

Pembrokeshire Coast National Park Authority Affordable Housing Study

For the Pembrokeshire Coast National Park replacement Local Development Plan Preferred Strategy

Final Report

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Pages 9 and 10**

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1 INTRODUCTION

Review of project aims

- 1.1 The Pembrokeshire Coast National Park Authority (the Authority) requires a viability assessment to draft its strategic affordable housing policy in its replacement Local Development Plan (LDP). The study is to relate to the Park area only, and not to wider Pembrokeshire.
- 1.2 Planning Policy Wales indicates that land for housing is central to planning policy. Local Planning Authorities (LPAs) should, when preparing development plans, set targets for Affordable Housing (AH) which reflect the likely economic viability of land for housing. In line with Technical Advice Note (TAN) 2 (Planning and Affordable Housing) this involves making informed assumptions about the levels of finance available for AH and the type of AH to be provided.
- 1.3 LPAs require Affordable Housing Viability Studies as part of their evidence base for use in preparing LDPs. The importance of gathering evidence about development economics was identified in TAN 2 which states that, in relation to setting the affordable housing target:

‘The target should take account of the anticipated level of finance available for affordable housing, including public subsidy, and the level of developer contribution that can realistically be sought’. (TAN 2, Para 9.1)

- 1.5 The objective of this study is to test possible Affordable Housing targets, but in doing so to test the assumptions with key stakeholders in order to obtain agreement on key viability variables such as prices, costs and land value benchmarks. The study will be used as evidence for the Pembrokeshire Coast National Park replacement Local Development Plan. Site specific appraisals are to be carried out when preparing the Deposit replacement Local Development Plan under a separate commission. This is a strategic assessment of potential affordable housing requirements for the Preferred Strategy.

Structure of the report

- 1.6 The remainder of the report adopts the following structure:
 - Chapter 2 sets out the general approach to viability assessment;

- Chapter 3 describes the methodological approach used by this report;
- Chapter 4 sets out the results of the High Level Testing for the sub markets across a range of densities;
- Chapter 5 looks at the issue of land value benchmarks and applies these, on a location-adjusted basis, to the residual values. The chapter concludes whether the Affordable Housing targets will be viable or not;
- Chapter 6 looks at housing market change over the longer and shorter run as a way of understanding where we might be in the market cycle;
- Chapter 7 provides overall conclusions on the update report.

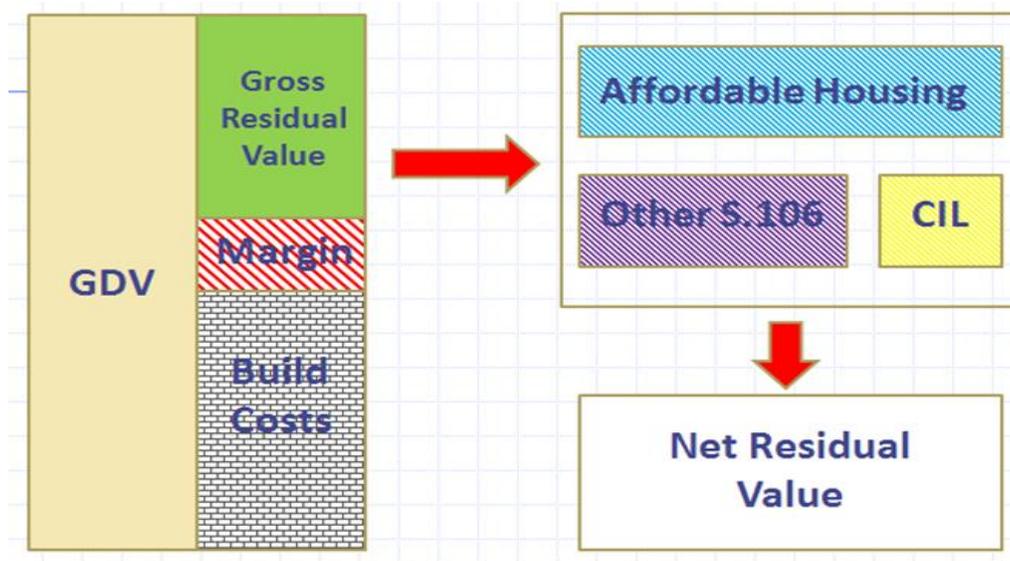
2 APPROACH TO VIABILITY ASSESSMENT

Overview

- 2.1 The appraisal model adopted is the Wales Development Appraisal Toolkit. This generic model operates in the majority of local authorities in Wales. It is regarded as the industry standard in Wales and is endorsed by the development industry.
- 2.2 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.
- 2.3 It is important to understand how viability is assessed in the planning and development process. The assessment of viability is usually referred to a residual development appraisal approach. The approach is illustrated in the diagram below. This shows that the starting point for negotiations is the gross residual site value which is the difference between the scheme revenue (gross development value – GDV) and scheme costs, including a reasonable allowance for developer return.
- 2.4 Once Community Infrastructure Levy (CIL) or Section 106 contributions have been deducted from the gross residual value, a ‘net’ residual value results.

The question is then whether this net residual value is sufficient in terms of development value relative to the site in its current use.

Figure 2.1 Assessing residual value

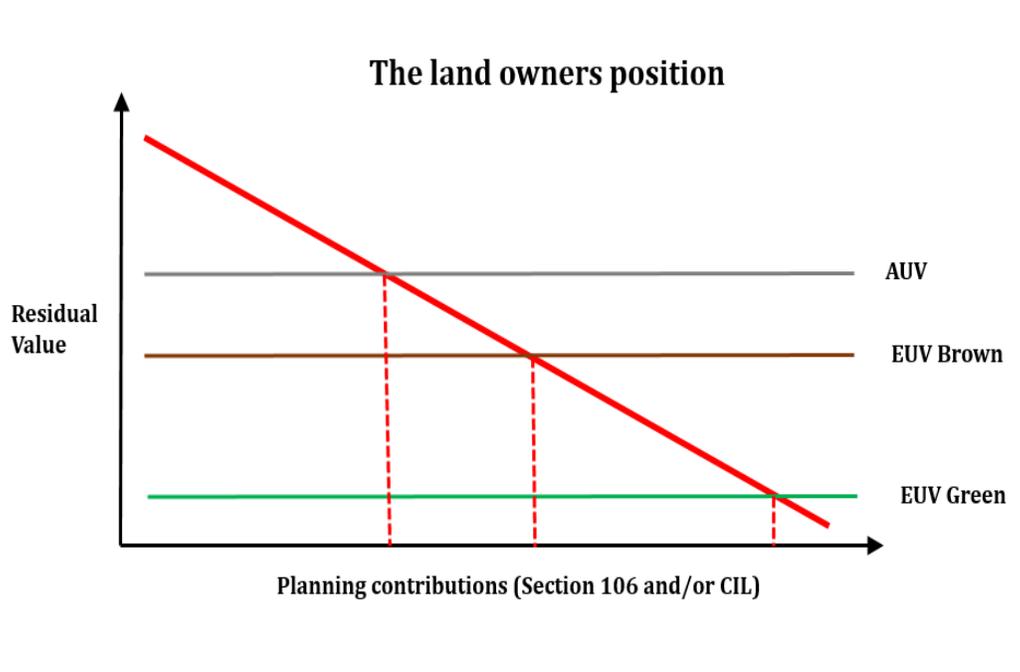


- 2.5 The value of a site with a specific planning permission is only one factor in deciding what is viable.

Land owner considerations

- 2.6 A site is extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee that development happens. The existing use value of the site, or indeed a realistic alternative use value for a site (e.g. commercial) will also play a role in the mind of the land owner in bringing the site forward and thus is a factor in deciding whether a site is likely to be brought forward for housing.

Figure 2.2 Viability from the land owner's viewpoint



- 2.7 Figure 2.2 shows how this operates. The land owner will always be concerned to ensure that residual value clears the relevant land value benchmark (LVB).
- 2.8 A range of LVBs are possible. EUV (Existing Use Value) can be for green field (agricultural) value or for brown field (industrial/commercial).
- 2.9 Or, an AUV (Alternative Use Value) might be considered. AUV would be realistic for example where the local authority wished to see a site developed for housing. In this case the AUV should approximate the residual value for the scheme taking into account Section 106 and/or CIL requirements.
- 2.10 An AUV may also be realistic where a local authority accepts that a developer could build the site out using an extant consent. In this case, the local authority should consider the extent to which it needs the site to be developed as otherwise it may negotiate from 'square one' comparing EUV with the residual value generated by the new scheme.

3 METHODOLOGY AND KEY DATA ASSUMPTIONS

Introduction

- 3.1 The 2014 report¹ focused on a range of sites across the National Park area as well as sub market areas. This report focuses on sub market areas to provide affordable housing requirements for strategic areas. A further study will be done prior to the Local Development Plan being placed on Deposit to identify appropriate affordable housing requirements for specific land allocations.
- 3.2 The analysis is based on a notional one hectare site and has been undertaken for a series of house price sub markets that have been identified. The notional one hectare site is used as a comparable and practical measure for benchmarking results.
- 3.3 The chapter explores viability of development and looks at the residual value for a range of scenarios tested.

Sub Market areas

- 3.4 The sub market analysis was developed in 2014 with the baseline report. This involved the development of a geographical template of postcode sectors which were then grouped to give sub markets. These are shown in Table 3.1 below.
- 3.5 The purpose of the development of sub markets is to test the potential range of Affordable Housing targets that might be appropriate for the National Park area. The approach has been adopted in the vast majority of the Wales Affordable Housing Viability and CIL studies. Some viability assessments have focused previously on 'price points' as a way of testing policy. However the approach advocated here is focused on geographical areas.
- 3.6 The approach recognises the balance to be struck between having an area as 'micro' as possible whilst still retaining a good sample of transactions. In most cases this is achieved, however at some levels, only a small number of sales is available. To counteract this, past data (indexed forward) are used.
- 3.7 The postcode sector is seen to be the optimal unit of geographical assessment as it is micro as well as having a representative number of transactions. There will be instances where some settlements overlap postcode sector

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[http://www.pembrokeshirecoast.org.uk/Files/files/31079%20Pembrokeshire%20Coast%20NPA%20Aff%20Housing%20Project%20Report%20FINAL%2016-04-14%20\(2\).pdf](http://www.pembrokeshirecoast.org.uk/Files/files/31079%20Pembrokeshire%20Coast%20NPA%20Aff%20Housing%20Project%20Report%20FINAL%2016-04-14%20(2).pdf)

boundaries; the northern part of Tenby for example falls within SA70 8, which is part of the South East Coast. Under these circumstances, the headline target should be followed unless individual site specific testing suggests differently.

- 3.8 An analysis of house prices in the National Park area was first undertaken in 2014 using HM Land Registry data. The analysis was based on sub markets. These sub markets were based on discussions with the Authority and with stakeholders.
- 3.9 The house price data has been updated for this (2016) report by analysing all second hand² transactions for the National Park area from January 2014 to July 2016; calibrating this data; indexing it forward to August 2016; and adding a new build premium (based on SA postcode Area general)
- 3.10 The indicative new build house prices are shown in Table 3.2.

² New build transaction data is excluded so that the new build premium is not added to the transactions for new builds.

Table 3.1 Viability sub markets in the Pembrokeshire Coast National Park

PCS	Sub Market	Local & Tourism Centre	Local Centres	Rural Centres
SA42 0	Newport		Newport	Dinas Cross, Nevern
SA70 7	Tenby	Tenby		Jameston, Lydstep, Manorbier, Manorbier Station
SA34 0 ³	South East Coast			
SA69 9	South East Coast		Saundersfoot	New Hedges, Wiseman's Bridge
SA70 8	South East Coast	Tenby		Carew, Jameston, Milton, New Hedges
SA67 8	South East Coast			Amroth, Pleasant Valley, Summerhill
SA62 6	St David's & North Coast		St Davids	Roch, Newgale, Solva
SA64 0	St David's & North Coast			
SA62 5	St David's & North Coast			Porthgain, Trefin, Square and Compass
SA71 5	South West Coast			Angle, Bosherton, Castlemartin, Lamphey
SA62 3	St Brides Bay			Dale, Broad Haven, Little Haven, Marloes, Nolton Haven, St Ishmaels
SA73 3	St Brides Bay			Herbrandston
SA62 4	Estuary Hinterland			Hook, Llangwm
SA68 0	Estuary Hinterland			Cresswell Quay, Lawrenny
SA72 4	Estuary Hinterland			Cosheston
SA73 1	Estuary Hinterland			Houghton
SA66 7	North East NP			Mynachlogddu, Rosebush
SA65 9	North East NP			Pontfaen
SA43 3	North East NP			Moylegrove

³ Technical update 30/04/2019 – Postcode sector that is included in the calculations missing from this table, added.

SA41 3	North East NP		Crymch	Felindre Farchog
SA63 4	North East NP			

Source: Market value areas as agreed between Andrew Golland Associates and the PCNPA and stakeholders.

Table 3.2⁴ Indicative new build house prices in the Pembrokeshire Coast National Park

Sub Markets	Post Code Sectors	Detached			Semis			Terraced		Flats			Bungalows	
		5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	3 Bed	2 Bed	3 Bed	2 Bed	1 Bed	3 Bed	2 Bed
Newport	SA42 0	£493,000	£429,000	£343,000	£358,000	£326,000	£266,000	£324,000	£265,000	£290,000	£252,000	£164,000	£391,000	£319,000
Tenby	SA70 7	£477,000	£415,000	£332,000	£346,000	£315,000	£257,000	£313,000	£256,000	£280,000	£244,000	£158,000	£378,000	£308,000
South East Coast	SA66 7; SA67 8; SA69 9; SA70 8; SA34	£338,000	£294,000	£235,000	£245,000	£223,000	£183,000	£222,000	£181,000	£199,000	£173,000	£112,000	£268,000	£220,000
St David's & North Coast	SA62 5; SA62 6; SA64 0	£290,000	£252,000	£202,000	£211,000	£191,000	£157,000	£190,000	£156,000	£171,000	£148,000	£97,000	£229,000	£188,000
South West Coast	SA71 5	£268,000	£233,000	£187,000	£195,000	£177,000	£145,000	£176,000	£144,000	£158,000	£137,000	£90,000	£212,000	£174,000
St Brides Bay	SA62 3; SA73 3	£261,000	£227,000	£182,000	£189,000	£173,000	£141,000	£171,000	£140,000	£154,000	£133,000	£87,000	£208,000	£169,000
Estuary Hinterland	SA62 4; SA68 0; SA72 4; SA73 1	£257,000	£223,000	£179,000	£186,000	£170,000	£139,000	£168,000	£138,000	£151,000	£131,000	£85,000	£204,000	£167,000
North East National Park	SA41 C3; SA43 3; SA63 4; SA65 9	£256,000	£222,000	£178,000	£185,000	£169,000	£138,000	£167,000	£137,000	£150,000	£130,000	£84,000	£203,000	£166,000

Source: Land Registry sales and Rightmove

⁴ Corrections – The Postcode Sector SA66 7 is part of “North East National Park” and should not be included in “South East Coast” as per Table 3.1. Additionally, South East Coast includes specifically SA34 0 and not “SA34” as per Table 3.1.

Assumptions (notional one hectare site)

3.11 As previously, for the viability testing, a number of development mix scenarios have been tested. The density assumptions are as shown in Table 3.3 below:

Table 3.3 Density assumptions⁵

	Dwellings per Hectare				
	20	30	40	50	80
1 Bed Flats			5	5	20
2 Bed Flats		5	5	10	30
2 Bed Terraces	10	10	15	20	30
3 Bed Terraces	15	15	15	20	20
3 Bed Semis	20	20	20	20	
3 Bed Detached	20	20	20	15	
4 Bed Detached	20	15	10	10	
5 Bed Detached	5	5	5		
3 Bed Bungalow	10	10	5		
	100	100	100	100	100

3.12 Residual values have been calculated for a notional one hectare site. These (base mix) scenarios have been tested in line with a further set of tenure assumptions including Affordable Housing tests at 0%, 5%, 10%, 15%, 20%, 25%, 30%, 35% 40%,45% and 50%.

3.13 The Affordable Housing element has been tested adopting the ACG (Acceptable Cost Guidance) approach for the settlements across Pembrokeshire. The ACGs are shown in Table 3.4 below:

⁵ Proportions of flat and house types are shown in percentages.

Table 3.4 Acceptable Cost Guidance (ACGs)

ANNEX A - ACCEPTABLE COST GUIDANCE

TABLE 1 - SELF CONTAINED UNITS - GENERAL NEEDS & ELDERLY

UNIT TYPE		BAND 1	BAND 2	BAND 3	BAND 4	BAND 5
7P4B	HOUSE	176300	191300	206400	226500	246600
6P4B	HOUSE	166500	179200	192000	209000	226000
5P3B	HOUSE	142600	153600	164700	179400	194200
4P3B	HOUSE	133500	143900	154200	168000	181900
4P2B	HOUSE	127100	137500	147800	161600	175500
3P2B	BUNGALOW	115200	128000	140700	157700	174700
3P2B	FLAT	109400	114500	119700	126600	133500
2P1B	FLAT	86600	91200	95800	101900	108000
1P1B	BEDSIT	64800	68500	72200	77100	82000

Source: Welsh Government: Acceptable Cost Guidance figures are used as a guide for all schemes developed with Social Housing Grant⁶:

3.14 There are four ACG 'bands' operating across Pembrokeshire. These are 1 to 4. Higher value areas, for example Tenby, have higher values and hence attract a higher implicit subsidy.

3.15 The analysis assumes payments by housing associations for Affordable units on a tenure neutral basis at 42% of ACG. A tenure neutral basis is a common approach adopted now in Affordable Housing and CIL Viability studies to take account of a 'non grant' funded world. This covers all eventualities in terms of the tenure that might be selected and means that whatever combination of Social Rent and Intermediate Affordable Housing is adopted within a scheme the revenue is assumed to be the same.

⁶ Acceptable Cost Guidance/On-Costs for use with Social Housing Grant Funded Housing in Wales, Welsh Government (2015): <http://gov.wales/docs/desh/publications/150401-acceptable-cost-guidance-en.pdf>

Construction costs

3.16 Construction costs are shown in Table 3.5 below. These are based on the Royal Institution of Chartered Surveyors (RICS) Building Cost Information Service (BCIS) data with relevant adjustments. Costs are shown in Table 3.5 below.

Table 3.5 Construction Costs

	Base Costs	External Works & Infrastructure	Pembrokeshire Factor	Sub Total	Less Contractors Return	Total
		(At 15%)			(at 6%)	
Flats - Low Rise	£1,175	£176	0.92	£1,243	£75	£1,169
Estate Housing (2 Storey)	£1,016	£152	0.92	£1,075	£64	£1,010

The table shows the Pembrokeshire factor. This is the factor that reflects local costs relative to the national (BCIS) sample. It suggests that costs are some 8% lower than nationally.

Other development costs

3.17 Other development costs include professional fees, finance costs, marketing fees and developer return. The assumptions made are in line with the Wales DAT (Development Appraisal Toolkit) are shown in Table 3.6 below. These assumptions were agreed previously with the Home Builders Federation at a time when the housing market was significantly weaker. The margin allowed for (17%) in conjunction with the Overhead percentage (5%) will normally equate to a 20% return on gross development value.

Table 3.6 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

Source: Wales Development Appraisal Toolkit

3.18 The overall return is shown in Table 3.7 via the following basic calculation:

		17% Margin	5% Overhead	
Sale Value	£200,000	£34,000		
Construction Costs	£120,000		£6,000	
Total				£40,000
Overall % Return				20

Other (than Affordable Housing) Section 106 contributions

3.19 These have been tested at £4,607 per unit in line with the Authority's most recent estimates which should cover highways, education and

open space requirements in most new developments in the National Park area.

CHAPTER 4 – RESULTS AND ANALYSIS

Results overview

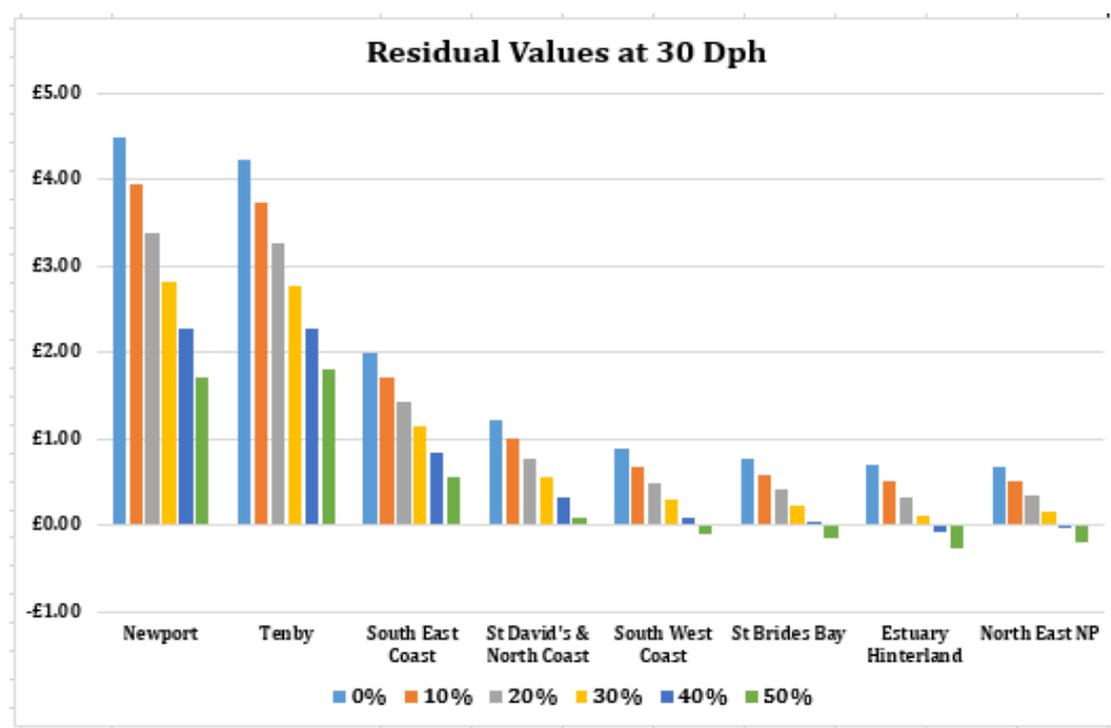
- 4.1 The full set of results is set out in Table 4.1 – see next page. The table shows residual values for a notional one hectare site as set out in the previous chapter.

Table 4.1 Residual values per hectare (£ million)

20 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Newport	£3.00	£2.81	£2.63	£2.44	£2.26	£2.07	£1.89	£1.70	£1.52	£1.33	£1.15
Tenby	£2.84	£2.68	£2.52	£2.35	£2.19	£2.03	£1.87	£1.70	£1.54	£1.37	£1.21
South East Coast	£1.35	£1.25	£1.16	£1.06	£0.96	£0.86	£0.77	£0.67	£0.58	£0.48	£0.38
St David's & North Coast	£0.83	£0.75	£0.68	£0.60	£0.52	£0.44	£0.37	£0.29	£0.21	£0.13	£0.06
South West Coast	£0.61	£0.54	£0.47	£0.40	£0.34	£0.27	£0.20	£0.13	£0.07	£0.01	-£0.05
St Brides Bay	£0.53	£0.46	£0.40	£0.34	£0.28	£0.22	£0.16	£0.09	£0.03	-£0.03	-£0.09
Estuary Hinterland	£0.46	£0.40	£0.35	£0.29	£0.23	£0.17	£0.11	£0.05	-£0.01	-£0.07	-£0.12
North East NP	£0.48	£0.41	£0.35	£0.28	£0.21	£0.14	£0.08	£0.01	-£0.05	-£0.09	-£0.13
30 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Newport	£4.49	£4.22	£3.94	£3.66	£3.38	£3.10	£2.82	£2.55	£2.27	£1.99	£1.71
Tenby	£4.23	£3.99	£3.74	£3.50	£3.26	£3.02	£2.77	£2.53	£2.28	£2.04	£1.80
South East Coast	£2.00	£1.86	£1.71	£1.57	£1.43	£1.29	£1.14	£1.00	£0.85	£0.71	£0.56
St David's & North Coast	£1.23	£1.12	£1.00	£0.89	£0.77	£0.66	£0.55	£0.44	£0.32	£0.21	£0.09
South West Coast	£0.89	£0.79	£0.69	£0.60	£0.50	£0.40	£0.30	£0.20	£0.10	£0.01	-£0.09
St Brides Bay	£0.78	£0.69	£0.59	£0.50	£0.41	£0.32	£0.23	£0.14	£0.04	-£0.05	-£0.14
Estuary Hinterland	£0.70	£0.61	£0.51	£0.42	£0.32	£0.22	£0.12	£0.03	-£0.07	-£0.17	-£0.27
North East NP	£0.69	£0.60	£0.51	£0.43	£0.34	£0.25	£0.16	£0.08	-£0.01	-£0.10	-£0.18
40 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Newport	£5.52	£5.17	£4.83	£4.48	£4.14	£3.79	£3.45	£3.10	£2.76	£2.41	£2.07
Tenby	£5.20	£4.89	£4.59	£4.29	£3.99	£3.69	£3.39	£3.08	£2.78	£2.48	£2.18
South East Coast	£2.44	£2.26	£2.08	£1.90	£1.72	£1.54	£1.36	£1.18	£1.00	£0.82	£0.65
St David's & North Coast	£1.73	£1.57	£1.42	£1.26	£1.11	£0.95	£0.80	£0.64	£0.49	£0.33	£0.18
South West Coast	£1.06	£0.94	£0.82	£0.69	£0.57	£0.45	£0.33	£0.21	£0.09	-£0.04	-£0.16
St Brides Bay	£0.92	£0.80	£0.69	£0.57	£0.46	£0.34	£0.23	£0.06	-£0.10	-£0.17	-£0.23
Estuary Hinterland	£0.84	£0.71	£0.59	£0.47	£0.35	£0.22	£0.10	-£0.02	-£0.14	-£0.27	-£0.39
North East NP	£0.81	£0.67	£0.54	£0.45	£0.37	£0.26	£0.15	£0.04	-£0.07	-£0.18	-£0.29
50 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Newport	£6.50	£6.09	£5.68	£5.27	£4.86	£4.45	£4.04	£3.63	£3.22	£2.81	£2.40
Tenby	£6.11	£5.76	£5.40	£5.04	£4.68	£4.33	£3.97	£3.61	£3.25	£2.89	£2.53
South East Coast	£2.86	£2.65	£2.43	£2.22	£2.00	£1.79	£1.57	£1.36	£1.14	£0.93	£0.71
St David's & North Coast	£1.73	£1.56	£1.39	£1.22	£1.04	£0.87	£0.70	£0.53	£0.36	£0.19	£0.02
South West Coast	£1.23	£1.08	£0.93	£0.79	£0.64	£0.50	£0.35	£0.21	£0.06	-£0.09	-£0.24
St Brides Bay	£1.06	£0.92	£0.78	£0.65	£0.51	£0.37	£0.23	£0.10	-£0.04	-£0.18	-£0.32
Estuary Hinterland	£0.96	£0.81	£0.66	£0.52	£0.37	£0.23	£0.08	-£0.07	-£0.22	-£0.36	-£0.51
North East NP	£0.91	£0.79	£0.66	£0.53	£0.39	£0.26	£0.13	£0.00	-£0.13	-£0.26	-£0.39
80 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Newport	£8.20	£7.67	£7.14	£6.62	£6.09	£5.56	£5.03	£4.50	£3.97	£3.45	£2.92
Tenby	£7.70	£7.24	£6.77	£6.31	£5.84	£5.38	£4.92	£4.46	£3.99	£3.53	£3.06
South East Coast	£3.48	£3.21	£2.93	£2.66	£2.38	£2.11	£1.83	£1.56	£1.28	£1.01	£0.73
St David's & North Coast	£2.04	£1.79	£1.54	£1.35	£1.15	£0.94	£0.72	£0.50	£0.28	£0.06	-£0.16
South West Coast	£1.38	£1.19	£1.00	£0.82	£0.63	£0.45	£0.26	£0.07	-£0.12	-£0.31	-£0.49
St Brides Bay	£1.14	£0.97	£0.79	£0.62	£0.44	£0.27	£0.09	-£0.09	-£0.26	-£0.44	-£0.61
Estuary Hinterland	£1.01	£0.83	£0.64	£0.46	£0.27	£0.09	-£0.10	-£0.29	-£0.48	-£0.60	-£0.71
North East NP	£0.95	£0.79	£0.62	£0.46	£0.29	£0.13	-£0.04	-£0.21	-£0.38	-£0.55	-£0.71

- 4.2 Table 4.1 shows the full range of residual values (RVs) for all densities. The range is wide, reflecting the fact that construction costs do not vary nearly so widely as selling prices. The values are for example higher at 50% Affordable Housing at the top of the market than they are at 0% Affordable Housing in a sub market such as the North East of the Park area.
- 4.3 Clearly most development will not fall within the higher densities⁷ so analysis and policy conclusions should focus on the lower densities, particularly around 30 dwellings per hectare (dph) which is likely to prove typical of development in Pembrokeshire.
- 4.4 Figure 4.1 shows residual values for the full range of sub markets at 30 dwellings per hectare. This will be a mix of family type development with a significant proportion of larger housing.

Figure 4.1 Residual values (£ million per hectare) at 30 dph



- 4.5 The overall pattern of values shows Newport and Tenby as having significantly higher residual values than the other six sub markets. These are so much higher than the other areas, the results suggest, all

⁷ Some higher densities may be and have been achieved in Tenby and Saundersfoot

other things equal, a significantly higher Affordable Housing contribution in those areas.

- 4.6 Affordable housing contributions in a mid market location such as St David's are currently set at 30%. Residual value at this level is around £550,000 per hectare, which is significantly above existing use values for green field sites.
- 4.7 It should be noted that residual values in the lower sub markets fall below £300,000 per hectare above 30% Affordable Housing.
- 4.8 Table 4.2 sets out the residual values shown in Figure 4.1 in tabular form highlighting (in green) the 2014 Study position and the residual values at each.

30 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Newport	£4.49	£4.22	£3.94	£3.66	£3.38	£3.10	£2.82	£2.55	£2.27	£1.99	£1.71
Tenby	£4.23	£3.99	£3.74	£3.50	£3.26	£3.02	£2.77	£2.53	£2.28	£2.04	£1.80
South East Coast	£2.00	£1.86	£1.71	£1.57	£1.43	£1.29	£1.14	£1.00	£0.85	£0.71	£0.56
St David's & North Coast	£1.23	£1.12	£1.00	£0.89	£0.77	£0.66	£0.55	£0.44	£0.32	£0.21	£0.09
South West Coast	£0.89	£0.79	£0.69	£0.60	£0.50	£0.40	£0.30	£0.20	£0.10	£0.01	-£0.09
St Brides Bay	£0.78	£0.69	£0.59	£0.50	£0.41	£0.32	£0.23	£0.14	£0.04	-£0.05	-£0.14
Estuary Hinterland	£0.70	£0.61	£0.51	£0.42	£0.32	£0.22	£0.12	£0.03	-£0.07	-£0.17	-£0.27
North East NP	£0.69	£0.60	£0.51	£0.43	£0.34	£0.25	£0.16	£0.08	-£0.01	-£0.10	-£0.18

Table 4.2 Residual values at the 2014 Study positions

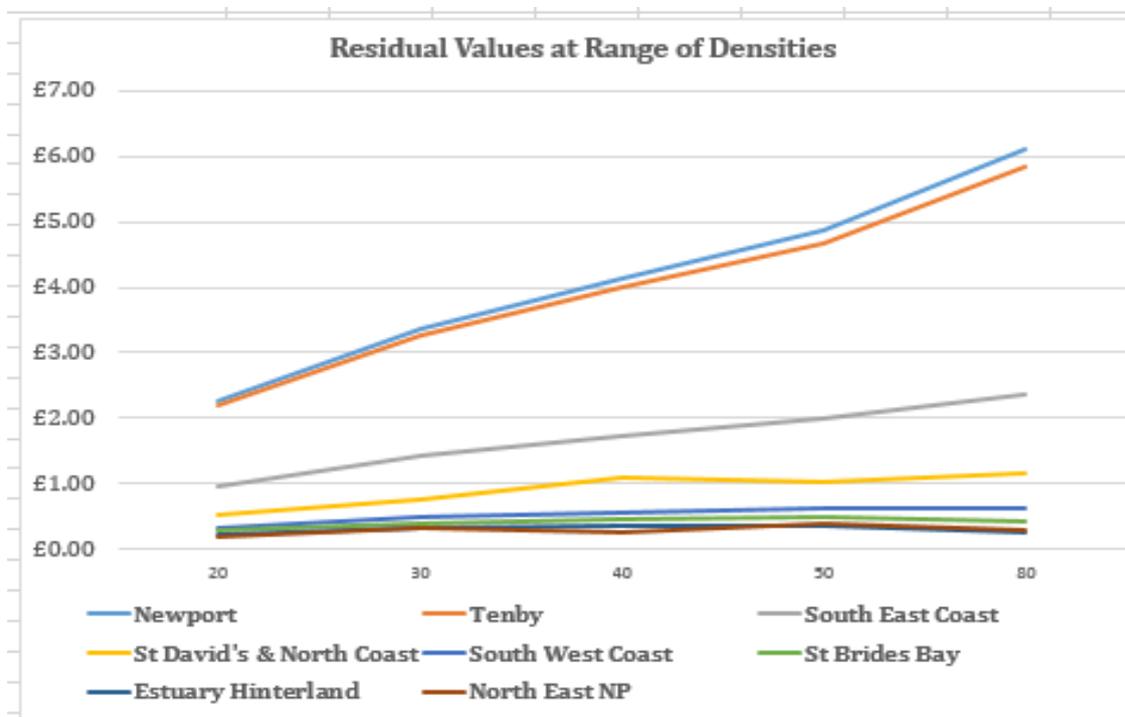
- 4.9 This (Table 4.2 above) shows that at the policy position of 50% in Newport and Tenby, there is still significant residual value (at £1.71 million per hectare and £1.80 million per hectare respectively). Residual values in the South East Coast area around £1 million per hectare at 30% Affordable Housing and there may be scope to shift the affordable housing requirement higher here.

The impact of density on schemes

4.10 Density and development mix are important as drivers of viability. Figure 4.2 shows how residual value changes as density increases (from 20 dph to 80 dph). It shows that higher value areas (in particular Newport and Tenby) experience significantly higher residual values as density increases.

4.11 For lower value areas, residual values tend to be highest at around 30 to 40 dph. This means that higher density flatted developments are unlikely to be the optimal way of delivering community benefits.

Figure 4.2 Residual Values at a Range of Densities (20% Affordable Housing)



4.12 The chart shows that for the lowest value areas residual values dip above 50 dph. What is going on here is that at higher densities a greater proportion of smaller units are included within the mix. This results in a balancing of less viable units against more viable ones with the overall effect being a lowering of Residual Values as density increases.

4.13 The Authority will need to monitor development mix and density carefully in order to optimise Affordable Housing and other Section 106 contributions.

CHAPTER 5 – BENCHMARKING AND VIABILITY

Benchmarks and policy development

- 5.1 There is no detailed guidance setting out how affordable targets should be assessed, based on an analysis of viability. The Harman guidance⁸ 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.
- 5.2 The (Harman) guidance does support the approach set out in Chapter 2 of this report; i.e. an Existing Use Value (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.
- 5.3 Generally however, an assessment of viability for policy setting 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 Development 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.
- 5.4 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.
- 5.5 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

⁸ http://www.pas.gov.uk/c/document_library/get_file?uuid=4de88194-bc95-41f0-8a13-4de28323c819&groupId=332612

net basis in the region of £400,000 per hectare. HCA findings suggest a multiple of between 10 and 20 fold agricultural value.

- 5.6 Within Wales LVB comparables are difficult because many of the CIL examination reports have related to essentially urban authorities. Probably the best comparable is Monmouthshire. It is understood that Monmouthshire are looking at an LVB of £250,000 per hectare for green field sites.
- 5.7 This would be in the 'ballpark' of the Pembrokeshire Coast National Park LVB of £300,000 that was used as a marker previously.
- 5.8 Because land owners in the higher value locations are likely to require higher returns than those in lower value areas, it is appropriate to adjust the National Park-wide LVB for location.
- 5.9 This has been done (as shown in Table 5.1) below by looking at house price differentials and differences between residual values (RVs).
- 5.10 The table sets out prices (as indicative figure three bed terraces). The next column calculates relative house prices using the South West Coast as a mid point (index 100).
- 5.11 The right hand column sets out the adjusted LVBs taking differences in the relative house prices into account.
- 5.12 Table 5.2 sets out the residual values and the viable policy positions for each of the sub markets.

Table 5.1 Land Value Benchmarks for the Pembrokeshire Coast NPA area

	Price 3 Bed Terrace	Relative House Prices	Adjusted LVBs
Newport	£324,000	184	£552,273
Tenby	£313,000	178	£533,523
South East Coast	£222,000	126	£378,409
St David's & North Coast	£190,000	108	£323,864
South West Coast	£176,000	100	£300,000
St Brides Bay	£171,000	97	£291,477
Estuary Hinterland	£168,000	95	£286,364
North East National Park	£167,000	95	£284,659

Table 5.2 Viability and the LVBs (30 dph)

30 DPH	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Newport	£4.49	£4.22	£3.94	£3.66	£3.38	£3.10	£2.82	£2.55	£2.27	£1.99	£1.71
Tenby	£4.23	£3.99	£3.74	£3.50	£3.26	£3.02	£2.77	£2.53	£2.28	£2.04	£1.80
South East Coast	£2.00	£1.86	£1.71	£1.57	£1.43	£1.29	£1.14	£1.00	£0.85	£0.71	£0.56
St David's & North Coast	£1.23	£1.12	£1.00	£0.89	£0.77	£0.66	£0.55	£0.44	£0.32	£0.21	£0.09
South West Coast	£0.89	£0.79	£0.69	£0.60	£0.50	£0.40	£0.30	£0.20	£0.10	£0.01	-£0.09
St Brides Bay	£0.78	£0.69	£0.59	£0.50	£0.41	£0.32	£0.23	£0.14	£0.04	-£0.05	-£0.14
Estuary Hinterland	£0.70	£0.61	£0.51	£0.42	£0.32	£0.22	£0.12	£0.03	-£0.07	-£0.17	-£0.27
North East NP	£0.69	£0.60	£0.51	£0.43	£0.34	£0.25	£0.16	£0.08	-£0.01	-£0.10	-£0.18
Viability											
Marginal											

5.13 Table 5.2 sets out the viable policy positions for each sub market. As examples:

- Newport – the LVB is £552,273 per hectare and the residual value (RV) is £1.71 million per hectare at 50% Affordable Housing. In principle a higher Affordable Housing percentage could be delivered in this location. The same applies at Tenby where the RV is significantly higher at 50% AH than the LVB.
- In the South East Coast sub market, the RV at 50% AH is also above the LVB (£378,409 per hectare).
- As another example St Brides Bay, RV is around £320,000 at 25% Affordable Housing. This is excess of the LVB and hence provides a viable policy position to adopt.

6 MARKET CHANGE AND SCENARIO TESTING

6.1 It may be useful to put into context the broad market changes over the longer period with respect to house prices and build costs, the key drivers of scheme viability.

6.2 The general conclusion with respect to the housing market in Wales is that it has not recovered as well since 2008, as some other countries, and regions within those countries. Generally only London and the South East of England have seen significant house price rises, in part driven by the balance of supply versus demand. Wales has generally not seen high levels of new development, a function of a range of factors including a lack of economic growth, a decline in the construction industry and concerns with policy changes mainly at central government level.

6.3 It is important in all this not to draw false conclusions about the role of planning. Schemes are viable and it seems rather a lack of confidence in the market may be to blame for a lack of new development rather than any specific local policy impacts.

Price changes

6.4 Table 6.1 shows the price of detached houses for all postcode sectors included in the National Park. Detached houses are chosen as a standard because overall house prices are influenced by a changing annual mix between different dwelling types.

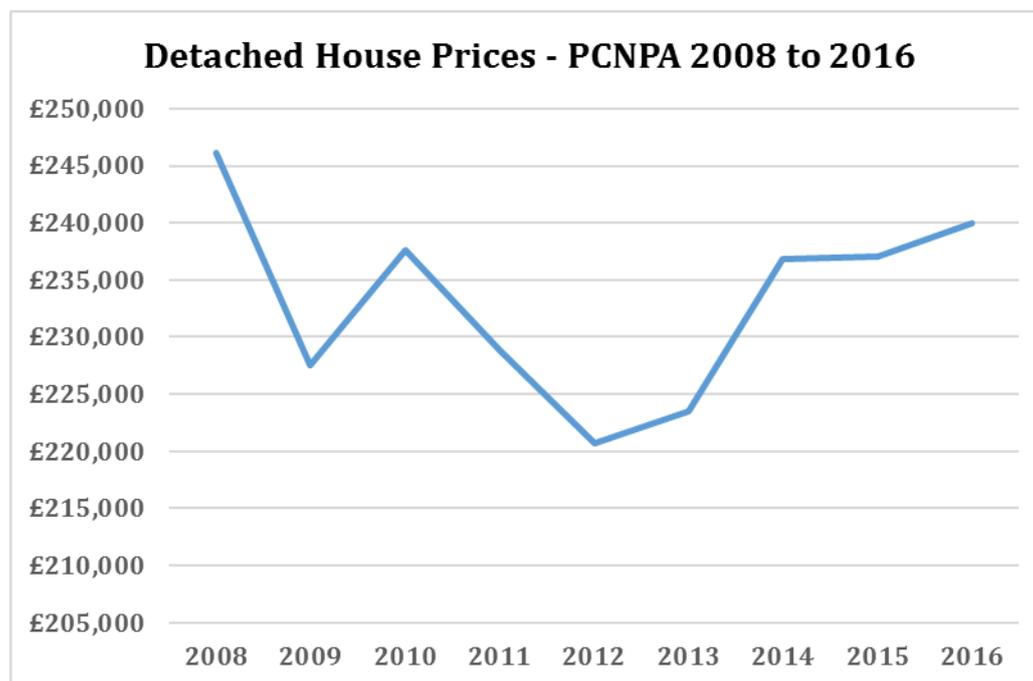
Table 6.1 Price of detached housing in the PCNPA area 2008-16

Year	Detached
2008	£246,092
2009	£227,496
2010	£237,611
2011	£228,883
2012	£220,646
2013	£223,553
2014	£236,818
2015	£237,079
2016	£239,925

6.5 The prices are taken from HM Land Registry and reflect all second hand sales.

6.6 Figure 6.1 shows the same data presented as a trend.

Figure 6.1 Trend detached houses in the PCNPA area 2008-16



6.7 It shows that the market is showing good recovery over the period 2012 to 2016. This is a substantial period of time by which a handle can be gained on the trend; indeed an increase of circa 10% has been achieved over that period. Short term, prices appear to have stabilised during 2014 although this could be due to any number of factors including the sample of transactions during that period.6.8

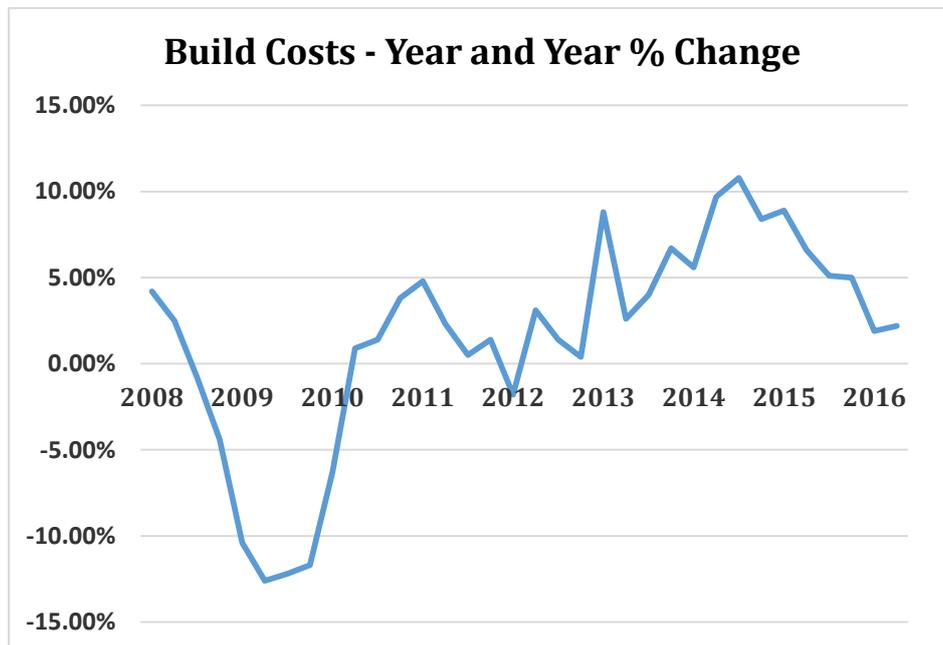
Prices are however not yet back to 2008 levels, although another 3% rise will deal with that 'shortfall'. That is to be anticipated within the next 18 to 24 months should the recent price recovery continue.

6.9 The chart shows that there were two main falls, between 2008 and 2009, reflecting probably the Credit Crunch, and a second fall between 2010 and 2012, reflecting probably the change of government and the immediate austerity measures that were announced.

Construction costs

6.10 Construction costs, and their relationship with house prices are key in determining viability. Figure 6.2 sets out Tender Price (UK) trends since 2008, the comparable period with dwelling prices.

Figure 6.2 Tender prices



6.11 Generally the trend in construction costs (reflected in tender prices) has been upwards since 2008. The overall increase has been around 13%. The chart shows however that costs have fluctuated significantly from year to year. In particular there was a fall in costs following the Credit Crunch (2008 to 2009), followed by a steady increase in costs from 2009 to 2016.

- 6.12 Costs appear to have fallen since 2014 which clearly provides greater scope for viable schemes as prices generally have risen.

Viability looking forward

- 6.13 Improved viability does depend broadly on prices keeping pace with costs. Where prices move marginally faster than costs, then significant improvements in viability are to be anticipated.
- 6.14 However the relationship is complex since in some locations (and this will apply in the higher value area of the National Park) very small price increases will offset significant increases in development costs by virtue of the fact that prices are a much greater value than costs in the first instance. This is less likely to be the case in the lower value areas and generally the National Park Authority will need to monitor the changing market going forward with respect to values and costs.

Sprinklers

- 6.15 Since 2013, new development in Wales should provide sprinklers and the cost of these should be included in viability assessment. The most recent [BRE \(2016\) report](#) suggests (page 53) a cost of around £1,750 per unit. This impact is relatively minimal; circa £50,000 for a 30 dph scheme.
- 6.16 The key issue here is the relationship between the BCIS Tender Prices and any additional costs emanating from sprinklers. The Authority contacted the BCIS to check whether sprinklers were included within the Tender Prices (on which this analysis is based). The BCIS's response is given below:
- ‘The data within average prices (found in BCIS Online) on the other hand will include changes in specification, increases in insulation requirements or other Building Regulation changes, especially if the cut-off date facility in BCIS online is used to limit the £/m² to include the more recent projects.’
- 6.17 As the policy has been impacting since the beginning of 2016, the data used for construction costs will, according to the response above, include the cost of sprinklers.

7 CONCLUSIONS

- 7.1 The primary objective of this report was to provide evidence to support the drafting of the Authority's replacement Local Development Plan Preferred Strategy strategic policy on affordable housing provision.
- 7.2 The approach adopted in this study is High Level Testing, looking at notional one hectare schemes across the full range of sub markets set out in the 2014 baseline study. The schemes were tested at a range of densities and a range of Affordable Housing percentages.
- 7.3 The results show strong viability at the top of the market.
- 7.4 In the lower value areas, viability is more challenging.
- 7.5 Land value benchmarks are key to viability assessment and these have been adjusted in the light of emerging data to take account of the likelihood of land owners, particularly in higher value areas, requiring greater returns.
- 7.6 Table 7.1 below sets out the suggested percentage requirements that could be made to reflect current market circumstances.

30 DPH	2014 Study	Potential Targets Preferred Strategy Replacement LDP	Comment
Newport	50%	50%	No Change
Tenby	50%	50%	No Change
South East Coast	30%	50%	Increased
St David's & North Coast	30%	35%	Increased
South West Coast	20%	25%	Increased
St Brides Bay	30%	25%	Reduced
Estuary Hinterland	20%	20%	No Change
North East NP	20%	20%	No Change

- 7.7 There is no change in the higher (two) value areas since the last study was undertaken; however, the analysis suggests that the targets in the South East coast area could be increased. At the lower

end the only area where the target looked justified to be reduced is St Brides Bay.

- 7.8 The 2016 report is written in the context of an improving housing market with prices rising and costs appearing to fall since 2014. This makes the delivery of Affordable Housing and other Section 106 contributions easier to deliver.
- 7.9 As ever, the National Park Authority will need to monitor viability going forward as the wider economy faces several challenges over the coming months, not least the impact of Brexit on the construction sector.

Dr Andrew Golland BSc (Hons) PhD MRICS

Appendix 1 Worked example; one hectare site at 30 dph for 20% Affordable Housing – South West Coast

1 - SITE IDENTIFICATION

Site Details	<input type="text" value="Pembrokeshire Coast NPA - 30 Dph"/>
Site Address	<input type="text" value="One Hectare Scheme - South West Coast - 30 dph and 20% Affordable Housing"/>
Site Reference	<input type="text"/>
Application Number	<input type="text"/>
Scheme Description	<input type="text"/>

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	62	61	Surface	2
3	2 Bed Terraces	2	House	3	83	68	Surface	n/a
4	3 Bed Terraces	3	House	4	88	78	Surface	n/a
5	3 Bed Semis	3	House	6	88	82	Surface	n/a
6	3 Bed Detached	3	House	6	94	94	Surface	n/a
7	4 Bed Detached	4	House	5	110	120	Surface	n/a
8	5 Bed Detached	5	House	2	114	135	Surface	n/a
9	3 Bed Bungalows	3	Bungalow	3	82	82	Surface	n/a
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

Clear Table

Market Value price adjust (%) %

Reset

Ref.	Dwelling Type	No of Bed-Rooms	Market Value	Adjusted Market Value
1				
2	2 Bed Flats	2	£137,000	£137,000
3	2 Bed Terraces	2	£144,000	£144,000
4	3 Bed Terraces	3	£176,000	£176,000
5	3 Bed Semis	3	£177,000	£177,000
6	3 Bed Detached	3	£187,000	£187,000
7	4 Bed Detached	4	£233,000	£233,000
8	5 Bed Detached	5	£268,000	£268,000
9	3 Bed Bungalows	3	£212,000	£212,000
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
		80%	Social rent 20%	Homebuy	Intermediate rent	
1						
2	2 Bed Flats	0.8	0.2			1.0
3	2 Bed Terraces	2.4	0.6			3.0
4	3 Bed Terraces	3.2	0.8			4.0
5	3 Bed Semis	4.8	1.2			6.0
6	3 Bed Detached	4.8	1.2			6.0
7	4 Bed Detached	4.0	1.0			5.0
8	5 Bed Detached	1.6	0.4			2.0
9	3 Bed Bungalows	2.4	0.6			3.0
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
Total		24.0	6.0			30.0

Percentage purchased by purchaser for Homebuy	Default:	70%	User:	
Percentage purchased by purchaser for Equity Share	Default:	70%	User:	

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

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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	£1,126	£1,010
Flats (16+ storeys)	£1,836	
Flats (6-15 storeys)	£1,486	
Flats (5 & less storeys)	£1,114	£1,169
Houses <= 75m2	£952	£1,010
Houses > 75m2	£836	£1,010

Ecohomes Standards	
Market Housing	Affordable Housing
None	None

Wheelchair Costs

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

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	10%	5.00%	of build costs (Market and ES)
Finance (Market)	6%		of market value (Market and ES)
Finance (Affordable Housing)	6%		of development costs (SR, NH and IR units)
Marketing Fees	4%	3.00%	of market value (Market and ES)
Developers Return	15%	17.00%	of market value (Market and ES)
Contractors Return	10%	5.00%	of development costs (excl finance) applies to SR, NH and IR units

Exceptional Development Costs

<Enter cost description>	£0
Scheme Total	£0

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12 - PLANNING OBLIGATIONS

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked.

You have the option to enter a Planning Obligation package per unit. This value supercedes any values entered by unit or tenure.

Depress this button to clear the page

Clear Table

	Input by Total		Input by Unit				Calculated Total (Affordable and Sale)
	Enter Total?	User Total	Sale	Affordable			
				Social rent	Homebuy	Intermediate rent	
Education Contribution	<input type="checkbox"/>						£0
Highway Works	<input type="checkbox"/>						£0
Contribution to public transport	<input type="checkbox"/>						£0
Contribution to community facilities	<input type="checkbox"/>						£0
Provision for open space	<input type="checkbox"/>						£0
Contribution to public realm	<input type="checkbox"/>						£0
Contribution to public art	<input type="checkbox"/>						£0
Environmental improvements	<input type="checkbox"/>						£0
Town centre improvements	<input type="checkbox"/>						£0
Waterfront Improvements	<input type="checkbox"/>						£0
Support for employment development	<input type="checkbox"/>						£0
Flood Defence Strategy	<input type="checkbox"/>						£0
Employment related training	<input type="checkbox"/>						£0
Other	<input type="checkbox"/>						£0

Obligations package per unit

Total for Scheme	£138,210
Total for Scheme per hectare	£138,210
Total for Scheme divided by total number of units	£4,607
Total for Scheme divided by number of sale units	£5,759

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16 - DEVELOPER'S DISCOUNT

Developer's Discount is calculated as a % of the final ACG value

The default rates may be overridden if you wish

	Toolkit Values	User Values
Social Rent	58%	42%
Homebuy	30%	

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21 - SCHEME RESULTS

Site Economics

RESIDUAL VALUE	£	499,000
Total scheme revenue	£	5,147,000
Total scheme costs	£	4,648,000

Residual	Per hectare	£	499,000
	Per dwelling	£	17,000
	Per market dwelling	£	21,000
	Per bedspace		No Info
	Per habitable room		No Info

Revenue	Market housing	£	4,635,000
	Affordable Housing	£	512,000
	- Social rent	£	512,000
	- Homebuy	£	-
	- Intermediate Rent	£	-
	- Equity Share	£	-
	Capital Contribution	£	-
Costs	Commercial Elements	£	-

Costs	Market housing	£	3,813,000
	Affordable Housing	£	696,000
	- Social rent	£	696,000
	- Homebuy	£	-
	- Intermediate Rent	£	-
	- Equity Share	£	-
	Planning Obligations	£	138,000
	Exceptional Development Cost	£	-
Costs	Commercial Elements	£	-

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	One Hectare Scheme - South West Coast - 30 dph and 20% Affordable Ho
Address	
Site	Pembrokeshire Coast NPA - 30 Dph
Details	

Site Reference	0
Application Number	0
Site Location	Pembrokeshire
Scheme Description	0

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	6.0	20%
	Social rent	6.0	20%
	Intermediate	0.0	0%

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

Save Results

Cost Components

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View Results

View DCF Page

GLOSSARY OF TERMS

A

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

Affordable Housing (AH): As defined in Technical Advice Note 2 Planning and Affordable Housing June 2006 as housing that includes Social Rented and Intermediate Affordable housing.

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.

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

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 Plan: The required statutory development plan for each local planning authority area in Wales under Part 6 of the Planning and Compulsory Purchase Act 2004. The Local Planning Authorities (LPAs) have to set out their objectives in relation to development and use of land in their area and set out the general policies for the implementation of those objectives within their Local Development Plans. As well as having regard to national planning policy, the Local Planning Authority have to take into account of regional planning policy and the authority's community strategy and the social, economic and environmental factors relating to the local area and global environment, by undertaking a sustainability appraisal of the Local Development Plan.

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).

Preferred Strategy: The purpose of a Preferred Strategy is to set out the long term vision for the area and the objectives and land use policies needed to deliver the vision.

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).

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)

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 Guidance: Supplementary information in respect of the policies in a Local Development Plan. Supplementary Planning Guidance does not form part of the development plan and is not subject to independent examination but must be consistent with the plan and with national policy.

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. Planning Policy Wales Edition 8, January 2016 expects all market housing to provide an affordable housing contribution.

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.