resolve106
AFFORDABLE HOUSING CONSULTANCY

report

Affordable Housing Viability Assessment

Former Bolton Hall Nursing Home, Bolton upon Dearne

On Behalf of:

House Crowd Developments Ltd

July 29th 2016

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1.0 Introduction and Background

1.1 This report has been prepared to assess the economic viability of a financial contribution toward affordable housing provision in connection with the proposed redevelopment of the former Bolton Hall Nursing Home, Carr Head Lane, Bolton upon Dearne ("the application site").

1.2 The site is located in the administrative area of Barnsley Metropolitan Borough Council ("the Council") and extends to 1.2 hectares (3.0 acres) in total. The net developable area of the site is constrained by the need to retain and preserve a number of mature trees.

1.3 The report accompanies a planning application for the redevelopment of the vacant Nursing Home Buildings with 28 detached and semi-detached dwellings, each with 4 bedrooms and between 2 and 3 storeys in height.

1.4 Section two of this report examines the prevailing planning framework with regard to economic viability in planning. Consideration is given to government policy and guidance and its emphasis that targets for affordable housing provision and other planning obligations must be deliverable. Examination is also undertaken in respect of the relevant policies of the Council.

1.5 Section three sets out the methodology and assumptions used in the viability modelling process. It emphasises that development for which there is no plausible business case, whether on viability grounds, or for other reasons, will not take place. As recommended by the HCA, the Development Appraisal Toolkit has been used as an open source discounted cashflow model that is freely available for use by participants in the planning negotiation process.

1.6 Section four considers the results of the viability modelling exercise. The application proposals are considered to be marginally viable based on projected costs and revenues but offer a reasonable prospect that the site would be brought forward for development. However, it is not considered financially viable to support a contribution toward the provision of affordable housing.

1.7 Section 5 concludes that the proposals for the application site should be permitted as they would make a positive contribution to housing supply in Barnsley, provide high quality accommodation suited to the needs of family households, and make effective use of an under-used site. It is considered that such benefits outweigh the inability to contribute toward the provision of affordable housing.

1.8 This viability report is provided on a confidential basis to the Council. It is therefore requested that the report should not be disclosed to any third parties (other than any consultants as may be instructed by the Council to review this report) under the *Freedom of Information Act* 2000 (sections 41 and 43(2) or under the *Environmental Information Regulations*.

2.0 Overview and Policy Context

2.1 National Guidance

2.1.1 The National Planning Policy Framework ("NPPF"), published on 27th March 2012, places 'significant weight' on 'the need to support economic growth through the planning system'[1] and seeks to 'boost significantly' housing supply.[2] Each Local Authority is expected to produce a Local Plan for the area, to be reviewed in whole or in part to enable flexibility in the face of changing circumstances. Supplementary Planning Documents should not be used 'to add unnecessarily to the financial burdens on development'.[3]

2.1.2 Paragraph 173 of the NPPF requires Local Planning Authorities to have regard to viability in both plan making and decision taking:

> "*Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the <u>normal</u> cost of development and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable." (emphasis added).*

[1] Paragraph 19, page 6, NPPF
[2] Paragraph 47, page 12, NPPF
[3] Paragraph 153, page 37, NPPF

2.1.3 The wording of the NPPF is unequivocal in stating that the cost of planning obligations and policy burdens should still allow competitive returns to willing landowners and developers taking account of the 'normal' costs of development and mitigation. Thus any policy requirement such as for affordable housing if established at the margins of viability assuming 'normal' costs of development and mitigation would still require relaxation in circumstances where 'abnormal' costs are present.

2.1.4 Paragraph 204 of the NPPF requires that Planning obligations should only be sought where they meet all of the following tests:

- necessary to make the development acceptable in planning terms;
- directly related to the development; and
- fairly and reasonably related in scale and kind to the development.

Where obligations are being sought or revised, local planning authorities are required to take account of changes in market conditions over time and, wherever appropriate, be sufficiently flexible to prevent planned development being stalled.

2.1.5 Paragraph 47 of the NPPF requires LPA's to identify and update annually a supply of specific deliverable sites to provide a five year supply of housing against their housing requirements (plus a buffer of 5%, increased to 20% where there is a record of persistent under delivery). The footnote to the paragraph states that:

> *"To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years <u>and in particular that development of the site is viable</u>."*
> (emphasis added)

2.1.6 Paragraph 49 of the NPPF states that:

"Relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five-year supply of deliverable sites."

In this regard the five year supply identified must be capable of meeting the full objectively assessed needs for market and affordable housing in the housing market area.

2.1.7 An appeal decision for a site at Water Lane, York (APP/C2741/A/11/2160459) confirmed this includes policies concerned with the requirement to provide affordable housing. In this instance the inspector considered the urgent need to contribute toward the Councils five year supply of deliverable housing land outweighed the inability of the site to provide affordable housing due to concerns regarding economic viability:

"Development on land such as the appeal site, which is deliverable in the short term, and which is already included in the Council's 5-year supply assessment, should not be unduly delayed by seeking too high a percentage of affordable housing."
(Paragraph 27 – inspector's decision notice)

2.1.8 Online National Planning Practice Guidance ("NPPG") was published on 6th March 2014. For the first time this provides statutory guidance in respect of the consideration of viability in both plan-making and decision-taking.

2.1.9 Paragraph 16 of the viability chapter of NPPG considers '*How should viability be assessed in decision-taking?*' By way of response it states:

> *"A site is viable if the value generated by its development exceeds the costs of developing it and also provides <u>sufficient incentive</u> for the land to come forward and the development to be undertaken."* (Emphasis added)

2.1.10 Paragraph 17 of the same chapter of NPPG considers '*How should changes in values be treated in decision-taking?*' By way of response it states:

> *"Viability assessment in decision-taking should be based on <u>current costs and values</u>. Planning applications should be considered in today's circumstances."*

Only where a scheme encompasses phased delivery over the medium to longer term would potential changes in value and costs need to be considered. This is not the case with the application site.

2.1.11 Paragraph 21 reiterates the content of paragraph 17 of the NPPF that local planning authorities should encourage the effective use of brownfield land (provided this is not of high environmental value). In the context of viability LPA's should incentivise the bringing back into use of brownfield sites (such as the application site) and:

> *"take a flexible approach in seeking levels of planning obligations and other contributions to ensure that the combined total impact does not make a site unviable."*

Returning to paragraph 47 of the NPPF, if the level of planning obligations and other contributions sought renders development of a site unviable then it cannot be considered *deliverable* and hence must be excluded from any assessment of five-year housing land supply.

2.1.12 Paragraph 19 queries '*How should the viability of planning obligations be considered in decision-taking?*' By way of response it states:

> *"Where an applicant is able to demonstrate to the satisfaction of the local planning authority that the planning obligation would cause the development to be unviable, <u>the local planning authority should be flexible in seeking planning obligations</u>.*
>
> *<u>This is particularly relevant for affordable housing contributions which are often the largest single item sought on housing developments</u>. These contributions should not be sought without regard to individual scheme viability. The financial viability of the individual scheme should be carefully considered in line with the principles in this guidance."*
> (Emphasis added)

Vacant Building Credit

2.1.13 The Written Ministerial Statement of 28th November 2014 (and subsequent amendment to NPPG in March 2015) introduced the principle of a financial credit, equivalent to the existing gross floorspace of any vacant buildings brought back into any lawful use or demolished for re-development, which should be deducted from the calculation of any affordable housing contributions sought from relevant development schemes.

2.1.14 This guidance was withdrawn in August 2015 in response to a High Court judgement of 31st July 2015 (which had the effect of quashing it) and was reintroduced on 19th May 2016 following a Court of Appeal decision which overturned the previous judgement.

2.1.15 Paragraph 22 of the Planning Obligations chapter of NPPG is titled *'What is the process for determining the Vacant Building Credit?'* By way of response it states:

> *"Where there is an overall increase in floorspace in the proposed development, the local planning authority should calculate the amount of affordable housing contributions required from the development as set out in their Local Plan. A 'credit' should then be applied which is the equivalent of the gross floorspace of any relevant vacant buildings being brought back into use or demolished as part of the scheme and deducted from the overall affordable housing contribution calculation. This will apply in calculating either the number of affordable housing units to be provided within the development or where an equivalent financial contribution is being provided.*
>
> *The existing floorspace of a vacant building should be credited against the floorspace of the new development. For example, where a building with a gross floorspace of 8,000 square metre building is demolished as part of a proposed development with a gross floorspace of 10,000 square metres, any affordable housing contribution should be a fifth of what would normally be sought."*

2.1.16 As set out later in this report application of the Vacant Building Credit has the effect of reducing the maximum amount of affordable housing that can be sought in policy terms (wider issues of site viability notwithstanding).

2.2 Local Policy

2.2.1 The Barnsley Core Strategy DPD ("CSDPD") was adopted in September 2011 (i.e. before publication of NPPF). Policy CSP15 seeks provision of affordable housing in connection with all development proposals involving 15 or more dwellings. The target level of provision is 25% in Penistone and the rural west, Darton, Barugh and Dodworth, and 15% in 'all other parts of the borough' (such as where the subject site is located).

2.2.2 The policy acknowledges the target level of provision will be sought unless it can be demonstrated through a viability assessment that the required figure would render a scheme unviable.

2.2.3 The Barnsley Local Plan Publication Draft ("BLPPD") was published for on 19th June 2016 and remains open for consultation until 19th August 2016. Policy H8 is concerned with affordable housing and in line with the CSDPD proposes a continuation of the 15 dwelling site size thresholds.

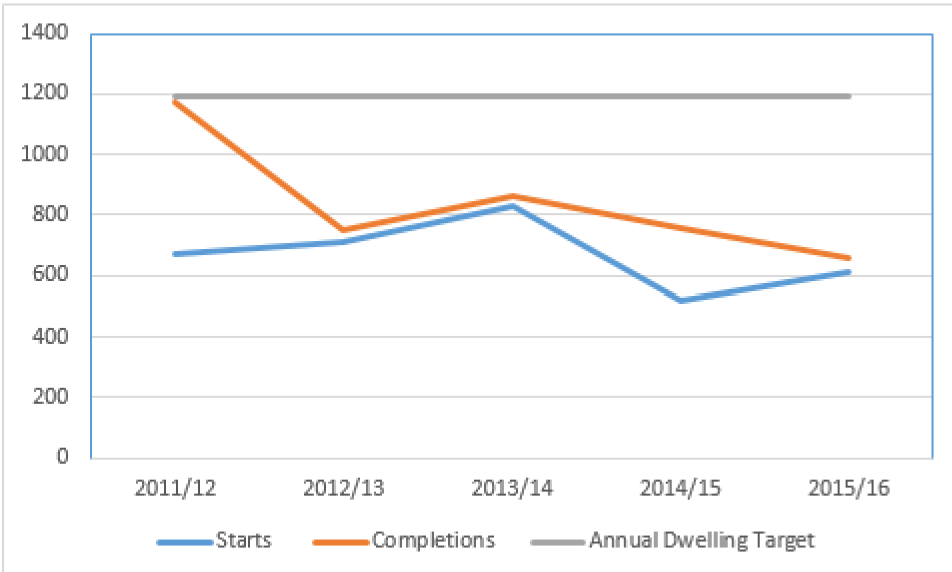
2.2.4 In connection with the proportion of affordable housing sought however the target level of provision has changed however to 30% in Penistone and Dodworth and Rural West, 20% in Darton and Barugh, and 10% in Bolton, Goldthorpe, Thurnscoe, Hoyland, Wombwell, Darfield, North Barnsley and Royston, South Barnsley and Worsbrough and Rural East.

2.2.5 As the policy is informed by the findings of a viability study it is therefore evident that the ability of sites in the Bolton upon Dearne area to support provision of affordable housing must have deteriorated since adoption of the CSDPD as there is a proposed relaxation in the affordable housing target from 15% to 10% of proposed dwellings.

2.2.6 In continuation of the approach taken by the CSDPD policy H8 also acknowledges that the target level of provision will be sought unless it can be demonstrated through a viability assessment that the required figure would render a scheme unviable.

2.2.7 Analysis of housing starts and completions for the period following adoption of the CSDPD in 2011/12 to 2015/16 indicates that there has been a consistent fall in the level of both housing starts and completions, and these still fall significantly short of the plan period target of an average 1,194 net additional dwellings per annum.

Table 1: Barnsley – Housing Starts and Completions



2.2.8 It is apparent that that Council needs to deal flexibly with requests for relaxation of policy CSP15 on viability grounds if it is to achieve its overall annual dwelling requirement.

3.0 Viability Appraisal and Assumptions

3.1 It is evident that the NPPF stresses the importance of ensuring the viability and deliverability of plan objectives, and that the application of plan policies, local standards and infrastructure contributions should provide 'competitive' returns to both a willing landowner, and a willing developer. Again, the establishment of 'competitive' returns, whether in terms of developer profitability, or land value receipts sufficient to ensure the continued supply of development land is a matter for consideration by local planning authorities when drafting their local plan policies. Importantly, the NPPF recognises that policies should facilitate development across the economic cycle.

3.2 Practice guidance titled "*Financial Viability in Planning*" was published by RICS in August 2012. In defining its scope it stated that:

> *"The guidance starts from the premise that the private sector will continue to be relied upon to deliver the majority of commercial, residential and mixed-use developments together with consequential infrastructure provision. It further recognises that development for which there is no plausible business case, on viability grounds or for other reasons, will not take place. A shared understanding of development viability for planning purposes between the local planning authority and private sectors is, therefore essential to achieve consistency in both approach and assessment.*
>
> *(Paragraph 2.2 – Financial viability in planning – emphasis added)*

The guidance continues to provide a definition of financial viability for the purposes of town planning decisions as:

> *"An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project."*
> (Paragraph 5.1 – Financial viability in planning)

It is therefore evident that regard must be had both to the interests of developers and landowners when making judgements on development viability in the planning process. It should not be assumed that all burdens are capable of being borne by a reduction in either the value attributable to the owner of the site or the developers return.

3.3 In addition, the guidance identifies the matters to which regard must be had when considering issues of financial viability:

> *"A proper understanding of financial viability is essential in ensuring that:*
>
> *(i) land is released for development;*
> *(ii) developers are capable of obtaining an appropriate market risk adjusted return for delivering the proposed development;*
> *(iii) the proposed development is capable of securing funding; and*
> *(iv) assumptions about the quantum of development that can be delivered over the course of the plan period are robust."*
>
> (Paragraph 5.3 – Financial viability in planning)

And the guidance further provides a timely warning to local planning authorities and policy makers that:

> *"Where planning obligation liabilities reduce the site value to the landowner and return to the developer below an appropriate level, land will not be released and/or development will not take place."*
> *(Paragraph 5.4 – Financial viability in planning – emphasis added)*

Obviously such a situation would not be conducive to the stated aim of the Government that the planning system should do everything it can to support sustainable economic growth and not act as an impediment.

Development Appraisal Toolkit

3.4 The economic viability of the application site has been appraised using the Homes and Communities Agency ("HCA") Development Appraisal Toolkit ("DAT"). The DAT was launched in May 2011 to supersede previous HCA viability modelling tools that did not reflect the changes being introduced in the 2011 – 2014 spending review period. Version 4.04 of the DAT was released in August 2015.

3.5 The DAT is a site specific development viability tool that is freely available to any organisation that wishes to use it. The letter to chief planning officers that accompanied 'Planning for Growth' emphasised the importance of HCA guidance on best practice, and indicated that local authorities may find the DAT of assistance when negotiating planning obligations. It is designed to inform the development management process by appraising the viability of schemes. The user manual defines the purpose of the DAT as follows:

> *"The tool is an 'open source' cash flow model which can model affordable or mixed tenure housing development, with scope to capture ancillary commercial uses. Based on a series of assumptions about costs, values and reasonable profit, the model calculates the surplus or deficit created by a given scheme. It also allows*

estimation of the level of affordable housing and other S106 requirements that can be supported by a scheme."

(Paragraph 1.1 – DAT User Manual)

3.6 The potential uses of the tool are stated to include:

- *Analysis of a scheme when considering whether the required level of planning obligations is viable;*
- *Helping a local authority consider the balance between planning obligations and affordable housing;*
- *Assessing the case for financial support from the HCA under the Affordable Homes Programme;*
- *Assessment of the potential land value where a local authority is considering a disposal.*

Further information on the structure and operation of the Development Appraisal Tool is available on the HCA website:

http://www.homesandcommunities.co.uk/ourwork/development-appraisal-tool

3.7 By default, the model is a 'gap funding' tool in that land values and reasonable developer's profits are treated as inputs. Based on anticipated development costs and revenues if the model indicates a surplus on scheme completion this implies that a development is likely to be viable, whereas if a deficit is indicated this implies that a development is likely to be unviable.

Appraisal Inputs

3.8 Input sheet 1 of the DAT requires details of the site in terms of address, site area and brief details in respect of the scope of development for which planning permission is sought. The site extends to approximately 1.2 hectares (3.0 acres) and currently comprises vacant nursing home premises. Current gross floorspace equates to 2,104m² all of which is vacant.

3.9 The site value has been input as £562,500 which has been derived having regard to valuation advice provided by consultants GVA Grimley in respect of the value of the site in its current use and also having regard to an unimplemented planning permission for the development of 5no. residential care bungalows within the grounds of the nursing home (2014/1482) approved 23rd March 2015.

3.10 In establishing a land value for incorporation into the modelling however it is necessary to apply an uplift to the current value in order to provide an incentive for the landowner to release the site for residential development and hence deliver a competitive landowner return in accordance with the NPPF.

3.11 The Harman Review[4] notes that there is no precise figure that should be used as an appropriate premium above current use value and that this should be determined locally, but it is important that there is evidence that it represents a sufficient premium to persuade landowners to sell.

3.12 For the purposes of this assessment an uplift of circa 25% has been added to the current land value of £450,000 which results in the land value input of £562,500, equivalent to £468,750 per hectare (£189,703 per acre).

3.13 The input land value of £562,500 is therefore considered to represent a competitive landowner return in the context of paragraph 157 of the NPPF.

3.14 Input sheet 2 requires details of the proposed development in terms of dwelling mix, type, and estimated market sales or values.

3.15 A total of 10 no. housetypes are proposed to be developed on this site, the designs of which comprise 3 broad typologies; 4 bed 2 storey detached dwellings, 4 bed 3 storey detached dwellings, and 4 bed 3 storey semi-detached dwellings.

[4] Viability Testing Local Plans – Advice for Planning Practitioners – June 2012

3.16 For the purposes of the appraisal average floor areas have been applied in respect of each typology as follows:

Table 2: Proposed Housetypes

Housetype	Ground Floor	First Floor	Second Floor	Total
4 Bed Detached (2 Storey)	55.96m²	55.96m²	N/A	111.92m²
4 Bed Detached (3 Storey)	46.61m²	46.61m²	27.09m²	120.30m²
4 Bed Semi Detached (3 Storey)	46.48m²	46.48m²	25.62m²	118.57m²

3.17 With regard to estimation of anticipated dwelling values regard was had initially to new build developments in the local area. The only such current development identified within Bolton upon Dearne is the Gleeson Homes site trading as 'Lowfield Park' which is situated approximately half a mile East of the subject site.

3.18 A 4 bedroom detached 'Longford' housetype at 99m² (1,066sq.ft) is being marketed for £165,995, which equates to £1,677/m² (£156/sq.ft).

3.19 Secondarily, research was undertaken in respect of general housing market values in the vicinity of the subject site, with particular emphasis placed on comparison with more recently built dwellings of a similar typology to those proposed.

3.20 Analysis using Rightmove identified a 4 bedroom 2 storey dwelling in a historic development adjacent to the subject site on 'Pennyfields', originally constructed by Barratt Homes. The dwelling in question comprises a 'Windermere' housetype at 108m² (1,159sq.ft) with an asking price of £199,950, which equates to £1,857/m² (£172/sq.ft). Further details in respect of this property are provided in Appendix 6.0.

3.21 This rate as therefore been applied to the 4 bedroom detached housetype as a direct comparable generating a value of £207,835.

3.22 In respect of the 3 storey townhouses the rate has been modified to take account of the lower values attributable to the second floor areas (as is standard practice). Overall the second floor equates to 23% to the total area of detached townhouses and 22% of semi-detached townhouses.

3.23 Therefore, the area of the ground and first floors of these dwelling types has been valued at £1,857/m² whilst that of the second floor areas has been discounted by 50%. The resultant values have been benchmarked against that of the 2 storey detached dwelling to ensure they are lower in price and therefore reflective of market sentiment.

3.24 The values used for appraisal purposes are set in in full in Table 3 below:

Table 3 – Residential Values

Housetype	**Size (m²)**	**No.**	**Estimated Price**	**Total**
4 Bed Detached (2 Storey)	111.92m²	5	£207,835	£1,039,175
4 Bed Detached (3 Storey)	120.30m²	7	£198,856	£1,391,992
4 Bed Semi Detached (3 Storey)	118.57m²	16	£195,996	£3,135,936
Total		**28**		**£5,567,108**

3.25 Input sheet 3 requires details in respect of the phasing of development. A commencement on site in January 2017 has been assumed with the first plot sale completing in July 2018 and continuing until August 2018. Sales receipts would accrue between July 2017 and August 2018, equivalent to a monthly rate of sale of 2 dwellings per month.

3.26 Input sheet 5 requires details in respect of residential development costs. With regard to construction costs use has been made of median BCIS data (as advocated by NPPG). The applicable rate for detached housing is £998/m² for detached housing and £815/m² in respect of semi-detached housing (3 storey). This equates to a blended rate of £892.75/m² having regard to the dwelling mix proposed. Further details in respect of BCIS data are provided in Appendix 7.0.

3.27 An allowance of 8% for professional fees has been applied together with a contingency allowance of 2.5% of estimated works costs which are considered to be 'industry standard' allowances in these matters.

3.28 Site specific abnormal costs of £75,000 in respect of demolition and remediation have been input based on information received from the applicants.

3.29 In addition, an allowance equivalent to 10% of construction works costs (£303,337) has been applied in relation to external works (access roads, drainage, car parking, boundary fencing etc.) as these are not included in BCIS cost data. This equates to circa £100,000 per acre which does not appear unreasonable once account is taken of the significant length of single sided access road required due to constraints imposed by the shape of the site.

3.30 In respect of planning obligations, a Green Space contribution of £2,013.13 per dwelling (£56,367.64 in total) has been input in respect of a calculated contribution toward off-site in accordance with policies CSP35, CSP42 and the Open Space Provision on New Housing Developments SPD.

3.31 Standard assumptions are used in respect of site acquisition fees (1%) legal fees (0.5%) and Stamp Duty Land Tax (4%).

3.32 An assumed interest rate of 7% has been applied on borrowings throughout the development period together with a credit rate on any cashflow surpluses of 3.5%.

3.33 An allowance of 3% of projected sales revenues has been applied in respect of sales and marketing costs (which is considered to be industry standard) together with an allowance of £750 per dwelling in respect of legal costs.

3.34 An allowance of 20% of gross development value has been applied in respect of the developers return (profit margin) which is again considered to be conservative and likely to be at the lower end of lenders expectations when assessing the risk involved in financing a project such as this by a smaller developer.

3.35 In connection with an appeal decision dated 8th January 2013 in relation to land at The Manor, Shinfield (APP/X0360/A/12/2179141) consideration was given to the appropriate level of developer's profit. The inspector noted that the usual target was in the range of 20 – 25% of gross development value and commented:

> *"I conclude that the national housebuilders' figures are to be preferred and that a figure of 20% of the GDV, which is at the lower end of the range is reasonable."*
>
> (Paragraph 44 – Inspectors decision notice)

4.0 Results of Viability Modelling

4.1 Having completed all the inputs into the viability modelling process it is then possible to determine whether the outturn scheme value generates a surplus (indicating that the scheme is viable) or a deficit (indicating that it is not).

4.2 The viability output (Appendix 5.0) indicates that based on the modelling assumptions used the application proposals would generate a gross development revenue of £5,567,108.

4.3 Forecast construction costs (inclusive of contingency allowance) are £3,033,372.

4.4 After allowance for all development costs of £5,717,143 (including developers return and benchmark land value) the scheme would generate a deficit on completion of -£150,035 (a net present value of -£130,309).

4.5 As the deficit can only be eliminated through adjustment of the developer's profit margin amendments were made to the model to determine at what level of profit the scheme would 'break even'. It has been determined that the true rate of profit achievable equates to only circa 17.25% of Gross Development Value indicating that the project is only *marginally viable*.

4.6 Consequently, there would appear to be no scope to incorporate provision of affordable housing without prejudicing the viability of the scheme as developer profitability is significantly below accepted benchmark levels already.

4.7 This notwithstanding a further iteration of the model was run incorporating a financial contribution toward off-site provision of £77,358, equivalent to 1.5 dwellings (5% affordable housing). Although the target under policy CSP15 is for 15% affordable provision in this area of the Borough regard has been had to the application of the Vacant Building Credit in calculating the maximum policy requirement.

4.8 The development proposals encompass 3,299m² of residential accommodation but there are 2,104m² of currently vacant buildings on-site. Therefore, the Vacant Building Credit is applied in calculating a net uplift of 1,195 m² to which the requirement for 15% affordable housing provision is applied.

4.9 1,195m² multiplied by 15% equals 179m². The average dwelling size is 118m² which would equate to a contribution being sought for 1.5 affordable dwellings overall. In connection with pre-application discussions regarding a potential scheme of 27 dwellings a schedule was provided outlining the basis of a financial contribution toward off-site affordable housing provision equivalent to 4 dwellings (Appendix 8.0).

4.10 The contribution sought was £206,829, therefore on a pro-rata basis a contribution in lieu of 1.5 dwellings would equate to £77,358.

4.11 This contribution, when incorporated into the modelling contributes to a deterioration in the viability of the project, with the net present value of the deficit on completion increasing from -£130,909 to -£280,090. In terms of the level of developer profit at which the scheme would 'break even' this has been assessed to be just 14.25% of gross development value.

4.12 At this level the forecast profit would be insufficient to provide a competitive developer return in the context of paragraph 157 NPPF and as such it is considered unlikely that the site could be brought forward for development. An affordable housing contribution would therefore render the scheme unviable.

5.0 Summary and Conclusions

5.1 The wording of the NPPF is unequivocal in stating that the cost of planning obligations and policy burdens should still allow competitive returns to willing landowners and developers taking account of the 'normal' costs of development and mitigation. It should not be assumed that all burdens are capable of being borne by a reduction in either the value attributable to the owner of the site or the developers return.

5.2 Relevant policies for the supply of housing should not be considered up to date if the local planning authority cannot demonstrate a five-year supply of deliverable sites.

5.3 The NPPG supports the objective of the NPPF that local planning authorities should encourage the effective use of brownfield land and incentivise proposals that would the bringing such land back into use. A flexible approach is urged to the level of planning obligations and other contributions sought in order that they do not render brownfield sites unviable.

5.4 CSDPD policy CSP15 seeks provision of 15% affordable housing in connection with all development proposals involving 15 or more dwellings on sites the Bolton upon Dearne area, with a proposal to reduce this target to 10% affordable provision in the BLPPD which is currently subject to consultation.

5.5 Both policies acknowledge that the affordable housing targets will be subject to an assessment of economic viability on a site by site basis and confirms that the actual proportion, mix and tenure of affordable housing sought, as well as whether this will be provided on site, or by way of a financial contribution toward off-site provision will be a matter for negotiation.

5.6 A viability appraisal has been undertaken using the HCA DAT model as recommended and seeks to establish whether it is economically viable for the site to support a financial contribution toward the provision of affordable housing off-site.

5.7 The model has used a fixed value land cost as an input into the appraisal based on an assessment of its existing use value as a care home (together with the benefit of an extant planning permission for the development of 5 no. bungalows within the grounds) plus an uplift of 20% which represents the landowner incentive required to release the site for development.

5.8 The modelling undertaken based on current costs and values indicates that the proposed development would only be 'marginally viable', and as such would not be able to make provision for a contribution toward affordable housing.

5.9 Having regard to application of the Vacant Building Credit the adjusted policy requirement for affordable housing has been assessed as constituting the provision of 1.5 dwellings on a pro-rata basis. Applied to the calculated sum provided in connection with pre-application advice in respect of a financial contribution toward off-site provision this would result in a payment of £77,358.

5.10 When this payment is incorporated into the appraisal modelling it indicates that a contribution toward off-site affordable housing provision would render the proposed development unviable as it would reduce the level of developer profit to an unacceptable level.

5.11 The proposed scheme would make a positive contribution to housing supply in Barnsley and provide high quality accommodation suited to the needs of family households.

5.12 It is considered that such benefits outweigh the inability to contribute toward provision of affordable housing. It is therefore suggested that planning permission be granted without any requirement to provide affordable housing.

APPENDICES

1.0 DAT Input – Site Details

Surplus (Deficit) from Input land valuation at 20/7/2016	-130,309

HCA Development Appraisal Tool
INPUT SHEET 1 - SITE DETAILS

Basic Site Details

FULL VIABILITY ASSESSMENT	
Site Address	Bolton Hall Nursing Home, Bolton - on - Dearne
OS X coordinate	
OS Y coordinate	
Site Reference	
File Source	
Scheme Description	Redevelopment to provide 28 detached and semi detached dwellings
Date of appraisal	20/07/2016
Gross Site Area (hectares)	1.20
Net Residential Site Area (hectares)	1.20
Author & Organisation	Neil Tatton - Resolve106
Local Planning Authority	Barnsley
Land Purchase Price	562,500
Land Purchase date	01/07/2016
Most recent valuation of the site £	562,500
Basis of valuation	Existing Use
Date of valuation	01/07/2016
Any note on valuation	
Developer of sale units	The House Crowd
Developer of affordable units	
Manager of affordable units	
Registered Provider (where applicable)	
Note on applicant (eg sub partner status)	

2.0 DAT Input – Residential Details

Free text Description	No. of units	m2	Property type	Tenure/phase	Sales Valuation £	Weekly Rent Chargeable
4 bed 2 storey detached	5	112	4 Bed + House	Open Market Build phase 1	207,835	
4 bed 3 storey semi	7	120	4 Bed + House	Open Market Build phase 1	198,856	
4 bed 3 storey detached	16	119	4 Bed + House	Open Market Build phase 1	195,996	

3.0 DAT Input – Residential Phasing

Date of scheme appraisal	*20-Jul-16*	from Site Sheet	
	Use any valid Excel Date format (eg DD/MM/YY)		
Build Period	Construction Start Date	Construction End Date	
	Tenure phases display for date input only after transfer from Input 2 sheet		
OM 1:Phase 1	15-Jan-17	15-Dec-17	
RP Purchase from Developer	Purchase start date	Purchase end date	
	AH phases display for date input only after transfer from Input 2 sheet		
Open Market Sale	Sale Start Date	Sale End Date	Monthly Sales rate
	OM phases display for date input only after transfer from Input 2 sheet		
OM Sales1:Phase 1	15-Jul-17	15-Aug-18	*2.00*
Private Rental Units	First Rental Start Date	*Final* Rental Start Date	
	PR phases display for date input only after transfer from Input 2 sheet		

4.0 DAT Input – Residential Costs

		Building Cost £ per Sq m GROSS area	Net to Gross Adjustment	Maximum height in floors (flats only)	Avg Cost pu
Open Market Phase 1:	Houses	893			105,179

Fees & Contingencies as % of Building Costs	%			£ Total
Design and Professional Fees % (Architects, QS, Project Management)	8.00%			235,602
Residential Building Contingencies (% of Building Costs)	3.00%			88,351
* This section excludes Affordable Housing section 106 payments	All dates must be between	20-Jul-16	15-Jul-36	
	'Historic' costs incurred earlier may be entered as	20-Jul-16	PROVIDED they are not taken into account in the site valuation (& hence double cc	

External Works & Infrastructure Costs (£) Phase 1	Comment on nature of issue	Cost (£)	Payment Start Date	Payment end date	Cost per unit (all tenures)
Site Preparation/Demolition		£50,000	15-Aug-16	15-Sep-16	1,786
Roads and Sewers		£303,337	15-Sep-16	15-Dec-16	10,833
Services (Power, Water, Gas, Telco and IT)					
Strategic Landscaping					
Off Site Works					
Public Open Space					
Site Specific Sustainability Initiatives					
Plot specific external works					
Other 1					
Other 2					

Site Abnormals (£)	Comment on nature of issue	Cost (£)	Payment Start Date	Payment end date	Cost per unit (all tenures)
De-canting tenants					
Decontamination					
Other					
Other 2					
Other 3					
Other 4					
Other 5					

	Building Costs (£ / car parking space)	Payment Date
Residential Car Parking Building Costs (average cost / car parking space)		

Total number of residential car parking spaces		(Open Market and Affordable)

Statutory Payments (£)	Additional information	Cost (£)	Payment start date	Payment end date	Per unit
Education					
Sport & Recreation					
Social Infrastructure					
Public Realm					
Affordable Housing					
Transport					
Highway					
Health					
Public Art					
Flood work					
Community Infrastructure Levy	per sq metre				
Other Tariff	per unit				
Other 1					
Other 2					
Other 3					
Other 4					

OTHER COSTS

SITE PURCHASE COSTS		%
Agents Fees (% of site cost)		1.00%
Legal Fees (% of site cost)		0.50%
Stamp Duty (% of site cost)		4.00%

	Comment on nature of issue	Cost (£)	Payment start date	Payment end date
Other Acquisition Costs (£)				

FINANCE COSTS

Arrangement Fee (£)	£0
Interest Rate (%)	7.00%
Misc Fees - Surveyors etc (£)	£0
Credit balance reinvestment %	3.50%

MARKETING COSTS

Affordable Housing Marketing Costs

	Cost (£)	Payment start date	Payment end date
Developer cost of sale to RP (£)			
RP purchase costs (£)			
Intermediate Housing Sales and Marketing (£)			

Open Market Housing Marketing Costs

Sales Fees (agents fees & marketing fees) - %	3.00%
Legal Fees (per Open Market unit) - £	£750
Agents Private Rental Intial Letting fees - %	

DEVELOPER'S OVERHEAD AND RETURN FOR RISK (before taxation)

Developer O/head (£)				*Return at Scheme end*
Open Market Housing (% GDV)	20.00%	20.0%	*inc Overheads*	
		39,765	*per open market home*	
Private Rental (% Cost)				
Affordable Housing (% Cost)				

resolve106

AFFORDABLE HOUSING CONSULTANCY

5.0 DAT output – Appraisal Results

Surplus (Deficit) from input land valuation at 20/7/2016	-£130,309

HCA DEVELOPMENT APPRAISAL TOOL

SUMMARY | DETAIL

SCHEME

Site Address	Bolton Hall Nursing Home, Bolton - on - Dearne	Date of appraisal	20/07/2016
Site Reference		Net Residential Site Area	1.2
File Source		Author & Organisation	Neil Tatton - Resolve106
Scheme Description	Redevelopment to provide 28 detached and semi detached dwellings	Registered Provider (wher	0

Housing Mix (Affordable + Open Market)

Total Number of Units	28	units
Total Number of Open Market Units	28	units
Total Number of Affordable Units	0	units
Total Net Internal Area (sq m)	3,299	sq m
% Affordable by Unit	0.0%	
% Affordable by Area	0.0%	
Density	23	units/ hectare
Total Number of A/H Persons	0	Persons
Total Number of Open Market Persons	0	Persons
Total Number of Persons	0	Persons
Gross site Area	1.20	hectares
Net Site Area	1.20	hectares
Net Internal Housing Area / Hectare	2,749	sq m / hectare

equals 11,973 sqft per acre

Average value (£ per unit)	Open Market Phase 1:	Open Market Phase 2:	Open Market Phase 3:	Open Market Phase 4:	Open Market Phase 5:	Total
1 Bed Flat Low rise	£0	£0	£0	£0	£0	
2 Bed Flat Low rise	£0	£0	£0	£0	£0	
3 Bed Flat Low rise	£0	£0	£0	£0	£0	
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	
1 Bed Flat High rise	£0	£0	£0	£0	£0	
2 Bed Flat High rise	£0	£0	£0	£0	£0	
3 Bed Flat High rise	£0	£0	£0	£0	£0	
4 Bed + Flat High rise	£0	£0	£0	£0	£0	
2 Bed House	£0	£0	£0	£0	£0	
3 Bed House	£0	£0	£0	£0	£0	
4 Bed + House	£198,825	£0	£0	£0	£0	
Total Revenue £	**£5,567,108**	**£0**	**£0**	**£0**	**£0**	**£5,567,108**
Net Area (sq m)	3,299	-	-	-	-	3,299
Revenue (£ / sq m)	£1,688	-	-	-	-	

CAPITAL VALUE OF OPEN MARKET SALES				**£5,567,108**
Capital Value of Private Rental				
Phase 1			£0	
Phase 2			£0	
Phase 3			£0	
Phase 4			£0	
Phase 5			£0	
Total PR			**£0**	
CAPITAL VALUE OF OPEN MARKET HOUSING			**£5,567,108**	£ 1,688 psqm
BUILD COST OF OPEN MARKET HOUSING Inc Contingency	£3,033,372	£ 920 psqm		
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING				**£2,533,736**

AH Residential Values

AH & RENTAL VALUES BASED ON NET RENTS

Type of Unit	Social Rented	Shared Ownership (all phases)	Affordable Rent (all phases)	Total
1 Bed Flat Low rise				
2 Bed Flat Low rise				
3 Bed Flat Low rise				
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House				
3 Bed House				
4 Bed + House				
	£0	£0	£0	**£0**
£ psqm of CV (phase 1)	-	-	-	

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)			**£0**
RP Cross Subsidy (use of own assets)			£0
LA s106 commuted in lieu			£0
RP Re-cycled SHG			£0
Use of AR rent conversion income			£0
Other source of AH funding			£0
OTHER SOURCES OF AFFORDABLE HOUSING FUNDING			**£0**
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)			**£0**
BUILD COST OF AFFORDABLE HOUSING Inc Contingency	**£0**	#DIV/0!	
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING			**£0**

Car Parking

No. of Spaces	Price per Space (£)	Value
-	-	£0

Value of Residential Car Parking		**£0**
Car Parking Build Costs	£0	

Ground rent

	Capitalised annual ground rent	
Social Rented	£0	
Shared Ownership	£0	
Affordable Rent	£0	
Open market (all phases)	£0	
Capitalised Annual Ground Rents		**£0**

TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME		**£5,567,108**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME	**£2,933,372**		
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME			**£2,633,736**

Non-Residential

	Cost	Values	
Office	£0	£0	
Retail	£0	£0	
Industrial	£0	£0	
Leisure	£0	£0	
Community Use	£0	£0	
Community Infrastructure Levy	£0		
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME		**£0**	
COSTS OF NON-RESIDENTIAL SCHEME	**£0**		
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL			**£0**

GROSS DEVELOPMENT VALUE OF SCHEME		**£5,567,108**	
TOTAL BUILD COSTS	**£2,933,372**		
TOTAL CONTRIBUTION TO SCHEME COSTS			**£2,633,736**

External Works & Infrastructure Costs (£)			Per unit	% of GDV	per Hectare
Site Preparation/Demolition		£50,000	1,786	0.9%	41,667
Roads and Sewers		£303,337	10,833	5.4%	252,781
Services (Power, Water, Gas, Telco and IT)		£0			
Strategic Landscaping		£0			
Off Site Works		£0			
Public Open Space		£0			
Site Specific Sustainability Initiatives		£0			
Plot specific external works		£0			
Other 1		£0			
Other 2		£0			
		£353,337		6.3%	294,448
Other site costs					
Fees and certification	8.0%	£235,602	8,414	4.2%	196,335
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
De-canting tenants		£0			
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
		£0			
Total Site Costs inc Fees		**£588,939**	21,034		

Statutory 106 Costs (£)					
Education		£0			
Sport & Recreation		£0			
Social Infrastructure		£0			
Public Realm		£0			
Affordable Housing		£0			
Transport		£0			
Highway		£0			
Health		£0			
Public Art		£0			
Flood work		£0			
Community Infrastructure Levy		£0			
Other Tariff		£0			
Other 1		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Statutory 106 costs		**£0**			
Marketing (Open Market Housing ONLY)			per OM unit		
Sales/letting Fees	3.0%	£167,013	5,965		
Legal Fees (per Open Market unit):	£750	£21,000	750		
Marketing (Affordable Housing)			per affordable unit		
Developer cost of sale to RP (£)		£0			
RP purchase costs (£)		£0			
Intermediate Housing Sales and Marketing (£)		£0			
Total Marketing Costs		**£188,013**			
Total Direct Costs			**£3,810,324**		
Finance and acquisition costs					
Land Payment		£562,500	20,089	per OM home	468,750 per hectare
Arrangement Fee		£0	0.0%	of interest	
Misc Fees (Surveyors etc)		£0	0.00%	of scheme value	
Agents Fees		£5,625			
Legal Fees		£2,813			
Stamp Duty		£22,500			
Total Interest Paid		£199,959			
Total Finance and Acquisition Costs			**£793,387**		
Developer's return for risk and profit					
Residential					
Market Housing Return (inc OH) on Valu	20.0%	£1,113,422	39,765	per OM unit	
Affordable Housing Return on Cost	0.0%	£0		per affordable unit	
Return on sale of Private Rent	0.0%	£0	#DIV/0!	per PR unit	
Non-residential					
Office	£0				
Retail	£0				
Industrial	£0				
Leisure	£0				
Community-use	£0	**£0**			
Total Operating Profit			**£1,113,422**		
(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)					
TOTAL COST			**£6,717,143**		
Surplus/(Deficit) at completion 15/8/2018					**(£150,035)**
Present Value of Surplus (Deficit) at 20/7/2016					**(£130,309)**
Scheme Investment MIRR		**22.7%**	(before Developer's returns and interest to avoid double counting returns)		
Site Value as a Percentage of Total Scheme Value		10.1%		Peak Cash Requirement	-£2,735,179
Site Value (PV) per hectare		-£108,591	per hectare	-£50,599 per acre	

6.0 Residential Sales Value Research

4 bedroom detached house for sale **£199,950**

Pennyfields, Bolton-upon-dearne

7.0 Building Cost Estimate - BCIS Data

Results

> Rebased to Barnsley (88; sample 34) Edit

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 23-Jul-2016 12:19

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Housing, mixed developments (15)	919	446	791	901	1,023	2,040	1078
Estate housing							
Generally (15)	896	444	766	872	987	2,890	1836
Single storey (15)	995	523	860	968	1,119	1,679	308
2-storey (15)	874	444	758	853	963	1,712	1393
3-storey (15)	887	574	724	834	994	1,818	133
4-storey or above (25)	1,662	961	-	1,399	-	2,890	4
Estate housing detached (15)	958	679	802	998	1,071	1,200	16
Estate housing semi detached							
Generally (15)	901	458	774	878	994	1,679	428
Single storey (15)	1,048	636	893	1,043	1,170	1,679	76
2-storey (15)	872	458	766	852	961	1,597	333
3-storey (15)	833	617	697	815	905	1,304	19
Estate housing terraced							
Generally (15)	910	445	763	871	1,009	2,890	399
Single storey (15)	974	585	801	919	1,152	1,482	53
2-storey (15)	896	445	761	868	988	1,712	287
3-storey (15)	888	582	722	832	943	1,818	58
4-storey or above (5)	2,890	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,072	515	895	1,025	1,209	3,676	883
1-2 storey (15)	1,013	598	875	980	1,120	1,962	212
3-5 storey (15)	1,054	515	893	1,020	1,202	2,066	591
6+ storey (15)	1,368	787	1,114	1,317	1,466	3,676	76

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RICS

8.0 Commuted Sum Calculation Advice Note

AH commuted sum calculation - Development of 27 residential units - Planning Enquiry ref: 2016/ENQ/00106 - at Bolton Hall, Carrhead Lane, Rotherham, S63 8DA											
House Types	No. AH Units*	Open Market Value (OMV)	80% General Needs Rented	20% Intermediate	Total OMV of Affordable Housing	RSL Rented Payment/ unit	RSL Int Payment/ unit	Total Rented RSL Payment	Total Intermediate Payment	Total RSL Payment	Developer Contribution/Commuted sum (OMV - RSL payment)
2 Bed House	3	100,000	2	1	300,000	56,480	56,688	112,960	56,688		
3 Bed House	1	140,000	1	-	140,000	64,063		64,063	-		
2 Bed OAP Provision	-	-	-	-	-		-	-	-		
Total	4		3	1	440,000	120,543	56,688	177,023	56,688	233,711	206,289