

Affordable Housing Toolkit Statement and Protocol

Content and Application

The District Council has worked with six other Local Authorities from the London Commuter Belt and Three Dragons to develop a development control and appraisal toolkit. A similar model has been used by the London Boroughs for the past four years.

The local Authorities include:

- Borough of Broxbourne
- Chelmsford Borough Council
- Harlow District Council
- Hertsmere Borough Council
- St Albans District Council
- Stevenage Borough Council
- Welwyn Hatfield Borough Council

The toolkit provides the District Council with a means of assessing the economics of residential development. It allows the Council to test the economic implications of different types and amounts of planning contributions, including the amount and mix of affordable housing. It uses a residual development appraisal 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.

The toolkit will be used in two main ways:

For forward planning

For policy testing purpose or for area master planning, in particular for challenging existing affordable housing targets or for setting new ones, testing site thresholds and testing the viability of sites incorporated in the five year trajectory;

Scheme specific appraisals

To test the viability of development proposals for the purposes of site specific negotiations.

Scheme specific appraisal

The scheme specific appraisal option works best with user-defined data for the key variables, including density, dwelling mix, house prices and build costs. If an applicant claims that the existing physical constraints on the site, in addition to the percentage of affordable homes requirement, will result in extraordinary costs which the development could not reasonably be expected to bear the District Council will require the following information in order to conduct a scheme specific appraisal of the proposal;

1. Selling prices for market housing supported by an independent chartered surveyor report of expected selling prices, setting out scheme comparables used;

2. Estimates of affordable housing values for each of the affordable tenures proposed;
3. Any other potential revenues to the scheme, including grant, ground rents and cross contributions from any commercial element;
4. Quantity surveyor estimates of build costs. The information should include sub and super structure and any external works based on a square metre net internal area basis;
5. Professional fees expressed as a percentage of build costs;
6. The profit margin on market value or build cost;
7. Finance costs;
8. Marketing and legal fees;
9. Details of any contractor return if the scheme is contracted out;
10. Abnormal costs (if submitted these must be substantiated by a specialist's report)
11. Any other costs an applicant believes is relevant;
12. The anticipated build period, including any projected selling prices, projected development costs for the period of the build and a statement regarding whether or not the applicant has anticipated that the planning contributions will be front loaded in their scheme appraisal;
13. Details of how the development will be procured e.g. is the scheme being developed by a company that has its own building arm or will it be developed on a Design and Build Basis;
14. Details of how the affordable housing is being procured;
15. Site value in its existing use as evidenced by a valuer's report.

The information must clearly indicate what costs were unforeseen and unexpected at site acquisition or when a development appraisal/valuation of a site was undertaken.

The toolkit does have bespoke default options which the District Council will use to verify the information provided by the applicant and rely upon if the information set out in 1 – 15 above is not provided.

If an applicant is unwilling to supply the information requested 1 -15 above they can provide an assessment of the scheme using the Housing Corporation sponsored Economic Appraisal Tool created by GVA Grimley and Bespoke Property Group which is freely available to download on the Corporation's website. The District Council will still conduct an appraisal of the scheme using its own toolkit.

Interpreting the appraisal results

If the Council is satisfied that the existing physical constraints on the site will result in extraordinary costs which the development could not reasonably be expected to bear the Council will compare the residual value of the scheme specific appraisal with the existing use value of the site, alternative use values or the acquisition cost of the land before determining whether or not it is satisfied that the total package of planning contributions should be varied. The District Council will consider the history of the site, in terms of the level of

developer interest in the site, as well as the different circumstances by which the land is being brought forward for residential development e.g. whether the landowner is a business and the residential planning permission is required to allow the firm to purchase another site in the district to carry on the business, in order to determine whether or not a variation to the planning contributions package will bring the site forward for development.

For the purposes of this assessment the existing use value is the value of the site in its existing use. Alternative use value is the value of an alternative planning permission for the site where this has been granted or might realistically be granted.

If the Council is not satisfied that the existing physical constraints on the site has resulted in extraordinary costs which the development could not reasonably be expected to bear the District Council will seek an independent financial appraisal by an appropriate assessor. The applicant will be expected to meet the costs of this assessment.

In determining the level of public subsidy required to support specified levels and mixes of affordable housing the District Council will have regard to the scheme specific appraisal information and the latest funding advice from the Housing Corporation. In these instances the level of the developer contribution must be considered to represent an appropriate response to the site economics and the requirement for public subsidy support will be considered in terms of the value of the developer contribution, as reflected in terms of the proportion of the reduced unforeseen and unexpected development costs.

Monitoring

In order to build our market knowledge the District Council will monitor the following components from any appraisal work undertaken.

Revenue

Selling prices for market housing;
Affordable housing values for each of the affordable tenures;
Other potential revenues to the scheme identified by type.

Costs

Build costs;
Professional fees;
Profit margins;
Finance costs;
Marketing and legal fees;
Contractor returns;
Abnormal costs.

Phasing

Average build period.

Site values

Existing use site values;
Alternative use site values;
Site acquisition costs.

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