190

Construction costs (sub total)		£1,556
Total Construction Costs		£731,386
Professional Fees	At 6% Base Construction	£43,883
Overheads	At 5% Base Construction	£36,569
Finance	At 7% Base Construction	£51,197
Marketing Fees	At 2% of Capital Value	£18,750
Developer return	At 15% Capital Value	£140,625
Other Development Costs (Total)		£291,024
Total Development Costs		£1,022,410
Residual Value (Total Rev less Total Cost)		- £84,910

A3, A4 and A5 Uses

Revenue		
Unit Size (Square Metres)		300
Rental Value (£ per Sq M)		£200
Initial Yield		8
Total Rental		£60,000
Years Purchase (YP)		12.5
Capital Value		£750,000
Costs		
Construction		

Unit Size (Square Metres)		300
Base Cost per Sq Metre		£1,560
Externals and Infrastructure	At 15% Base Construction	£234
Construction costs (sub total)		£1,794
Total Construction Costs		£538,200
Professional Fees	At 6% Base Construction	£32,292
Overheads	At 5% Base Construction	£26,910
Finance	At 7% Base Construction	£37,674
Marketing Fees	At 2% of Capital Value	£15,000
Developer return	At 15% Capital Value	£112,500
Other Development Costs (Total)		£224,376
Total Development Costs		£762,576
Residual Value (Total Rev less Total Cost)		-£12,576

Small Office B1

Revenue		
Unit Size (Square Metres)		300
Rental Value (£ per Sq M)		£120
Initial Yield		8
Total Rental		£36,000
Years Purchase (YP)		12.5

Capital Value		£450,000
Costs		
Construction		
Unit Size (Square Metres)		300
Base Cost per Sq Metre		£1,271
Externals and Infrastructure	At 15% Base Construction	£191
Construction costs (sub total)		£1,462
Total Construction Costs		£438,532
Professional Fees	At 6% Base Construction	£26,312
Overheads	At 5% Base Construction	£21,926
Finance	At 7% Base Construction	£30,697
Marketing Fees	At 2% of Capital Value	£9,000
Developer return	At 15% Capital Value	£67,500
Other Development Costs (Total)		£155,435
Total Development Costs		£593,967
Residual Value (Total Rev less Total Cost)		-£143,967

B2 Use - Large Industrial

Revenue		
Unit Size (Square Metres)		5000
Rental Value (£ per Sq M)		£50

Initial Yield		9
Total Rental		£250,000
Years Purchase (YP)		11.1
Capital Value		£2,775,000
Costs		
Construction		
Unit Size (Square Metres)		5000
Base Cost per Sq Metre		£724
Externals and Infrastructure	At 15% Base Construction	£108
Construction costs (sub total)		£832
Total Construction Costs		£4,162,850
Professional Fees	At 6% Base Construction	£249,771
Overheads	At 5% Base Construction	£208,142
Finance	At 7% Base Construction	£291,399
Marketing Fees	At 2% of Capital Value	£55,500
Developer return	At 15% Capital Value	£416,250
Other Development Costs (Total)		£1,221,062
Total Development Costs		£5,383,912
Residual Value (Total Rev less Total Cost)		- £2,608,062

B2 Use - Small Industrial

Revenue		
Unit Size (Square Metres)		500
Rental Value (£ per Sq M)		£70
Initial Yield		8.5
Total Rental		£35,000
Years Purchase (YP)		11.76
Capital Value		£411,600
Costs		
Construction		
Unit Size (Square Metres)		500
Base Cost per Sq Metre		£724
Externals and Infrastructure	At 15% Base Construction	£108
Construction costs (sub total)		£832
Total Construction Costs		£416,285
Professional Fees	At 6% Base Construction	£24,977
Overheads	At 5% Base Construction	£20,814
Finance	At 7% Base Construction	£29,139
Marketing Fees	At 2% of Capital Value	£8,232
Developer return	At 15% Capital Value	£61,740
Other Development Costs (Total)		£144,902

Total Development Costs		£561,187
Residual Value (Total Rev less Total Cost)		-£149,587

B8 Use - Warehouses

Revenue		
Unit Size (Square Metres)		5000
Rental Value (£ per Sq M)		£30
Initial Yield		9
Total Rental		£150,000
Years Purchase (YP)		11.1
Capital Value		£1,666,666
Costs		
Construction		
Unit Size (Square Metres)		5000
Base Cost per Sq Metre		£567
Externals and Infrastructure	At 15% Base Construction	£85
Construction costs (sub total)		£652
Total Construction Costs		£3,260,000
Professional Fees	At 6% Base Construction	£195,600
Overheads	At 5% Base Construction	£163,000

Finance	At 7% Base Construction	£228,200
Marketing Fees	At 2% of Capital Value	£33,333
Developer return	At 15% Capital Value	£249,999
Other Development Costs (Total)		£870,132
Total Development Costs		£4,130,132
Residual Value (Total Rev less Total Cost)		- £2,463,466

D1 Use

Revenue		
Unit Size (Square Metres)		500
Rental Value (£ per Sq M)		£130
Initial Yield		7
Total Rental		£65,000
Years Purchase (YP)		14.28
Capital Value		£928,200
Costs		
Construction		
Unit Size (Square Metres)		500
Base Cost per Sq Metre		£1,457
Externals and Infrastructure	At 15% Base Construction	£218
Construction costs (sub total)		£1,675

Total Construction Costs		£837,775
Professional Fees	At 6% Base Construction	£50,266
Overheads	At 5% Base Construction	£41,888
Finance	At 7% Base Construction	£58,644
Marketing Fees	At 2% of Capital Value	£18,564
Developer return	At 15% Capital Value	£139,230
Other Development Costs (Total)		£308,592
Total Development Costs		£1,146,367
Residual Value (Total Rev less Total Cost)		-£308,592

D2 Use

Revenue		
Unit Size (Square Metres)		300
Rental Value (£ per Sq M)		£100
Initial Yield		8
Total Rental		£30,000
Years Purchase (YP)		12.5
Capital Value		£375,000
Costs		
Construction		
Unit Size (Square Metres)		300

Base Cost per Sq Metre		£1,200
Externals and Infrastructure	At 15% Base Construction	£180
Construction costs (sub total)		£1,380
Total Construction Costs		£414,000
Professional Fees	At 6% Base Construction	£24,840
Overheads	At 5% Base Construction	£20,700
Finance	At 7% Base Construction	£28,980
Marketing Fees	At 2% of Capital Value	£15,780
Developer return	At 15% Capital Value	£118,350
Other Development Costs (Total)		£90,418
Total Development Costs		£504,418
Residual Value (Total Rev less Total Cost)		-£129,418

FLINTSHIRE

A1 High Street Shop

Revenue		
Unit Size (Square Metres)		150
Rental Value (£ per Sq M)		£250
Initial Yield		8
Total Rental		£37,500
Years Purchase (YP)		12.5
Capital Value		£468,750
Costs		
Construction		
Unit Size (Square Metres)		150
Base Cost per Sq Metre		£906
Externals and Infrastructure	At 15% Base Construction	£136
Construction costs (sub total)		£1,041
Total Construction Costs		£156,150
Professional Fees	At 6% Base Construction	£3,123
Overheads	At 5% Base Construction	£7,807
Finance	At 7% Base Construction	£10,930
Marketing Fees	At 2% of Capital Value	£9,375
Developer return	At 15% Capital Value	£70,313

Other Development Costs (Total)		£101,548
Total Development Costs		£257,698
Residual Value (Total Rev less Total Cost)		£211,052

A1 Superstore

Revenue		
Unit Size (Square Metres)		5000
Rental Value (£ per Sq M)		£150
Initial Yield		7
Total Rental		£750,000
Years Purchase (YP)		14.28
Capital Value		£10,710,000
Costs		
Construction		
Unit Size (Square Metres)		5000
Base Cost per Sq Metre		£1,081
Externals and Infrastructure	At 15% Base Construction	£162
Construction costs (sub total)		£1,243
Total Construction Costs		£6,215,000
Professional Fees	At 6% Base Construction	£372,900
Overheads	At 5% Base	£310,750

	Construction	
Finance	At 7% Base Construction	£435,050
Marketing Fees	At 2% of Capital Value	£214,200
Developer return	At 15% Capital Value	£1,606,500
Other Development Costs (Total)		£2,939,400
Total Development Costs		£9,154,000
Residual Value (Total Rev less Total Cost)		£1,556,000

Town Centre Offices A2

Revenue		
Unit Size (Square Metres)		500
Rental Value (£ per Sq M)		£160
Initial Yield		8
Total Rental		£80,000
Years Purchase (YP)		12.5
Capital Value		£1,000,000
Costs		
Construction		
Unit Size (Square Metres)		500
Base Cost per Sq Metre (BCIS)		£1,234
Externals and Infrastructure	At 15% Base Construction	£185
Construction costs (sub total)		£1,419

Total Construction Costs		£709,500
Professional Fees	At 6% Base Construction	£42,570
Overheads	At 5% Base Construction	£35,475
Finance	At 7% Base Construction	£49,665
Marketing Fees	At 2% of Capital Value	£20,000
Developer return	At 15% Capital Value	£150,000
Other Development Costs (Total)		£297,710
Total Development Costs		£1,007,210
Residual Value (Total Rev less Total Cost)		- £7,210

A3, A4 and A5 Uses

Revenue		
Unit Size (Square Metres)		300
Rental Value (£ per Sq M)		£225
Initial Yield		8
Total Rental		£67,500
Years Purchase (YP)		12.5
Capital Value		£843,750
Costs		
Construction		
Unit Size (Square Metres)		300

Base Cost per Sq Metre		£1,513
Externals and Infrastructure	At 15% Base Construction	£227
Construction costs (sub total)		£1,740
Total Construction Costs		£522,000
Professional Fees	At 6% Base Construction	£31,320
Overheads	At 5% Base Construction	£26,100
Finance	At 7% Base Construction	£36,540
Marketing Fees	At 2% of Capital Value	£16,875
Developer return	At 15% Capital Value	£126,563
Other Development Costs (Total)		£237,398
Total Development Costs		£759,398
Residual Value (Total Rev less Total Cost)		£84,352

Small Office B1

Revenue		
Unit Size (Square Metres)		300
Rental Value (£ per Sq M)		£130
Initial Yield		8
Total Rental		£39,000
Years Purchase (YP)		12.5
Capital Value		£487,500

Costs		
Construction		
Unit Size (Square Metres)		300
Base Cost per Sq Metre		£1,233
Externals and Infrastructure	At 15% Base Construction	£185
Construction costs (sub total)		£1,418
Total Construction Costs		£425,400
Professional Fees	At 6% Base Construction	£25,524
Overheads	At 5% Base Construction	£21,270
Finance	At 7% Base Construction	£29,778
Marketing Fees	At 2% of Capital Value	£9,750
Developer return	At 15% Capital Value	£73,125
Other Development Costs (Total)		£159,447
Total Development Costs		£584,847
Residual Value (Total Rev less Total Cost)		-£97,347

B2 Use - Large Industrial

Revenue		
Unit Size (Square Metres)		5000
Rental Value (£ per Sq M)		£50
Initial Yield		9

Total Rental		£250,000
Years Purchase (YP)		11.1
Capital Value		£2,775,000
Costs		
Construction		
Unit Size (Square Metres)		5000
Base Cost per Sq Metre		£702
Externals and Infrastructure	At 15% Base Construction	£105
Construction costs (sub total)		£807
Total Construction Costs		£4,036,710
Professional Fees	At 6% Base Construction	£267,727
Overheads	At 5% Base Construction	£223,105
Finance	At 7% Base Construction	£312,348
Marketing Fees	At 2% of Capital Value	£50,000
Developer return	At 15% Capital Value	£375,000
Other Development Costs (Total)		£1,228,180
Total Development Costs		£5,264,890
Residual Value (Total Rev less Total Cost)		- £2,764,890

B2 Use - Small Industrial

Revenue		

Unit Size (Square Metres)		500
Rental Value (£ per Sq M)		£70
Initial Yield		8.5
Total Rental		£35,000
Years Purchase (YP)		11.76
Capital Value		£411,764
Costs		
Construction		
Unit Size (Square Metres)		500
Base Cost per Sq Metre		£702
Externals and Infrastructure	At 15% Base Construction	£105
Construction costs (sub total)		£807
Total Construction Costs		£403,671
Professional Fees	At 6% Base Construction	£24,220
Overheads	At 5% Base Construction	£20,183
Finance	At 7% Base Construction	£28,256
Marketing Fees	At 2% of Capital Value	£8,235
Developer return	At 15% Capital Value	£61,764
Other Development Costs (Total)		£142,658
Total Development Costs		£546,329

Residual Value (Total Rev less Total Cost)		-£134,565
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B8 Use - Warehouses

Revenue		
Unit Size (Square Metres)		5000
Rental Value (£ per Sq M)		£30
Initial Yield		9
Total Rental		£150,000
Years Purchase (YP)		11.1
Capital Value		£1,666,500
Costs		
Construction		
Unit Size (Square Metres)		5000
Base Cost per Sq Metre		£550
Externals and Infrastructure	At 15% Base Construction	£83
Construction costs (sub total)		£632
Total Construction Costs		£3,160,000
Professional Fees	At 6% Base Construction	£189,600
Overheads	At 5% Base Construction	£158,000
Finance	At 7% Base Construction	£221,200
Marketing Fees	At 2% of Capital Value	£33,330

Developer return	At 15% Capital Value	£249,975
Other Development Costs (Total)		£852,105
Total Development Costs		£4,012,105
Residual Value (Total Rev less Total Cost)		- £2,345,605

D1 Use

Revenue		
Unit Size (Square Metres)		500
Rental Value (£ per Sq M)		£130
Initial Yield		7
Total Rental		£65,000
Years Purchase (YP)		14.28
Capital Value		£928,200
Costs		
Construction		
Unit Size (Square Metres)		500
Base Cost per Sq Metre		£1,413
Externals and Infrastructure	At 15% Base Construction	£212
Construction costs (sub total)		£1,625
Total Construction Costs		£812,497
Professional Fees	At 6% Base	£23,835

	Construction	
Overheads	At 5% Base Construction	£11,917
Finance	At 7% Base Construction	£27,807
Marketing Fees	At 2% of Capital Value	£18,564
Developer return	At 15% Capital Value	£139,230
Other Development Costs (Total)		£221,353
Total Development Costs		£1,033,850
Residual Value (Total Rev less Total Cost)		-£105,650

D2 Use

Revenue		
Unit Size (Square Metres)		300
Rental Value (£ per Sq M)		£100
Initial Yield		8
Total Rental		£30,000
Years Purchase (YP)		12.5
Capital Value		£375,000
Costs		
Construction		
Unit Size (Square Metres)		300
Base Cost per Sq Metre		£1,164

Externals and Infrastructure	At 15% Base Construction	£175
Construction costs (sub total)		£1,339
Total Construction Costs		£401,700
Professional Fees	At 6% Base Construction	£24,102
Overheads	At 5% Base Construction	£20,085
Finance	At 7% Base Construction	£28,119
Marketing Fees	At 2% of Capital Value	£15,780
Developer return	At 15% Capital Value	£118,350
Other Development Costs (Total)		£88,204
Total Development Costs		£489,904
Residual Value (Total Rev less Total Cost)		-£114,904

DRAFT

Appendix 5

Worked example: North Wrexham and Gresford

1 - SITE IDENTIFICATION

Site Details	<input type="text" value="North Wrexham and Gresford"/>
Site Address	<input type="text" value="30 Dph"/>
Site Reference	<input type="text"/>
Application Number	<input type="text"/>
Scheme Description	<input type="text" value="Example Scheme - 1 Hectare"/>

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

3 - BASIC SITE INFORMATION

Total Size of Site In Hectares

Density / Number of Dwellings

Specify either a number of dwellings or a density for this site. If a scheme already exists in the Toolkit then adjusting the density will result in clearance of the unit details on the next page.

Enter a Number of Dwellings (Density is then calculated)

Number of dwellings

Enter your own density

Enter density

Adjust density %

Resulting Number of Dwellings

Resulting Density dph

Is this a rural development?

Bedspaces

Specify the number of bedspaces:

Specify the number of habitable rooms:

4 - CHARACTERISTICS OF DEVELOPMENT

You can either enter the details for each unit type in the cells below or press the button 'Use default unit types' to call up the Toolkit values

Clear Table

Click this button to clear table contents

Use Default Unit Types

Press this button to automatically use the default units types and mix.

Ref.	Description of Dwelling	No of Bed-Rooms	Dwelling Type	No of Units	Size in sq.m Affordable	Size in sq.m Market	Parking (flats only)	No. of Storeys (1-99)
1								
2	2 Bed Flats	2	Flat	1	66	60	none	2
3	2 Bed Terraces	2	House	3	68	67	Surface	n/a
4	3 Bed Terraces	3	House	5	80	78	Surface	n/a
5	3 Bed Senis	3	House	6	84	82	Surface	n/a
6	3 Bed detached	3	House	7	90	94	Surface	n/a
7	4 Bed Detached	4	House	5	110	120	Surface	n/a
8	5 Bed Detached	5	House	3	120	130	Surface	n/a
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total Number of units				30.00				

On the following pages of the Toolkit you must clear any values left in the Rents and Market Values tables; this information may no longer be relevant

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5 - MARKET VALUES

This is a user entered scheme

There are no default unit prices available, please clear the table and enter your own values

Market Value price adjust (%)

100 %

Reset

Clear Table

Ref.	Dwelling Type	No of Bed Rooms	Market Value	Adjusted Market Value
1				
2	2 Bed Flats	2	£128,000	£128,000
3	2 Bed Terraces	2	£130,000	£130,000
4	3 Bed Terraces	3	£150,000	£150,000
5	3 Bed Senis	3	£157,000	£157,000
6	3 Bed detached	3	£200,000	£200,000
7	4 Bed Detached	4	£236,000	£236,000
8	5 Bed Detached	5	£260,000	£260,000
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

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6 - TENURE MIX

You may decide the distribution of the units across the tenures in two ways. By Percentage: In which case you enter a percentage of the total number of units to assign to each tenure. These percentages are applied equally across all unit types. By Quantity: In which case enter the exact number of units of each type to assign to each tenure in the table below.

Input by Percentages

Input by Quantity

Ref.	Description	SALE	AFFORDABLE			No of Units
			Social rent	Homebuy	Intermediate rent	
1		65%	18%	18%		
2	2 Bed Flats	0.7	0.2	0.2		1.0
3	2 Bed Terraces	2.0	0.5	0.5		3.0
4	3 Bed Terraces	3.3	0.9	0.9		5.0
5	3 Bed Senis	3.9	1.1	1.1		6.0
6	3 Bed detached	4.6	1.2	1.2		7.0
7	4 Bed Detached	3.3	0.9	0.9		5.0
8	5 Bed Detached	2.0	0.5	0.5		3.0
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
Total		19.5	5.3	5.3		30.0

Percentage purchased by purchaser for Homebuy	Default:	70%	User:	<input type="text"/>
Percentage purchased by purchaser for Equity Share	Default:	70%	User:	<input type="text"/>

The number of dwellings may be expressed as fractions for the purposes of

11 - DEVELOPMENT COSTS

Depress this button to
clear these tables

Clear Tables

Build Costs per sq m

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank the Toolkit Value for that row will be

	Toolkit Values	User Values
Bungalows	£1,120	
Flats (16+ storeys)	£1,985	
Flats (6-15 storeys)	£1,490	
Flats (5 & less storeys)	£1,086	£1,132
Houses <= 75m2	£945	£931
Houses > 75m2	£905	£918

Other Development Costs

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank the Toolkit Value for that row will be used

	Toolkit Values	User Values	
Professional Fees %	12%		of build costs
Internal Overheads	5%		of build costs (Market and ES)
Finance (Market)	6%		of build costs (Market and ES)
Finance (Affordable Housing)	6%		of build costs (SR, NH and IR units)
Marketing Fees	3%		of market value (Market and ES)
Developers Return	17%		of market value (Market and ES)
Contractors Return	5%		of development costs (excl finance) applies to SR, NH and IR units

Land Finance Please see guidance notes

Wheelchair Costs

	Toolkit Value	User Values
Unit size increase	25%	
Build cost increase	15%	

Exceptional Development Costs

Costs for Code SH	
<Enter cost description>	£0
<Enter cost description>	£0
Scheme Total	£0

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14 - CAPITAL VALUE OF AFFORDABLE HOUSING

Please select the method by which the capital value of the scheme is generated

- Capital value is based on ACG - Grant is available
- Capital value is based on ACG - Grant is not available
- Capital value is based on income to the housing association - grant may be available
- Capital payment is agreed between the housing association and the developer

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18 - KNOWN REVENUE

Enter the known payments to be made by the RSL to the developer]

	Number Of Units	Known Revenue per unit	Revenue for the tenure
Social Rent	5.25	£ 60,000	
Homebuy	5.25	£ 130,000	
Intermediate Rent	0		
Equity Share	0		
Or enter a known revenue for the scheme			

Method of Calculation	Total Revenue
Per Unit	£ 315,000
Per Unit	£ 682,500
Incomplete	£ -
Incomplete	£ -
	£ 997,500

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21 - SCHEME RESULTS

Site Economics

RESIDUAL VALUE	£	697,500
Total scheme revenue	£	4,618,500
Total scheme costs	£	3,921,000

Residual	Per hectare	£	698,000
	Per dwelling	£	23,000
	Per market dwelling	£	36,000
	Per bedspace		No Info
	Per habitable room		No Info

Revenue	Market housing	£	3,621,000
	Affordable Housing	£	997,500
	- Social rent	£	315,000
	- Homebuy	£	683,000
	- Intermediate Rent	£	-
	- Equity Share	£	-
	Capital Contribution	£	-
	Commercial Elements	£	-

Costs	Market housing	£	2,785,000
	Affordable Housing	£	1,085,000
	- Social rent	£	543,000
	- Homebuy	£	543,000
	- Intermediate Rent	£	-
	- Equity Share	£	-
	Planning Obligations	£	-
	Exceptional Development C	£	-
	Commercial Elements	£	-
	Land Finance	£	-

Alternative Site Values		Against residual	
Existing Use Value	£	-	£ -
Acquisition Cost	£	-	£ -
Alternative Use Value 1	£	-	£ -
Alternative Use Value 2	£	-	£ -
Alternative Use Value 3	£	-	£ -

Site Details

Site	30 Dph
Address	
Site Details	North Wrexham and Gresford

Site Reference	0
Application Number	0
Site Location	Carmarthenshire
Scheme Description	Example Scheme - 1 Hectare

Total number of units	Dwellings	30
	Bedrooms	No Info
	Bedspaces	No Info
	% Wheelchair Units	0%

Density (per hectare)	Dwellings	30.0
	Bedrooms	No Info
	Bedspaces	No Info

Affordable Units	Quantity	% of All Units
Total	10.5	35%
Social rent	5.3	18%
Intermediate	5.3	18%

Grant	Whole scheme	£	-
	Per Social Rental dwelling	£	-
	Per HomeBuy dwelling	£	-

Cost Components

Discounting Function

Save Results

View Results

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GLOSSARY OF TERMS

A

Abnormal Development Costs: Costs associated with difficult ground conditions eg contamination.

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

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

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

B

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

C

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

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

D

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

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

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

E

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

F

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

G

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

I

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

L

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

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

M

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

P

Planning Obligation: a contribution, either in kind or in financial terms which is necessary to mitigate the impacts of the proposed development. Affordable housing is a planning obligation as are, for example, education and open space contributions. (See Section 106)

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

R

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

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

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

S

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

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

Shared Ownership (SO): Also known as a product as 'New Build HomeBuy'. From a developer or land owner's perspective SO provides two revenue streams: to the housing association as a fixed purchase sum on part of the value of the unit; and on the rental stream. Rent charged on the rental

element is normally lower than the prevailing interest rate, making this product more affordable than home ownership.

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

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

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

T

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

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

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

V

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