

Newport City Council Local Development Plan

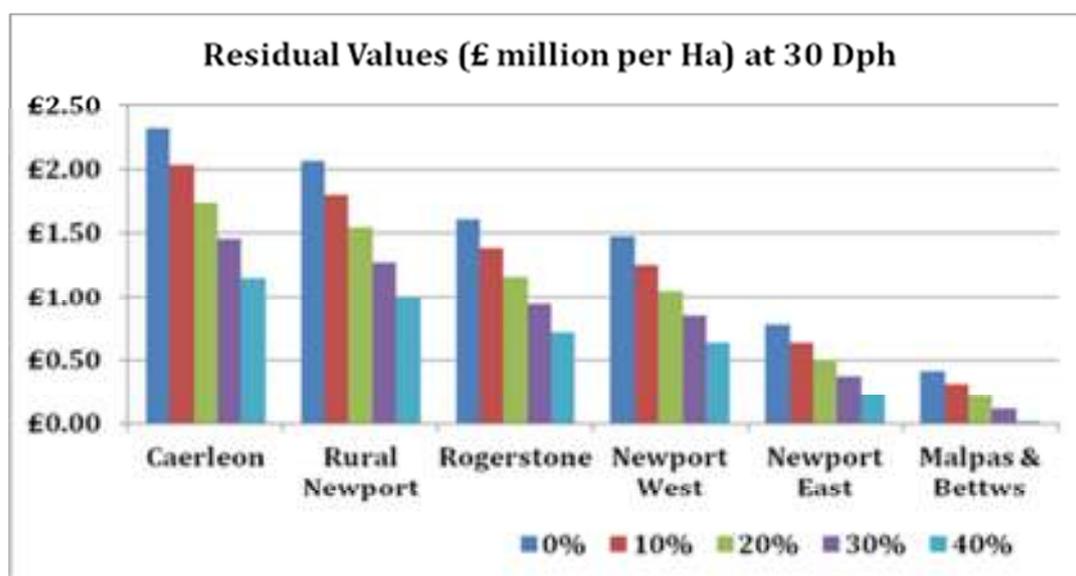
Council Response to Matters Arising
Hearing Session 4: Affordable Housing



MATTERS ARISING RESPONSE

Hearing Session 4: Affordable Housing

1. **Review and propose differentiated affordable housing contribution target thresholds for different areas, consistent with the available viability evidence. Introduce monitoring mechanism to enable threshold uplift where future sales price evidence indicates increased viability.**
 - 1.1 The development appraisal work was undertaken by running residual value calculations for the 30 dph and 40 dph scenarios and for all submarkets. The assumptions are detailed at Appendix 1 of this paper.
 - 1.2 The residual values (£ million per hectare) for April 2014 are shown for the 30 dph scenario in the chart below:



- 1.3 This shows a range of residual values, which are all positive.
- 1.4 Residual value at 30 dph in Newport West, a middle market location in Newport is around £850,000 per hectare at 30% affordable housing. This is a strong residual which takes into account all normal and land financing costs, and assumes a contribution of around £5,000 per unit for Section 106 contributions and the (30%) affordable housing.
- 1.5 There is clearly a significant variation in residual value between the top of the market and the bottom. Residual values for example at Caerleon at 40% affordable housing are double those at Malpas and Bettws.
- 1.6 This of course relates to sites which pick up values from the local neighbourhood. In some instances, there will be hot spots in the low value areas and cold spots in the high value areas which will to some extent even out residual values across the Newport area.

- 1.7 The tables below show the residual values for the chart above (30dph) and for analysis at 40 dph which represents the expected range of density levels of the residential sites within the Plan with different levels of affordable housing:

30 Dph					
	0%	10%	20%	30%	40%
Caerleon	£2.32	£2.03	£1.75	£1.45	£1.15
Rural Newport*	£2.07	£1.80	£1.54	£1.27	£1.00
Rogerstone	£1.60	£1.38	£1.16	£0.94	£0.72
Newport West	£1.47	£1.25	£1.05	£0.85	£0.64
Newport East	£0.77	£0.64	£0.50	£0.37	£0.23
Malpas & Bettws	£0.41	£0.32	£0.22	£0.11	£0.01
40 Dph					
	0%	10%	20%	30%	40%
Caerleon	£2.66	£2.32	£1.98	£1.64	£1.30
Rural Newport	£2.36	£2.04	£1.74	£1.42	£1.12
Rogerstone	£1.79	£1.53	£1.28	£1.03	£0.77
Newport West	£1.63	£1.40	£1.15	£0.92	£0.68
Newport East	£0.79	£0.64	£0.49	£0.33	£0.17
Malpas & Bettws	£0.36	£0.24	£0.14	£0.03	-£0.09

**Rural Newport includes the Langstone area.*

- 1.8 There should be no particular concerns in delivering affordable housing in a systematic and consistent way in Newport West and the submarkets with higher house prices (i.e. Rogerstone, Rural Newport and Caerleon).
- 1.9 Residual values in these four submarkets are buoyant. Residual values in Newport West at 40% affordable housing are £680,000 per hectare (net). There is a good buffer here for abnormal costs and any of the policy impacts (for example, sprinklers – please see below).
- 1.10 The question in relation to the higher value submarkets is whether a higher target should be set for the higher value areas, this is commented on below.
- 1.11 The key focus of the discussion at the examination was on Newport East, where a significant amount of regeneration is going on with several new housing schemes coming forward. Whilst it should be stated that this is still a relatively weak submarket, the regeneration impacts would seem to be filtering through. In scoping selling prices for some of the key developments in the East, it would appear that prices of new build are performing better than those in the wider area.
- 1.12 This means that residual values in the range 10% to 20% look reasonably robust. At 30% the buffer is unlikely to be enough (this is commented on below), but 20% is considered to be achievable.

Land owner benchmarks

- 1.13 Defining viability is always difficult as land owner and developer workshops tend not to provide systematic evidence; indeed developers often admit how difficult this area is. In Dr Golland's experience (policy development and site specific appraisals) a land owner return of £250,000 per hectare provides a sound marker for green field sites. This gives a broad 25 fold uplift from existing use value and on this basis a 'life changing' opportunity that viability is sometimes measured against.
- 1.14 Dr Golland is currently working with two other South Wales Authorities at the moment. One is principally urban, and the other principally rural. Both are working to a benchmark of around £300,000 per hectare, a figure which is based on Local Authority own land sales.
- 1.15 Whilst there is no guidance in Wales on this matter there is a mass of 'guidance' on viability in England e.g. RICS, Harman and more recently DCLG's NPPG. Within the available guidance there is very little of use in terms of answering the key question on the appropriate level of land value benchmarks. DCLG has undertaken some work on this matter (*The Cumulative Impact of Policy Requirements* (2011), which suggested a land value benchmark of £100,000 to £150,000 per acre (£247,000 to £370,500 per hectare) as being reasonable. This assessment has taken the benchmark as at £300,000 as noted above.

Targets re-visited in the context of benchmark land values

- 1.16 The 2012 Affordable Housing Viability Study (AHVS) provided three options for target setting:
- An overall target of 30% which would be applied across the Borough;
 - Introduce a three way target reflecting more the specifics of local submarkets. If this approach were adopted, we would suggest: a 40% target for the Caerleon and Rural Newport, a 30% affordable housing target for Rogerstone and Newport West and a 10% affordable housing target for Newport East and Malpas and Bettws;
 - A four way target. This would be exactly the same as the three way target with the one exception of an affordable housing policy 'exemption' (i.e. nil affordable housing) in Malpas and Bettws.
- 1.17 Having updated the data, Dr Golland recommends that the target for Newport East could be reasonably adjusted to 20% affordable housing and Malpas and Bettws to remain at 10%. This would mean in practice adopting the ('four way') option of:
- 40% for Caerleon and Rural Newport;
 - 30% for Rogerstone and Newport West;
 - 20% for Newport East;
 - 10% for Malpas and Bettws.
- 1.18 The Council notes that the viability assessment demonstrates a variation in development viability across the Plan area. Although a single target approach in Newport would result in a higher level of affordable housing when considering the housing proposals; a split target approach with four targets would reflect the viability of the submarkets in the authority boundary and seek to maximise opportunities in windfall and housing proposals.

1.19 The recommended targets would conform with a benchmark expectation of £300,000 per hectare. This being stated it is important not to overstate the significance of the benchmark. This will vary by location itself. More importantly, what land owners will release land for depends to some extent on the land supply situation.

Submarkets

1.20 The approach used to identify submarkets follows that adopted in over 100 affordable housing and CIL viability studies across England and Wales.

1.21 Submarkets are, under this approach defined entirely by house prices. There is no consideration of for example migration trends or travel to work areas (as would be usual in for example a Housing Market Assessment (HMA)).

1.22 The ‘building block’ for submarkets is the postcode sector. Postcode sectors are grouped to make submarkets, as shown in the table below: A plan will be supplied in the LDP.

Sub Market	PCS	Settlements/Locations
Caerleon	NP18 1	Caerleon
	NP18 3	Pont-hir; Caerleon
Rural Newport	NP18 2	Nash; Pye Corner; Goldcliff; Whitson; Bishton
	NP10 8	Duffryn; Bassleg
	CF3 2	Marshfield Castleton
	NP26 3	
Rogerstone	NP10 0	Rogerstone
	NP10 9	Rogerstone
Newport West	NP20 5	Heidenheim Dv; M4 Corridor; Allt-Yr-Yn View
	NP20 4	Stow Park; Stow Hill
	NP20 1	Station; Town Centre
	NP20 3	Gaer; Glasllwch
	NP20 2	Commercial Road; Usk Way
Newport East	NP19 8	Chepstow Road; Summerhill
	NP19 7	St Julians
	NP19 4	Spytty Rd; Nash Road
	NP19 0	Corporation Road; Cromwell Road
	NP19 9	Chepstow Road; Ringland Way
Malpas & Bettws	NP20 6	Malpas
	NP20 7	Bettws

1.23 Two main factors determine the definition of submarkets:

- a) Postcode sectors having similar house prices;
- b) Postcode sectors having geographical proximity.

1.24 The methodology, it should be accepted, encompasses an element of judgement.

1.25 The submarkets however underwent a process of view:

- i) By the local authority;
- ii) By the industry and stakeholder Workshop.

1.26 It is inevitable that each of the submarkets will include ‘hot’ and ‘cold spots’. An alternative approach would be to have a ‘submarket’ for every settlement or area. If this was the approach, then the question would need to be raised as to the purpose of such a framework

as it could lead to an affordable housing target or CIL for every settlement or area. This would clearly be unmanageable.

- 1.27 The submarkets are based on house prices, which in turn are based on three years' worth of HM Land Registry data, which is then calibrated and indexed forward to the appropriate datum. The prices which result from this process are then 'reality checked' against developments being marketed at the time.

Monitoring Targets

- 1.28 There are generally two ways in which a mechanism is used to monitor policy:
- By monitoring prices alone;
 - By monitoring residual value, as the produce of the difference between prices and costs.
- 1.29 This approach is consistent with the way in which average or deferred contributions are dealt with in site specific Section 106 agreements.
- 1.30 In the current economic situation, it is considered appropriate to take both costs and values into account when monitoring policy.
- 1.31 If this is the agreed way ahead, then there are two (sub) options for policy monitoring:
- Indexation of values and costs;
 - Updated primary research on values and costs.

Indexation

- 1.32 This involves updating a baseline residual appraisal using for example the HM Land Registry House Price Index and the RICS Building Cost Information Service (BCIS) Tender Prices.
- 1.33 Prices and costs in the baseline appraisal are adjusted to take account of changes since the time of the policy introduction. Changes to the residual which result from changes to the input variables are then compared with the agreed land value benchmark (this may also have to be updated) and a change to policy made, if justified.

Updated Primary research

- 1.34 Collecting information directly from sold developments and from planning application information is valuable, particularly where the market is more dynamic. Newport East would be a good example where prices appear to be changing quite fast. Correspondingly, monitoring development costs, professional fees and profit margins would be useful where these are in some measure a reflection of the risk involved in a dynamic situation

Recommended approach

- 1.35 Where resources are stretched, and time in short supply, a 'mix and match' approach might be adopted. This would for example use an indexing approach to the higher value submarkets, but use a primary research approach to those submarkets where things are faster moving – e.g. Newport East. The Wales Development Appraisal Toolkit (DAT) provides an accurate and easy way of monitoring policy. The Council can be provided with the latest

(April 2014) appraisals in DAT files which can then be updated as and when needed going forward over the Plan period.

1.36 The Council has set a monitoring target to monitor the amount of provision delivered by the Plan. The figures set out are based on the calculations undertaken in section 8 of this report.

	RELEVANT LDP POLICIES	CORE AND LOCAL INDICATORS	SOURCE OF INFORMATION	MONITORING TARGET	TRIGGER POINTS
OB4 MT4	H1 H4 SP10	CORE The number of net additional affordable dwellings built in the LPA's area (TAN 2) (2006)	NCC Planning Policy	Provision of 2,077 affordable units over the Plan period; 2011-2016 = 531 affordable units, 2016-2021 = 979 affordable units, 2021-2026 = 567 affordable units.	Delivering fewer affordable homes than: 531 by 2016 979 by 2021 567 by 2026

1.37 Where a sustained positive change in the financial viability of development can be demonstrated through monitoring the local authority will seek a higher percentage contribution towards affordable housing.

	RELEVANT LDP POLICIES	CORE AND LOCAL INDICATORS	SOURCE OF INFORMATION	MONITORING TARGET	TRIGGER POINTS
OB4 MT6	SP10 H4	LOCAL Changes in residual values across the housing submarket areas of ; <ul style="list-style-type: none"> • Caerleon & Rural Newport • Rogerstone & West Newport • East Newport • Malpas & Bettws 	HM Land Registry House Price Index. RICS Building Cost Information Service (BCIS) Tender Prices. Development Appraisal Toolkit	Deliver the maximum level of Affordable Housing considered viable.	An increase or decrease of 5% of residual value in any submarket area in one year.

1.38 This monitoring target will result in an annual analysis of residual value based on house price and build costs prices, of a three bed terrace, in each submarket area of Newport. The table below is an example of the proposed mechanism of analysis. The percentage changes in prices and costs are entered into the spread sheet which calculates the % change in residual value over one year. If this value hits the 5% trigger then the viability of that submarket area should be investigated.

SubMarket	BASELINE - 2014			CHECKED ANNUALLY		Updated Market Prices (Average of 3 bed terrace)	Updated Build Costs(Average of 3 bed terrace)	Updated Residual	% Change
	Market Price (Average of 3 bed terrace)	Build Costs (Average of 3 bed terrace)	Residual Value	% Change Prices (House Price Index)	% Change Costs (BCIS)				
Caerleon	£198,000	£70,000	£128,000	1%	1%	£199,980	£70,700	£129,280	1%
Rural Newport	£190,000	£70,000	£120,000	1%	1%	£191,900	£70,700	£121,200	1%
Rogerstone	£170,000	£70,000	£100,000	4%	2%	£176,800	£71,400	£105,400	5%
Newport West	£166,000	£70,000	£96,000	1%	1%	£167,660	£70,700	£96,960	1%
Newport East	£138,000	£70,000	£68,000	1%	1%	£139,380	£70,700	£68,680	1%
Malpas & Bettws	£123,000	£70,000	£53,000	3%	1%	£126,690	£70,700	£55,990	6%

2 Remove site size limits, below which affordable housing contributions are not sought, and introduce commuted sum provisions as appropriate.

2.1 Policy H4 has been updated to reflect the introduction of the use of commuted sums. The justification of the proposed thresholds in the revised policy is set out in section 6 below.

3 Provide further viability evidence, demonstrating that the costs factored in to the notional site approach are representative of the development costs of the sites expected to come forward, given the heavy reliance of the strategy on brownfield sites which will have remediation requirements.

3.1 The approach adopted in the AHVS of 2012 (SD60) (and indeed the update analysis here) is to use the RICS Building Costs Information Service (BCIS) as a basis for construction costs.

3.2 The way these are presented, is net of external works and infrastructure so a 15% allowance is made for these. This is a standard assumption that is widely accepted for both policy development work and site specific negotiations. The costs are bespoke to Newport so any additional costs relating for example to ground conditions and related foundation works are included in these costs.

3.3 The Home Builders Federation in Wales for many years accepted the principle that policy should be set by reference to notional analysis along with normal build costs. More recently the HBF in Wales have changed tack and no longer seem to accept that approach.

3.4 There are very good reasons for maintaining the traditional approach:

- The larger house builders do not contribute to the BCIS cost base. The database represents mainly smaller house builders and housing associations, mostly building to significantly higher standards than the volume builders. Volume house builder appraisals seen by Dr Golland show that generally costs are between £100 and £250 per square metre lower than BCIS. This stands to reason to a large degree as volume house builders are able to obtain economies of scale both in terms of purchasing power and in terms of overhead recovery;
- Policy is inherently flexible. It cannot be apposite to every specific site and marginal variations in prices and costs can only be dealt on a site by site basis. As long as the starting point for policy is broadly correct, which it is here, then the appropriate place to deal with abnormals (which are unusual, rather than usual occurrences) is when planning applications are submitted.

3.5 A broader, more controversial point to be contemplated is whether abnormals should even be taken into account for site specific negotiations. Where for example a local authority has land which is unproblematic, then this is a very valid question as to whether abnormals should be included in an appraisal. There is always a response that sites can be found which don't involve the Council in the rather more grey areas of appraisal.

3.6 With respect to viability assessment, it is argued that there is very significant buffer in already using the BCIS build costs. At an estimate this would amount to around £10,000 per unit, which is a significant potential cross contribution to any abnormal costs.

3.7 In addition, there is a very strong argument for scaling down the land value benchmark for difficult brown field sites. In many cases, the sites will, in their existing use, be virtually worthless. A heavily contaminated site in East Newport, for example, will fall into this category. The site is entirely dependent on a change to use to residential in order to give, probably, any kind of positive residual value.

3.8 Trying to make sense of these complex interactions cannot practically be done at a policy making level. The economics will only be known where an application comes in.

4 Test the impact on affordable housing viability of estimated costs of the announced changes to building regulations part L and fire sprinkler requirements.

4.1 It has been agreed on several occasions with the WG, that the costs of implementing Part L will be cost neutral. However, WG, and indeed the Home Builders Federation, are keen that the costs of sprinklers should be included in viability assessments.

4.2 One element of the discussion in the Examination related to the potential costs of sprinklers. The most recent estimates of additional costs are understood to total around £3,000 per unit. The policy will impact on schemes that do not have Building Regulations approval at January 2016. As such, I would argue strongly that the 'sprinkler test' can only be properly regarded as a 'scenario'. It is one of infinite potential viability scenarios as at January 2016.

4.3 However, on a strictly all things being equal basis, on a 30 dph scheme, assuming sprinkler costs were included, this would reduce residual value, by around £150,000 per hectare.

4.4 This would impact as follows on residual value (£millions/hectare):

	0%	10%	20%	30%	40%
Caerleon	£2.17	£1.88	£1.60	£1.30	£1.00
Rural Newport	£1.92	£1.65	£1.39	£1.12	£0.85
Rogerstone	£1.45	£1.23	£1.01	£0.79	£0.57
Newport West	£1.32	£1.10	£0.90	£0.70	£0.49
Newport East	£0.62	£0.49	£0.35	£0.22	£0.08
Malpas & Bettws	£0.26	£0.17	£0.07	-£0.04	-£0.14

- 4.5 Taking again a figure of £300,000 per hectare as being a robust land owner return, and the (four way) split target approach aforementioned, this would mean that delivery was only challenged in Malpas and Bettws.

The ceteris paribus test and scenarios

- 4.6 The ceteris paribus test is one of 'all other things equal'. It seems to be illogical to build a policy on a single variable change scenario that is being implemented in a potentially very different housing market (i.e. January 2016 with respect to sprinklers for example). Very many things could have changed by then including the level of credit (as the main driver of house prices), base build costs, profit margins (these tend to fall in better times) or financial support for affordable housing
- 4.7 A simple and arguably more important measure of real viability is housing market change.
- 4.8 Having looked at HM Land Registry data over the longer term (2001 to 2014) for Newport, house prices increased by 2.2 fold. If this figure were to be repeated going forward (and there is no evidence to suggest that it will not), it would mean a doubling in house prices by the end of the Plan period (2026).
- 4.9 If it is posited that we are in a less buoyant housing market in the short term, still only very modest house price increases will be needed to offset the effects of sprinklers, or indeed additional Section 106 costs.
- 4.10 The figures are shown in the table below:

	Price 3 Bed Semi	1%	2%	3%	4%	5%
Caerleon	£207,000	£2,070	£4,140	£6,210	£8,280	£10,350
Rural Newport	£198,000	£1,980	£3,960	£5,940	£7,920	£9,900
Rogerstone	£179,000	£1,790	£3,580	£5,370	£7,160	£8,950
Newport West	£173,000	£1,730	£3,460	£5,190	£6,920	£8,650
Newport East	£144,000	£1,440	£2,880	£4,320	£5,760	£7,200
Malpas & Bettws	£129,000	£1,290	£2,580	£3,870	£5,160	£6,450

- 4.11 There is of course no certainty in achieving any specific level of house price increase, although a 3% increase per annum has been the case historically.

- 4.12 On the basis of this assumption (the 'status quo'), prices in Newport, at current levels, would be increasing by around £5,000 per annum. In the case of the lower submarket, Malpas and Bettws, a 3% increase in prices would be needed to reach a residual value of £300,000 per hectare.
- 4.13 Given that there is a) a need for affordable housing delivery, and b) an option to negotiate schemes in every case, it is fundamentally unrealistic to look only at costs and not values, although the figures do suggest that these additional costs can be taken on board without affecting viability and even without factoring in additional revenue.

5 Provide further evidence to justify the assumed £5,000 s.106 cost per unit.

- 5.1 The viability work has taken an assumption of £5,000 per unit for non-housing related Section 106 costs. This reduces residual value by some £150,000 below what it might otherwise be, in the case of a 30 dph scheme.
- 5.2 Experience from examinations elsewhere in Wales (the most recent experience for Dr Golland being Conwy) suggests that this (£5,000 per unit) is too high for most schemes. A figure of between £2,000 and £3,000 per unit has been found there to be most appropriate. The Council would also refer to the table provided in their submission to the Hearing Session 4 illustrating the most recent applications and what they achieved in terms of Section 106 per dwelling. It also provides a comparison to those housing proposals in the plan. On the basis of a mid-point, this would save £2,500 per unit; and hence around £75,000 per hectare.
- 5.3 Taking sprinklers in account, this would then mean a net increase of £500 per unit, or £15,000 per hectare. This is a very marginal increase unlikely to make a significant difference to delivery.

6 Amend policy H4 and supporting text in the light of the above. Also express thresholds sought more clearly as requirements except where site viability evidence demonstrates otherwise.

- 6.1 The suggested rewording for Policy H4 and supporting text is set out below:

H4 Affordable Housing

~~RESIDENTIAL DEVELOPMENTS OF 0.33 HECTARES OR 10 OR MORE DWELLINGS, WHATEVER THE SIZE OF THE SITE, WITHIN IN THE SETTLEMENT BOUNDARY, OR 0.2 HECTARES OR 3 OR MORE DWELLINGS, WHATEVER THE SIZE OF THE SITE, WITHIN THE DEFINED VILLAGE BOUNDARIES WILL BE REQUIRED TO INCLUDE 30% AFFORDABLE HOUSING DWELLINGS, PROVISION WILL BE SET TO REFLECT SITE VIABILITY.~~

ONSITE PROVISION FOR AFFORDABLE HOUSING WILL BE REQUIRED ON ALL NEW HOUSING SITES OF 10 OR MORE DWELLINGS WITHIN THE SETTLEMENT BOUNDARY, OR 3 OR MORE DWELLINGS WITHIN THE DEFINED VILLAGE BOUNDARIES.

THE AUTHORITY WILL SEEK THE PROVISION OF AFFORDABLE HOUSING IN ACCORDANCE WITH THE RELEVANT SUBMARKET AREA TARGET NOTED BELOW;

40% CAERLEON AND RURAL NEWPORT
30% ROGERSTONE AND WEST NEWPORT
20% EAST NEWPORT
10% MALPAS AND BETTWS

(THE SUBMARKET AREAS ARE DEFINED ON THE AFFORDABLE HOUSING SUBMARKET AREA PLAN OVERLEAF)

SPECIFIC SITE TARGETS MAY VARY SUBJECT TO VIABILITY AND NEGOTIATION.

FOR NEW HOUSING SITES OF LESS THAN 10 DWELLINGS, THE COUNCIL WILL SEEK A COMMUTED SUM CONTRIBUTION. THE AFFORDABLE HOUSING SPG CLARIFIES THE METHODOLOGY FOR CALCULATING THE COMMUTED SUM PAYMENTS.

5.14 The Local Housing Market Assessment indicates an on-going requirement for affordable housing totalling 86% of the overall housing requirement for the LDP in excess of 30%. Many people are not able either to access and/or to afford open market housing. Therefore in accordance with Planning Policy Wales and Technical Advice Note 2: Planning and Affordable Housing (2006), new development will be required to include affordable housing. Further information will be provided in Affordable Housing Supplementary Planning Guidance. The viability of development is undertaken on a site-by-site basis. As such, the percentage of affordable housing provision is set at a rate that reflects individual site viability. It is recognised that 30% is a realistic figure of what schemes are likely to be able to sustain, and the guidance clarifies the factors that will be taken into account in negotiating the appropriate percentage for each scheme, necessary safeguards, and how the requirement should be delivered. Where a developer can demonstrate to the satisfaction of the Authority that the expected percentage is not deliverable, they may negotiate with the LPA to ensure delivery of a reasonable number of affordable homes, which contributes to meeting the need of the area. It is recognised that due to the various values associated with submarket areas of Newport a split target approach has been set. 30%— The submarket targets are a realistic figure of what schemes are likely to be able to sustain. The high level of affordable housing need in Newport means that the Council requires those sites meeting the policy threshold to provide onsite affordable housing provision. If the site does not meet the threshold then a commuted sum is required. The SPG clarifies the factors that will be taken into account in negotiating the appropriate percentage or each scheme, necessary safeguards, and how the requirement should be delivered.

Small Sites

- 6.2 We have looked in some detail at the profile of small sites coming forward in the local authority area. The table below shows planning permissions over the last three years for smaller schemes.
- 6.3 This shows a wide range of smaller schemes. If affordable housing contributions are to be maximised, then a threshold of one dwelling is desirable as a starting point for negotiation. The table shows that there are a significant number of small schemes of one (gross) dwelling which may have the potential to deliver affordable housing.

Source	Scheme	No of Dwellings (Gross)	Percentage
Demolish one dwelling	Build one new	22	9.4
Vacant brown; green field sites	Build one detached	19	8.2
Demolish one, build two	2 dwellings	10	4.3
Vacant brown; green field sites	Three dwellings	6	2.6
Vacant brown; green field sites	4 to 8 dwellings	22	9.4
Barn conversions	One and 2 dwellings	9	3.9
Hotels & residential	One dwelling	4	1.7
Commercial - change of use	One dwelling	10	4.3
Residential buildings	One dwelling	4	1.7
Office conversions to flats	2 to 7 dwellings	40	17.2
HMO conversions	4 to 9 dwellings	27	11.6
Commercial demolitions	4 to 8 dwellings	29	12.4
Miscellaneous	One dwelling	10	4.3
Miscellaneous	3 to 6 dwellings	21	9.0

6.4 Of these schemes, those with larger houses built on vacant brown field or green field land will be likely to be the most viable. Single plot values are given in the table below. These are based on an equivalent 30 dph at different levels of affordable housing provision:

	0%	10%	20%	30%	40%
Caerleon	£77,333	£67,667	£58,333	£48,333	£38,333
Rural Newport	£69,000	£60,000	£51,333	£42,333	£33,333
Rogerstone	£53,333	£46,000	£38,667	£31,333	£24,000
Newport West	£49,000	£41,667	£35,000	£28,333	£21,333
Newport East	£25,667	£21,333	£16,667	£12,333	£7,667
Malpas & Bettws	£13,667	£10,667	£7,333	£3,667	£333

6.5 Whilst it is clear that plot values at the lower end of the market are unlikely to bring schemes forward, certainly at higher percentages of affordable housing, plot values are robust and are likely to come forward where loss of say garden land, does not materially affect the existing use value of a house.

6.6 Other categories in the table showing equivalent viability should be vacant brown field and green field sites with three dwellings and four to eight dwellings. Altogether these sites constitute just over 20% of new units from recent permissions.

6.7 It should be noted however that with the very small sites (below three dwellings) a significant proportion (13.7%) involve the demolition of a dwelling. With a scheme involving the demolition of one dwelling, and the construction of another, experience from elsewhere

suggests that viability will be too challenging to deliver affordable housing contributions. Whilst this may not be case in higher value areas, the actual contribution viable would be likely to be low on account of the fact that existing use value (of the demolished dwelling) is relatively high. It is pertinent to note that only where there is a net increase in housing units provision of affordable housing will be required by the Council. Where no net increase is required, i.e. a replacement dwelling, no affordable provision is necessary.

6.8 There are then a range of other small site types including barn conversions, hotels and commercial changes of use to create residential units. These constitute around 8% of units from recent permissions.

6.9 Viability with these types of schemes is highly sensitive to location and quality of finish. However, there are significant differences in existing use values between agricultural, employment and residential such that the Council would not be taking an unreasonable policy position in seeking affordable housing contributions. For example:

Agricultural land value circa £15,000/ha;
Industrial land value circa £150,000/ha

6.10 With residential values for example 20% Affordable Housing, at between £500,000 per hectare (Newport East) and £1.5 million per hectare (Rural Newport) there is likely to be a significant uplift for most residential permission including Affordable Housing.

6.11 There are a significant number of conversions of offices to flats in the Newport area. In total these amount to 17% of recent permissions (17% of the total number of dwellings). For this reason, we have tested an office conversion case – to four flats.

	0%	10%	20%	30%	40%
Caerleon	£260,000	£214,000	£169,000	£123,000	£77,000
	£10.40	£8.56	£6.08	£4.92	£3.08
Rural Newport	£243,000	£199,000	£154,000	£111,000	£66,000
	£9.72	£7.96	£6.76	£4.44	£2.64
Rogerstone	£200,000	£160,000	£120,000	£80,000	£41,000
	£8.00	£6.40	£4.80	£3.20	£1.64
Newport West	£185,000	£147,000	£109,000	£70,000	£32,000
	£7.40	£5.88	£4.36	£2.80	£1.28
Newport East	£124,000	£92,000	£60,000	£27,000	£-4,000
	£4.96	£3.68	£2.40	£1.08	£-0.16
Malpas & Bettws	£92,000	£63,000	£34,000	£5,000	£-23,000
	£3.68	£2.52	£1.36	£0.20	£-0.92

6.12 The table above shows residual values (with Residual Values per hectare) for a notional scheme. The values have been assumed to be same as for new build schemes in Newport. Conversion costs have however been taken at 60% of new build.

- 6.13 The results show strong viability particularly at the higher end of the market. The existing use value for a small office might be expected to be around £100,000. This would mean that schemes at the higher end of the market will generate affordable housing contributions, but not those at the lower end.
- 6.14 As with all types of housing supply, site by site assessments are needed to highlight local variances.
- 6.15 Generally, viability on small sites will, as with larger sites, be subject to a test of land and property supply, which is in turn dependent on the relationship between residual and existing use value. It should be accepted that the latter will make some schemes unviable but given the need to deliver affordable housing, the evidence suggests that contributions should be sought on many occasions particularly in the higher and middle value areas.
- 6.16 Planning Policy Wales notes that authorities should include site thresholds above which a proportion of affordable housing will be sought. This is explicit in the Plan for any residential scheme producing net housing units from allocated sites or windfall provision. PPW recognises that for sites that fall below the site threshold level commuted sums may be secured for facilitating or providing affordable housing. The proposed policy requires this for any residential development with a net gain of residential units.
- 6.17 The Council believe that the provision of an affordable housing threshold provides clarity to developers, creating a useable and relatively straightforward system to administrate. It is recognised that in some areas provision is possibly below the threshold but this is not consistent across the submarket areas and would only be likely to be provided in the higher end where smaller sites have historically been delivered. The additional wordings concerning the use of commuted sums introduced to the proposed policy H4, see above, have been suggested to satisfy the concerns raised by WG previously and are in line with the approach set out in National Planning Policy. The use of commuted sums would allow some provision towards affordable housing units in a consistent manner across all areas of Newport from every net gain of a residential unit. The calculation methodology will be set out in the proposed Supplementary Planning Guidance. The sum will be directly related to what a developer contributes towards providing on-site affordable housing i.e. 50% ACG. The sum will enable provision of affordable units through a Registered Social Landlord by developing a new affordable home or bringing an empty property back into use.

7 Provide greater clarity and consistency in Policy H4 and elsewhere in the Plan (including the Proposals Map) in relation to references to city, urban, settlement, village and inset boundaries, to avoid uncertainty and confusion of terms.

- 7.1 The Proposals Map is to be altered to ensure that the legend and boundary of all allocations are clear. The Plan will have reference to the following boundaries only, and the Plan will be checked to ensure the uses of these terms are consistent and clearly explained.
- The Local Authority Boundary – i.e. the extent of Newport City Council’s administrative area;
 - The Settlement Boundary – i.e. the boundary of the urban area of Newport;
 - Village Boundaries – i.e. defined village boundaries outside of the settlement boundary of Newport; and

- Inset Boundaries – i.e. the extent of the areas not shown on the proposal plan due to scale which are shown on individual inset plans.

8. Updated Affordable Housing Position

- 8.1 The submitted Deposit LDP noted in Policy SP10 that the Plan would deliver 2,527 affordable units over the entire plan period. Following the Hearing Sessions and agreed amendments from those sessions the total amount has changed from 2,527 units to 2077 units.

Sources of Affordable Housing	Affordable Housing Supply
Housing Sites	1563
Windfall Sites	312
Small Sites	64
Completions (April 2011- March 2013)	138
Total	2077

- 8.2 During the Hearing Sessions the total number of windfall completions has been debated and the Council consider that a level of 95 units per annum over the remaining years of the plan period is realistic. This would result in a total of **312** affordable units being delivered through the windfall supply. The calculation has been undertaken on an assumption that the 95 units will be split equally between each of the 4 submarket areas i.e. $95/4 = \text{approx. } 24$ (40% of 24 = 10 units, 30% of 24 = 7, 20% of 24 = 5, 10% of 24 = 2) $24*13 = 312$ units.
- 8.3 The number of small site completions anticipated over the plan period has been set at 41 units per annum (that is the average small site completions over a 5 year trend as agreed at the 2013 JHLAS). The affordable housing background paper (SD60) noted that 12% of housing completions over a 5 year trend were completed on sites of >3 and <10 units. If this approach is continued then the supply anticipated from the small site completions equals **64** units over the plan period. ($41*13=533$, 12% of 533= 64).

Appendix 1 Newport HLT – Viability Study Updated Testing Framework – April 2014

1 Baseline model

Development Appraisal Toolkit

2 Site size base

Use a standard one hectare site for all testing.

1 Market areas and house prices:

Comparable development

Development	Developer	Postcode	Sub Market	Prices per Sq M
City Vizion	Taylor Wimpey	NP 19 0	Newport East	£1,600 to £1,725
Lysaght Village	Taylor Wimpey	NP 19 0	Newport East	£1,720 to £1,950
Glan Llyn (projected)			Newport East	£1,750 to £2,000
Llanwern	Persimmon	NP 19 0	Newport East	£1,900 to £2,300
Allt Yr Yn Avenue	Taylor Wimpey	NP 20 5	Newport West	£1,950 to £2,400
Foxglove Meadow	Barratts	NP 20 7	Newport West	£1,700 to £2,400
Mon Bank	Redrow	NP 20 3	Newport West	£1,750 to £2,350

Updated prices:

Sub Market	Detached			Semis			Terraces			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
Caerleon	£322,000	£280,000	£234,000	£238,000	£207,000	£176,000	£228,000	£198,000	£165,000	£192,000	£167,000	£116,000	£248,000	£211,000
Rural Newport	£309,000	£269,000	£215,000	£228,000	£198,000	£168,000	£219,000	£190,000	£157,000	£184,000	£160,000	£112,000	£238,000	£202,000
Rogerstone	£278,000	£242,000	£193,000	£205,000	£179,000	£152,000	£196,000	£170,000	£143,000	£166,000	£144,000	£101,000	£214,000	£182,000
Newport West	£270,000	£234,000	£187,000	£199,000	£173,000	£147,000	£190,000	£166,000	£138,000	£161,000	£139,000	£97,000	£207,000	£177,000
Newport East	£225,000	£195,000	£156,000	£166,000	£144,000	£123,000	£159,000	£138,000	£115,000	£133,000	£116,000	£82,000	£173,000	£148,000
Malpas & Bettws	£201,000	£175,000	£140,000	£148,000	£129,000	£110,000	£142,000	£123,000	£102,000	£120,000	£105,000	£73,000	£155,000	£131,000

4 Density and mix

	Density (Dph)				
	20	30	40	50	100
1 Bed Flat					40
2 Bed Flat			5	5	60
2 Bed Terrace		5	15	15	
3 Bed Terrace	5	10	25	30	
3 Bed Semi	25	30	25	25	
3 Bed Detached	25	25	20	20	
4 Bed Detached	20	15	10	5	
5 Bed Detached	15	5			
3 bed Bungalow	10	10			
	100	100	100	100	100

5 Affordable housing targets

Test at:

**Affordable housing targets – 10%; 15%; 20%; 25%; 30%; 35%; 40% based on a tenure neutral approach.
Revenue set at 50% of ACG.**

6 Other Section 106 obligations

Test at £5,000 per unit.

7 Build costs

11 - DEVELOPMENT COSTS

Depress this button to clear these 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 used

	Toolkit Values	User Values
Bungalows	£1,198	
Flats (16+ storeys)	£2,124	
Flats (6-15 storeys)	£1,594	
Flats (5 & less storeys)	£1,162	£1,118
Houses <= 75m2	£1,011	£939
Houses > 75m2	£968	£897

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			<i>Please see guidance notes</i>

Wheelchair Costs

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

Exceptional Development Costs

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

8 Unit Sizes

Taken from new developments:

Ref.	Description of Dwelling	No of Bed-Rooms	Dwelling Type	No of Units	Size in sq.m Affordable	Size in sq.m Market
1	2 Bed Flat	2	Flat	1	64	62
2	2 Bed Terrace	2	House	1	66	64
3	3 Bed Terrace	3	House	3	80	74
4	3 Bed Semi	3	House	7	82	78
5	3 Bed Det	3	House	8	84	82
6	4 Bed Det	4	House	5	98	100
7	5 Bed Det	5	House	2	110	115
8	3 Bed Bung	3	House	3	82	78