

Report on Viability and Deliverability

of

**NORTHERN AND WESTERN
STRATEGIC DEVELOPMENT LOCATIONS,
STAFFORD**

Levvel Ltd

On behalf of

Stafford Borough Council

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Contents


1.0	Purpose of the study	3
2.0	Context	3
3.0	Methodology	5
4.0	Input assumptions	8
5.0	Infrastructure Breakdown	13
6.0	Results	14
7.0	Conclusions	16

1.0 Purpose of the study

- 1.1** The purpose of this report is to investigate the economic viability of the Strategic Development Locations (SDLs) and their soundness as the backbone of housing supply to support delivery of the Plan for Stafford Borough. The intention is to examine the capacity of these SDL sites to come forward under current market conditions, and to deliver the infrastructure and affordable housing identified through policies in the Plan for Stafford Borough. .
- 1.2** The nature of the study remains high level at this time. The precise specification of the SDLs remains a matter under discussion, along with the best way to deliver the infrastructure requirements. There are, consequently, a number of uncertainties which prevent a detailed viability study to be carried out at this time. The proper moment for such a detailed study will be when the sites come forward for planning permission, and more of the details are known.
- 1.3** Instead, the intention is to assess the broad capacity of the SDLs to deliver the infrastructure requirements and to identify the key sensitivities, as well as any risks to the strategy. To this end, a degree of "buy-in" has been sought from the promoters of the Northern and Western SDLs. A series of input assumptions have been discussed with developer representatives to provide confirmation that these are broadly applicable to the best of their current knowledge. This has been confirmed. Therefore it is concluded that the appraisals prepared constitute a useful guide to the deliverability of development, insofar as currently known.
- 1.4** Nevertheless this does not mean that it will be impossible for the developers to present different figures at the DC stage. If the market or other circumstances change then this will have to be reflected in updated appraisals. However, it would be surprising if the developers of these sites were later to put forward sets of appraisals in which the inputs were broadly the same but the outcome significantly different.

2.0 Context

- 2.1** Levvel has prepared a number of viability studies for Stafford Borough Council in 2009, 2011 and 2012. Each of these studies has found that values in Stafford Town itself (for which the ST16 postcode has been used as a proxy) are the lowest in the Borough. Since viability is directly connected to overall value, there is therefore concern that development in this areas is the least viable – based upon existing values.
- 2.2** At the same time, the SDLs around Stafford represent the lion's share of the Stafford Borough future housing supply - and that the proposed sites have been chosen not only to reinforce the primary importance of the town within the Borough but also because of their capacity to deliver essential infrastructure in the locations where it is required.
- 2.3** The challenge is therefore to ensure that the delivery of these SDLs in a lower value area within Stafford Borough is compatible with the supply of both the



required infrastructure and also an appropriate level of the affordable housing, for which a need has been identified through the Strategic Housing Market Assessment.

- 2.4 It was in recognition of the significant challenges this represents that, in our earlier studies it was recommended that the SDLs be exempted from paying the Community Infrastructure Levy (CIL) or, perhaps more accurately, the future CIL should be set at zero for the SDLs.
- 2.5 The intention of this was not to reduce the burden of the infrastructure on these sites but in order to maximise flexibility. Whatever its virtues, CIL is not a flexible mechanism and although it can be adjusted relatively quickly, and without the need to review the plan, it is a poor means of extracting the maximum level of contribution from sites without exposing them to the risk of rendering development unviable. This is because, unlike S106 and S278 obligations, CIL cannot be varied in order to take account of viability on a scheme by scheme basis. Once set, it is fixed until it is possible to vary it. Furthermore, the CIL is set and collected in cash, whereas the intention in respect of the SDLs is that the majority of the infrastructure will be provided in kind rather than in cash.
- 2.6 The use of S106 rather than CIL to deliver infrastructure in this way does give rise to a potential problem on the basis of Regulation No. 122 of the CIL Regulations, which requires that, S106 contributions may be pooled between no more than 5 sites. Any pooled contributions sought from a larger number of sites must be sought by way of CIL. As the majority of the infrastructure will be provided and built out within the developments themselves, this issue should not create a problem. Where cash contributions are pooled, it will be necessary to ensure that the funds collected are very clearly earmarked for specific projects rather than, for example education in general.
- 2.7 Another relevant consideration is the point that some of the component sites within the SDLs have reached within the planning process.
- 2.8 In particular, it is noted that a fully compliant outline application has already been submitted in respect of the Eastern SDL. Since this application undertakes to provide all the relevant infrastructure as well as 30% affordable housing sought by the Council's new policy, no viability evidence has been submitted. However, all such applications are, in effect, subject to viability, since the passage of the Infrastructure and Growth Act.
- 2.9 It is certainly not the purpose of this paper to make an assessment of the Eastern SDL application. However, the work carried out as part of this paper may be relevant to the Council's consideration of any viability evidence submitted by the promoters of this area at a later date.
- 2.10 The other relevant matter is the submission of an application for approximately 100 units making up phase one of development on the former Akzo Nobel site. In view of the high costs and relatively low values encountered there, the Council has conceded that phase one can go ahead with no affordable housing at all because of the other challenges to viability. This decision was reached on the basis of a full

assessment of viability submitted by the applicants, and subjected to third party scrutiny.

2.11 This decision is certainly a relevant consideration. However, the promoters of the Akzo Nobel Land have also contributed to this study and have been consulted about the inputs used. Although there remains considerable uncertainty as to the final level of specific costs, the results of this exercise suggest that there is likely to be scope for the delivery of a considerable element of affordable housing, alongside the necessary infrastructure on later phases of the development.

2.12 Future discussions as to the viability of this site and others SDLs will be assessed by the inputs that the promoters of those sites have requested that are used .

3.0 Methodology

3.1 In common with other viability assessments, Levvel’s work takes the form of a Residual Value appraisal. Residual land value assessment is a recognised practice within the development industry for evaluating costs and incomes associated with development. In essence, such appraisals consider the income from a development in terms of sales or rental returns and compare this with the costs associated with developing the scheme. The amount left over, or residual, is what is left for land acquisition, i.e. the residual land value.

3.2 The residual amount contained within the appraisal is assessed using the following formula:

$$\text{Gross Development Value LESS Gross Development Cost} = \text{Residual Land Value.}$$

This is represented by the figure below:

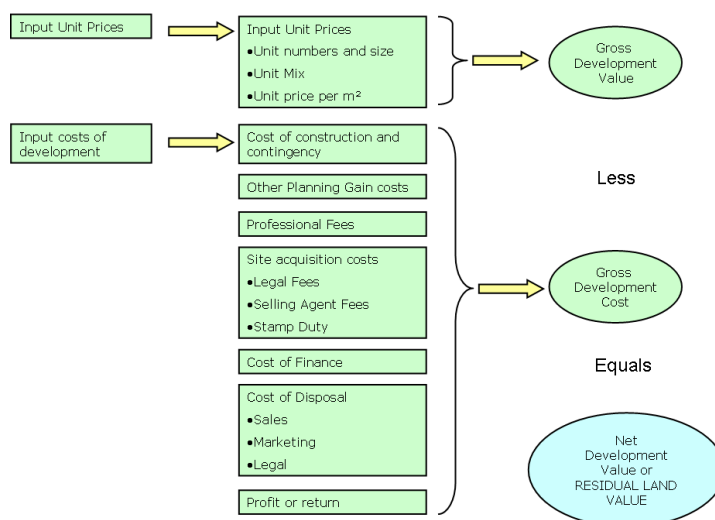




Fig. 1 Levvel Assessment Methodology

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- 3.3 Levvel has developed a dynamic model to determine the residual land value, which it has been used in negotiation with over 200 local authorities and considered at appeal on numerous occasions. From this, a toolkit to assess viability at a district wide level has been developed, this is known as the Levvel Development Viability Model (DVM).
- 3.4 Robust assumptions are required to be inputted into this model. Costs to development such as build costs, planning gain requirements, profit and development finance have been derived through research as well as practical experience and through consultation with the development industry and Council Officers. Sensitivity testing of variables, such as affordable housing percentage, tenure requirements, sales rates and increased / decreased levels of planning gain ensures the validity of the study outputs and demonstrates the impact upon viability across a range of scenarios.
- 3.5 Whilst the use of such models for policy setting purposes has become widespread practice since their introduction through development of the original London Plan almost a decade ago, the publication of guidance on good practice by the Local Housing Delivery Group (LHDG), chaired by Sir John Harman, has brought a number of specific issues to the fore recently.
- 3.6 Whilst all the work undertaken by Levvel prior to the publication of the LHDG report generally conforms to its guidance, there are a couple of issues where our approach diverges from general guidance which are addressed as follows:
- a. Measure of profit. The LHDG report notes that it is common practice for policy setting studies of this nature to use a simple assessment of profit, based upon a percentage of Gross Development Value (GDV). However, the report also notes that this takes no account of the timing of profit's accrual. For this reason, the guidance notes that most house builders' internal assessment of viability makes use of more sophisticated measures of profit –such as IRR – which are able to make a distinction between a 20% profit margin achieved in a single year and the same margin 10 years in the future. The guidance is absolutely correct on this point. However, the reliable use of an IRR necessitates a considerable degree of information as to the timing of the development and, in particular, the timing of the costs that development is likely to encounter. Furthermore it suggests considerable knowledge as to phasing and the timing of land payments and so on. At this stage, with considerable uncertainties remaining as to the level and nature of some of the infrastructure required, let alone the timing of contributions towards that infrastructure, the more straightforward approach to profit is more appropriate.
 - b. Level of profit. Remaining on the subject of profit, previous work has noted the challenges associated with achieving viability on large sites on the fringes of Stafford Town based on ST16 postcode values and, with that in mind, an aggressive approach to profit, reducing it to the lowest plausible level has been used. Profit has been assessed on the basis of 15% of GDV plus a 2.5% margin for internal overheads. This margin is applied only to market housing; for the affordable housing, where the level of risk has, historically, been significantly lower, a much lower profit level of 6% of cost has been applied. Having discussed this with promoters of the SDL sites, it was felt that these profit allowances were too low. Consequently, an allowance of 20% of GDV has been applied to the open market element of the development, with the same 2.5% allowance for internal overheads. The allowance for affordable housing remains unaffected, although the move



towards retrospective payments associated with affordable housing makes it unclear whether this allowance should remain. As the percentage of affordable housing varies in the assessments that follow, it is not possible to say exactly what the gross margin would be in each case, and across all tenures. However, it is likely to be below 20% of GDV.

- c. Cost/Value uplifts over time. A change of approach has been applied to this study compared to previous work. Assessing the viability of large scale development necessarily involves projections made well into the future, and the results will be sensitive to any changes assumed to take place in the future. LHDG recommends that, for at least the first 5 years of any study period, costs and values should be assumed to be flat – except when known future costs can be incorporated. This is different from former practice used by Levvel. From this study it is assumed that a modest level of both cost and value increases over time, reflecting the growth in the construction cost indices over time whilst stopping short of assuming that the housing market will continue growing faster than the rest of the economy ad infinitum. In practice, since the cost and value inflation largely counter-balanced one another, the effect was almost neutral.
- d. Known increases in costs. Even if cost and value inflation are removed from consideration, there remains the issue of a set of future costs, whose nature, although not its level is known. This is the impact of the move towards zero carbon in the 2016 building regulations. The cost of this remains an almost entirely unknown quantity, as even the definition of zero carbon has yet to be completely finalised. For the time being, one of the most comprehensive sources of information is the reporting of Davis Langdon for the Department for Communities and Local Government on the cost of the Code for Sustainable Homes. The Code itself is no longer mandatory but meeting the upper levels of the Code necessitates the achievement of zero carbon, and made up around 80% of the assessed cost of meeting the Code overall. Davis Langdon estimated that, depending upon the technologies that it is necessary to employ in order to achieve zero carbon and the nature of the homes involved, the density of development and a number of other variables, the achievement of zero carbon might add between 18 and 30% to the basic build cost of a home. This would be on top of the cost of meeting Level 4 (a 40% carbon reduction relative to Part L). There is no known evidence that buyers are willing to pay any sort of a premium for this level of energy efficiency – let alone the scale of premium that would off-set the cost. Of course, as what are presently niche technologies come closer to the wider market, there will be incentive for the development of more cost effective approaches and the costs may come down significantly, such was the experience with Energy Ratings on domestic appliances and also in the automotive space. However, given the speed of change required, and the tiny handful of homes currently built to anything like a zero carbon standard, it seems almost a certainty that there will be some sort of interruption to housing supply around 2016. The difficulty for a study of this nature, when looking at a large development that will take several years to deliver is that, even if development were to commence today, homes would still be under construction post 2016 and, in effect, it becomes necessary to apply the costs associated with zero carbon today. Such a huge increase in costs would call into question the viability of development not only on the SDLs but, in our experience, in almost all the locations where these have been applied nationally. For this reason, these known costs have been excluded from baseline appraisals, which does not conform to the LHDG guidance, but these have been addressed as a sensitivity to the main results.

- e. Fees and promotion costs. The LHDG report suggests that, for the largest and most complex sites, professional fees and promotions costs can amount to as much as 20% of base build cost. This may be the case occasionally and are mentioned because the SDLs are both large and complex. However, with size comes not only complexity but also economies of scale. This issue has been discussed with the SDL promoters but it was considered that fees and promotion costs might reasonably be confined to the normal range for development (8-12%) of base construction cost and indeed to the lower end of that scale. Therefore an allowance of 8% has been used.
- f. Internal overheads. Again, the LHDG report notes that internal overheads can be as much as 10% of build costs. Whilst this is true, for internal overheads to be on this level, it would be expected that they would include some element of the costs usually counted elsewhere – under professional fees, profit or some other element of costs – which would therefore be expected to see discounted. For this reason, a more conventional allowance of 2.5% of build cost to allow for internal overheads has been applied.

4.0 Input assumptions

- 4.1 Other major inputs to the modelling are set out below:

Values

- 4.2 In previous studies, which have provided a spatial picture of viability, we have used land Registry data as the basis of the approach to Gross Development Value. All the sales over a two year period were collated for each of the seven postcode sectors under consideration. These were broken down into four unit types: flats, terraced, semi-detached and detached, and then an assumed size was applied to each in order to arrive at a value/m².
- 4.3 In the case of Stafford town (ST16) the mix adjusted value was low – at just £1,750/m² (£162psf). It was then assumed, as noted in the previous section, that these values would rise slowly over time – initially by 1% per annum and subsequently by around 3% - broadly in line with RPI inflation. However, as the following graph taken from the Land Registry website shows, this assumption has been shown to have been somewhat optimistic. In fact, values have declined. (NB this graph shows the HPI for the whole of Staffordshire, more local information is not available.)

House price index



- 4.4 However, the Land Registry index captures all sales in ST16, including second hand properties and those in poor condition. The SDLs are just beyond the boundaries of the ST16 postcode, in ST18 postcodes and will, of course, consist of new homes. Even though the "new build premium", which one might have applied some years ago, is largely a thing of the past, to apply these second hand values to new homes would be deeply conservative.
- 4.5 At the time of previous studies in 2009, there was very little new build housing going ahead, and values for new homes were hard to identify but, at the time of writing, there are a few more comparables available than there were then. Therefore, regard has been had to the sorts of values achieved on the Doxey Road site and those anticipated elsewhere. This seemed to suggest values in the order of 15% higher than those originally assumed – perhaps £2,013/m² (186psf) might be achievable. These values have been accepted by the promoters of the SDL sites as being broadly correct, based upon the present market.
- 4.6 However, such large sites will, to some extent, create their own markets. As the developments establish themselves over time, and create their own sense of place, it may be possible to achieve a further premium, irrespective of the behaviour of the wider market.
- 4.7 To this end, it is realistic, based on developers' feedback, that values achieved might be a little higher at somewhere nearer to £2,153/m² (£200psf). This represents a 7% increase. Upon the assumption that this might not be achieved until a little later in the programme, an allowance for further uplifts of 5% and 10% in the values have been assessed in order to allow for the development of the local market.

- 4.8 Finally, the assumptions have been advanced to calculate the values needed to deliver the Council's affordable housing policy – of 30% affordable housing, in order to determine whether this is likely to be delivered.

Build Costs

- 4.9 In coming to a view of build costs, the BCIS cost index have been used as the starting point (estate housing, median).
- 4.10 However, in the latest figures, a slightly higher location factor has been applied to Stafford Borough. The figure for the County of Staffordshire is more consistent with the figure and location factor used in previous work.

	2011 AHVS (Q2 2010 BCIS Costs for Location Index 97)	2012 Update (October 2011 BCIS Costs for Location Index 97)	June 2013 BCIS Build Costs for Location 96-Staffordshire	June 2013 BCIS Build Costs for Location 101-Stafford
Estate Housing	£731 per m ²	£776 per m ²	£780 per m ²	£820 per m ²
Flats General	£913 per m ²	£918 per m ²	£890 per m ²	£936 per m ²

- 4.11 In considering the viability of the SDL large, strategic sites it is important to note that volume builders have access to considerable economies of scale.
- 4.12 For all these reasons, the County-wide figure of £780/m² has been applied rather than the Borough wide figure.
- 4.13 However because the costs published by BCIS represent base costs only, it is necessary to add on a series of further allowances:
- a. 10% to allow for the cost of external works, landscaping and minor site roads (but excluding spine roads);
 - b. £35/m² to allow for the additional cost of Level 4 of the Code for Sustainable Homes / 40% carbon reduction
 - c. £600/unit to allow for the cost of Lifetime Homes. This figure does not allow for the full cost of the standard, which primarily manifests itself in larger circulation spaces and bathrooms – space for which most buyers are unlikely to pay a significant premium – but these costs are taken up in the allowed unit sizes and the coverage calculations. The allowance of £600/unit covers only the cost of changes to specifications – such as the reinforcement of bathroom walls in order to permit the

fitting of grab-rails at a later date, as well as appropriate windows and accessible fittings.

- 4.14 These figures have been presented to the SDL representatives and it has been confirmed that this assessment of costs is broadly in line with the cost assessments made in house.

Coverage and Mix

- 4.15 In previous work, it has been assumed that development will cover 60% of the gross site area for these large sites, and that the net development density will be in the order of 30 dwellings per hectare (dph).
- 4.16 With the benefit of a more up to date view of the proposals, and especially the consideration given to the flood defences and open space requirements, it would now appear that a gross to net developable area of nearer to 50% is likely to represent a better starting point. However, a net density of 40dph may better reflect the current market for the SDLs.
- 4.17 Since these two factors cancel one another out, to an extent, the difference is slight.

	Older	New
Net Density	30dph	40dph
Gross Area to Net Area	60%	50%
Effective Gross Density	18dph	20dph

- 4.18 Given the mix of units sizes assumed, the effect on coverage is still smaller. At 30dph, the assumed mix of units gave a coverage in the order of 12,500sqft/acre. At 40dph the mix gives a coverage figure of 15,700. However, when the difference in gross to net ratios is factored in, the gross site coverage is within a few percentage points.

Land Value

- 4.19 In a Residual Land Value appraisal of this type, the question of land values is, arguably, the most critical factor as it forms the threshold or "hurdle" for the consideration of viability. However, there is comparatively little guidance on assessing the level of value necessary to bring land forward for development. The National Planning Policy Framework says only that the return to the land owner must be "competitive". Where land is in a current use, a premium may be allowed over and above the existing use value in order to encourage the owner to sell. The problem arises when the land is in an agricultural or other low value use. In such cases, a 20% or even a 50% premium over the agricultural value is unlikely to encourage the owner to sell.
- 4.20 In such cases, both LHDG and the RICS have tended to coalesce around a figure of 10-20 times agricultural value for the gross site area. This would suggest a minimum value in the order of £250k/ha (£101k/acre) across the gross area of the site. A figure that has been put to us as a hurdle locally has been that of

£185k/acre (£458k/ha) for the net developable area. However, when allowance is made for the fact that only 50% of the sites would be developable, this would be the equivalent of £228k/ha for the gross site area.

- 4.21 Therefore, a figure in this area could be treated as a reasonable guide to the threshold or “hurdle” value necessary to ensure that the land comes forward.

Infrastructure/S106

- 4.22 There remains considerable uncertainty as to the total cost of the package of infrastructure which the SDL sites will deliver. Although most of the major items and contributions have been identified, the nature of delivery, the mechanism and timing of payment, the applicability of any public finance for specific items and level of any discounts have yet to be finalised. This is entirely normal at this point in the process of bringing sites forward, but it does create uncertainty.
- 4.23 Developers have provided estimates of the per unit infrastructure cost, which range as high as £27,000 per unit, but there is certainly a chance that costs will be below this level – perhaps in the order of £20,000 before the final package is agreed.
- 4.24 Therefore, testing has been conducted at three levels on the basis that the total package is likely to fall within these bounds, but that the precise composition of the package is as yet unclear.
- 4.25 Further information on the composition of the infrastructure costs is set out in the next section.

Size and Cashflow

- 4.26 The various SDL sites are of different sizes but all are large and will take a considerable amount of time to deliver.
- 4.27 In accordance with good practice, the Level DVM is based upon a cashflow and calculates the cost of finance as one of the costs on the scheme. However, any such cashflow will be sensitive to phasing and the timing of infrastructure costs. With such large uncertainties about the level and timing of infrastructure costs still in play, there is no current way of phasing the timing of land acquisition and infrastructure costs with any degree of accuracy.
- 4.28 On the other hand, to treat an entire strategic location as a single phase with over 2,000 homes and a 20+ year time horizon would be unrealistic and would tend to exaggerate interest and financing costs. As an approximation, therefore the modelling is conducted on the basis of a notional 500 unit “phase” and pro-rated all costs wherever possible.
- 4.29 In consultation with the SDL promoters an absorption rate of 110 residential sales per annum has been applied although, in reality, this may increase as the developments mature, and this defines the duration of the development in the modelling.

Other Uses

- 4.30 It is important to note that the sites will not be entirely residential in nature and that a limited quantity of other uses is proposed. Although the rents arising from local centres are unlikely to have a large impact on the overall economics of development it is important to include such value, For example there is an option, on the Northern SDL, to achieve a large food store.
- 4.31 The inclusion of such a store would generate several million pounds worth of land value and significantly alter the viability profile of the overall development. Such a proposal is not currently identified within the Plan for Stafford Borough and would therefore constitute a change to the current proposals. The impact of its inclusion has been modelled in order to identify the potential impact of such a change.
- 4.32 Contributions towards education and affordable housing in particular are not sought from commercial development. However, these strategic locations are to be considered holistically, and from that point of view it is very difficult to disaggregate the extent to which different uses might create liability for, items such as roads and flood prevention measures. Retail uses will contribute to the overall viability of the development and it is therefore correct that they should be considered in an assessment of viability.
- 4.33 For this reason, a set of appraisals has been run which include £750,000 of land value arising from non-residential uses.

5.0 Infrastructure Breakdown

- 5.1 The foregoing leaves the question of the level of infrastructure and S106 contributions to issues other than affordable housing.
- 5.2 On the infrastructure side, far and away the largest single item is the issue of the road upgrades. There are a number of different ways in which the capacity might be created and, of course, some options will have a greater cost, and hence a greater impact upon viability than others.
- 5.3 As to S106, the largest single item is the cost of education provision which is currently estimated to cost around £7,500 per dwelling.
- 5.4 The precise make-up of the costs and the means to deliver the infrastructure remain under discussion and subject to a degree of commercial sensitivity. Therefore not all of the details are set out in this report, but further information is available through the Spatial Plan for Education study..
- 5.5 Nevertheless, the current estimates of the total cost range between £20,000/unit on a best assessment and around £27,000 on a more conservative one.
- 5.6 It should be noted that it is normal in such cases that initial assessments of the infrastructure and S106 costs would start out large and then be reduced through negotiation as the developments progress through the planning process. This is

because initial assessments of contributions are generally made on the basis of formulae rather than on the basis of detailed assessments of existing capacity.

- 5.7 This being the case, although the current best guesses of some of the promoters of the SDL sites are nearer to the upper end of our scale than to the lower, it is likelier that the direction of travel will be to lower, rather than higher contributions.

6.0 Results

- 6.1 The following tables show the Residual Land Value per gross hectare achieved under various different conditions. As noted above, the following results should be viewed in the light of a "hurdle" value of between £250,000/ha and £230,000/ha to reflect a "competitive return" to the landowner.

- 6.2 In the following tables, the columns show the different assumptions made in respect of values, £2,013/m² (£186psf) is the base value but, in addition a 5% and 10% increment has been assessed on the assumption that values in the sites may increase as the development matured. In the final column, an assessment has been made of the value required to deliver all of the affordable homes as set out in the Council's policy (30%).

- 6.3 The rows in the table show the percentage of affordable housing.

Table One: Infrastructure/S106 @ £20,000/unit No Commercial

		Values			Threshold
		Base	+ 5%	+10%	£ /m ² (£psf)
		£2,013/m ² (£186psf)	£2,114/m ² (£196psf)	£2,214/m ² (£206psf)	
% of affordable housing	10%	244,096	324,417	403,944	
	15%	193,283	269,100	344,166	
	20%	142,706	214,058	284,703	
	25%	92,235	159,015	225,240	
	30%				£2,350 (£218)

Table Two: Infrastructure/S106 @ £23,500/unit No Commercial

		Base	+ 5%	+10%	Threshold
		£2,013/m ² (£186psf)	£2,114/m ² (£196psf)	£2,214/m ² (£206psf)	£ /m ² (£psf)
% of affordable housing	10%	199,588	274,910	359,436	
	15%	148,775	224,592	299,658	
	20%	98,268	169,550	240,195	
	25%	47,825	114,583	180,732	
	30%				£2,430 (£223)

Table Three: Infrastructure/S106 @ £27,000/unit No Commercial

		Base	+ 5%	+10%	Threshold
		£2,013/m ² (£186psf)	£2,114/m ² (£196psf)	£2,214/m ² (£206psf)	£ /m ² (£psf)
% of affordable housing	10%	155,080	235,402	314,928	
	15%	104,301	180,084	255,150	
	20%	53,858	125,072	195,687	
	25%	3,689	70,172	136,269	
	30%				£2,500 (£232)

- 6.4 Clearly, the inclusion of an element of commercial space would improve the financial viability of the project noticeably. It has been assumed that the site would simply be sold to a retailer for development and that there would consequently be a land receipt on the revenue side whilst the infrastructure costs remain broadly unchanged. It is recognised that there is no certainty of the food store going ahead particularly as this may be contrary to the Plan for Stafford Borough - Publication but, in order to investigate the possibility that it does, a relatively conservative approach in assuming a receipt of £750,000 on a 500 unit scheme has been taken. This would be more like £3m across a scheme of 2,000 units.

Table Four: Infrastructure/S106 @ £20,000/unit £750,000 Commercial

	Base	+ 5%	+10%	Threshold
	£2,013/m ² (£186psf)	£2,114/m ² (£196psf)	£2,214/m ² (£206psf)	£ /m ² (£psf)
10%	274,096	354,417	433,944	
15%	223,283	299,100	374,166	
20%	172,706	244,058	314,703	
25%	122,235	189,015	255,240	
30%				£2,305 (£214)

Table Five: Infrastructure/S106 @ £23,500/unit £750,000 Commercial


	Base	+ 5%	+10%	Threshold
	£2,013/m ² (£186psf)	£2,114/m ² (£196psf)	£2,214/m ² (£206psf)	£ /m ² (£psf)
10%	229,588	304,910	389,436	
15%	178,775	254,592	329,658	
20%	128,268	199,550	270,195	
25%	77,825	144,583	210,732	
30%				£2,380 (221)

Table Six: Infrastructure/S106 @ £27,000/unit £750,000 Commercial

	Base	+ 5%	+10%	Threshold
	£2,013/m ² (£186psf)	£2,114/m ² (£196psf)	£2,214/m ² (£206psf)	£ /m ² (£psf)
10%	185,080	265,402	344,928	
15%	134,301	210,084	285,150	
20%	83,858	155,072	225,687	
25%	33,689	100,172	166,269	
30%				£2,450 (£227)

7.0 Conclusions

- 7.1 Stafford Town is a relatively low value area compared to the rest of Stafford Borough, and the infrastructure and the Council's aspirations in terms of infrastructure and planning gain are ambitious but realistic.. The basic finding of the foregoing assessment is that the SDL sites are deliverable. On present values and with the likely scale of burdens placed upon the sites, it is unlikely that they will be able to achieve the Council's affordable housing targets in full but, even with quite substantial packages of both affordable housing and infrastructure, the sites continue to return a positive land value. As the sites mature and create their own sense of place, there is every reason to suppose that values will improve – relative to the rest of the market. That is, even if house prices across the County and region remain completely flat, the scale of these sites is likely to have an effect on the perception of the area and should drive improvements in value.
- 7.2 Therefore, there is no reason to suppose that the SDL sites will not come forward and cannot form the backbone of the Council's housing supply.
- 7.3 The assessments have been carried out on the basis of current values – before taking account of any uplift associated with the creation of new places and changed perceptions. With any such uplift in place, the situation looks better. It has already been suggested by developers that such an uplift might raise values to £200psf, which is approximately 7% above our baseline and in the middle of the two higher sensitivities tested.
- 7.4 Since the values work today, there is no reason to suppose that there would be any delay in bringing the sites forward. Whilst there is always some scope for large complex applications to be held up, viability is not one of the reasons that these sites should be delayed, so they can form part of the 5 year land supply.
- 7.5 What is unlikely is that the initial phases of the developments will be able to deliver the full 30% affordable housing required by policy. For that to happen, values would have to go up and infrastructure costs will need to be at the lower end of the assumed range. On that basis, there is certainly a risk that the Council may not be



able to deliver at 30% affordable housing. However this could scarcely be considered to be a situation unique to Stafford Borough. Many local authorities would need to provide a significant increase in their housing requirements through land supply in the form of affordable housing in order to come close to meeting all of their needs. Stafford would need to provide only 40% of its overall requirement in the form of affordable homes in order to meet the need in full.

- 7.6 Moreover, it is possible that some grant will be available to support the provision of additional affordable homes. This possibility has not been modelled as it is contrary to current stated Government policy to provide capital funding for affordable homes provided by means of S106 and contrary to good practice to model such funding as the basis of policy. However, analysis of the Homes and Communities Agency's main Affordable Homes Programme shows that, in practice, grant has indeed been available for sites similar to the Stafford SDLs.
- 7.7 Between April 2011 and March 2013, some 36,323 homes were delivered through the Affordable Homes Programme and received £632,914,807 in grant. Of those homes included in the programme, only 3,247 were delivered without capital funding. The Government is keen to maintain supply and the fact is that, without capital support, delivery is challenging.
- 7.8 In short, the SDLs are, fundamentally, viable in the sense that the value they are likely to generate exceeds the cost involved and will allow a competitive return to both developer and landowner.
- 7.9 The level of infrastructure and affordable housing sought will make delivery challenging but not impossible. This is based upon an assessment carried out with early – and hence conservative – data and there is every reason to suppose that ways will be found to deliver the necessary infrastructure more efficiently, that certain S106 contributions may be reduced if existing capacity is identified and that values themselves may improve as the developments establish themselves. Moreover, it is understood that Government funding may be sought towards a number of specific items of infrastructure and some has already been secured. It has been assumed that there will be no receipt of capital funding towards any of the affordable housing despite Government practice (if not policy moving in that direction). Finally no allowance has been made for any of the New Homes Bonus money arising from the delivery of these homes to be recycled into off-setting the infrastructure cost. Such a policy would need public ratification but would have the potential to lower per unit infrastructure/S106 costs by as much as £6,000

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