

Oadby and Wigston BC Whole Plan Testing Viability Study



Final Report

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1 INTRODUCTION

1.1 Overview and objectives

Andrew Golland Associates (AGA) were appointed in 2017 to carry out Whole Plan Testing (WPT) of the emerging Local Plan. Dr Andrew Golland worked previously on the Council's Affordable Housing Viability Studies (AHVSs) in 2009 and 2016.

The 2016 AHVS looked largely at Affordable Housing impacts with the following key questions:

- Whether a split target was (vis a vis the 2010 report) still appropriate?
- If so, should this 'stretch' or 'narrow' the current 10% to 30%?
- Whether the current threshold or 'trigger point' (of 10 units or more) is appropriate?
- And if not whether this should be lower (higher)?
- And/or whether the overall target should be varied by size of site?

It was concluded that the split target was still appropriate although a higher target would be viable in the Stoneygate Fringe sub market.

The study concluded further that 'if the Council were to choose to reduce the (Affordable Housing) threshold then it could increase Affordable Housing provision, although whether this would be a significant increase or not, would depend on the percentage of homes deliverable from smaller sites relative to larger ones. In doing so however, the Council would need to look at whether there is a case for exempting certain types of site from Affordable Housing contributions. Some examples here may be schemes involving the demolition of a single dwelling, or some types of conversions.

This study covers the following main activities:

- 1) Updating the High Level Testing;
- 2) Reflecting additional information on infrastructure requirements for larger sites in updated viability analysis;
- 3) Testing the viability of proposals for the town centres of Oadby and Wigston (as set out in Area Action Plan – 2013 and the new Local Plan);
- 4) Testing a range of commercial development types;
- 5) Further analysis of small residential sites;
- 6) Implications of the WPT for a potential CIL Charging Schedule;

These are dealt with in the following chapters following an initial review of policy and an explanation of the current policy positions.

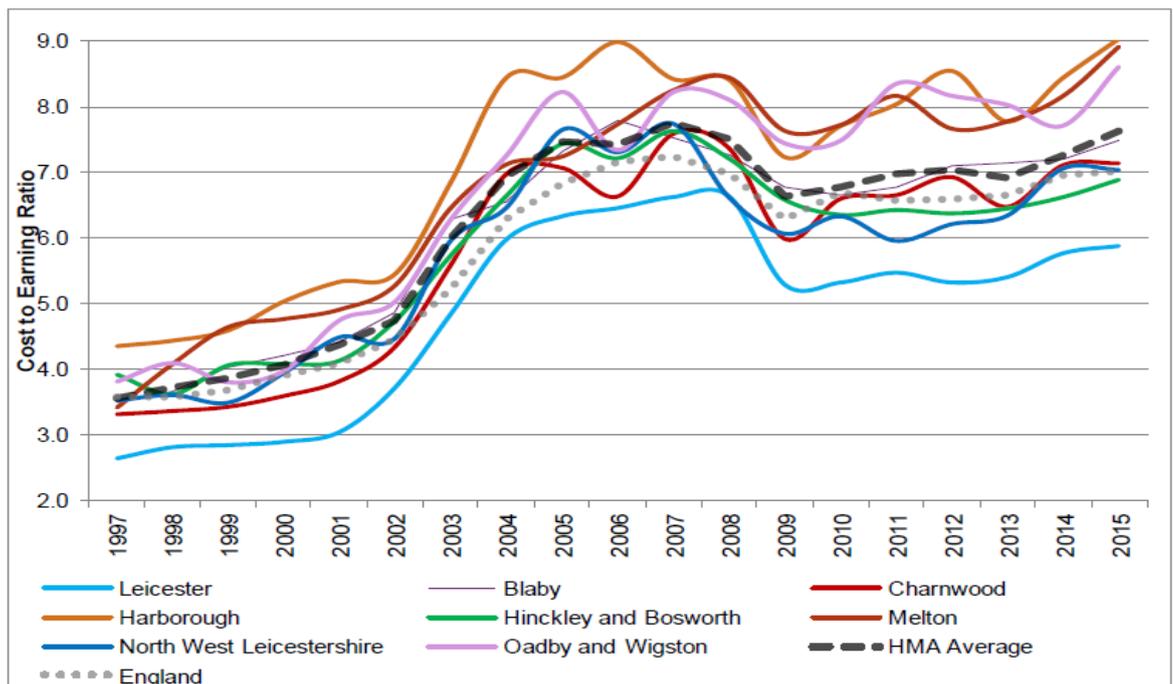
1.2 Policy background and development issues

1.2.1 The starting point for the delivery of housing in the Borough is the Council's Objectively Assessed Need (OAN). This equates to 2960 dwellings for the period 2011 to 2031 which is set out in the Council's proposed Spatial Strategy. The OAN is derived from the HEDNA (the Leicestershire Housing and Economic Development Needs Assessment) of 2016.

1.2.2 The HEDNA is a key piece of policy evidence. It demonstrates in summary:

- That the Borough has only a relatively low household growth projection (9.2%) over the period 2011-2036 compared with the other Leicestershire local authority areas (range 15% to 24%). It is very low by comparison with that projected for the East Midlands (18%). It is however, experiencing high levels of international in-migration;
- Its level of overall housing need is relatively low compared with the other Leicestershire local authorities;
- The Borough has a relatively high percentage of professional jobs;
- Earnings per workplace are marginally over £20,000 (Fig 27 of the HEDNA report);
- Planned growth in the Borough is low by comparison with other local authority areas (Table 23, HEDNA);
- The Borough has an increasing affordability challenge. This is shown in the chart below (HEDNA):

Figure 43: Lower Quartile Affordability Trend (1997- 2015)



Source: DCLG and Land Registry Price Paid Data DCLG

- 1.2.3 The Council’s development strategy seeks to bring forward a range of housing and commercial sites although with a focus on Direction for Growth areas.
- 1.2.4 The term ‘direction for growth’ was first used within the Council’s Core Strategy. The term refers to areas of development growth that are located outside of the Leicester PUA and are situated on predominately green field land.
- 1.2.5 The current Plan identifies three direction for growth areas; one a direct extension of the previous growth area to the south east of Wigston (Wigston Direction for Growth Phase 2); one in the most northerly part of the Borough, along Gartree Road and Stoughton Road in Oadby (Stoughton Grange Direction for Growth); and, one towards Oadby’s most southerly part, along the A6 (Cottage Farm Direction for Growth Phase 2). These areas have good transport links and reasonable highway capacity. In total, the three growth areas have the capacity for approximately 1750 new additional homes and 2.5 hectares of employment land for the Borough.

1.2.6 The South East Leicestershire Transport Study published in 2017, was produced with the involvement of Oadby and Wigston Borough Council, Harborough District Council, Leicester City Council and Leicestershire County Council. The study concluded that, although there would be increased traffic levels on the surrounding roads and junctions of each growth areas identified, each of the growth areas have the potential to accommodate the proposed growth without having a significant detrimental impact on the wider highway network. However, certain levels of mitigation will be needed.

1.2.7 In terms of viability, the Council's key policy impact is likely to be affordable housing. Its current proposed Local Plan policy is set out as shown below:

Policy 13 Affordable Housing

The Council is committed to the provision of appropriate housing for the whole community, therefore will require affordable housing on all new residential developments of 11 dwellings or more to meet identified local need.

Affordable housing will be required at the following minimum targets which have been informed by the Council's current Affordable Housing Viability Assessment.

Oadby – 30 per cent of the total number of units

Wigston (including Kilby Bridge) – 20 per cent of the total number of units

South Wigston – 10 per cent of the total number of units

A cumulative approach to affordable housing on a residential site will apply regardless of the number of different associated planning applications.

There is no maximum number of affordable housing units that can be provided on a site. Also the 11 dwelling threshold does not restrict proposals providing affordable housing on sites of fewer than 11 units.

Proposals for residential development that meet the 11 dwelling threshold but do not provide any affordable housing will be refused

unless an appropriate off-site contribution is provided in lieu of the required number.

Where a development is otherwise acceptable but an independent viability appraisal demonstrates that certain policy standards cannot be achieved, the Council will work with the applicant to consider whether there are alternative approaches that would deliver the desired policy outcomes. If the Council requires its own independent viability assessments to verify outcomes of the applicants assessment, it will be at the applicants cost.

With the provision of affordable housing remaining a priority for the Council, should a site be proposed for 100 per cent of the units classed as affordable homes, the Council may take a flexible approach to other developer contributions.

Regarding the tenure split of affordable housing the Council will generally seek 80 per cent affordable rent and 20 per cent shared ownership, however will respond to local need at the time of consideration of a relevant planning proposal.

Community Infrastructure Levy (CIL)

1.2.8 The Council has not decided to take forward a CIL although this study comments on its potential applicability for the different sectors.

1.3 General approach

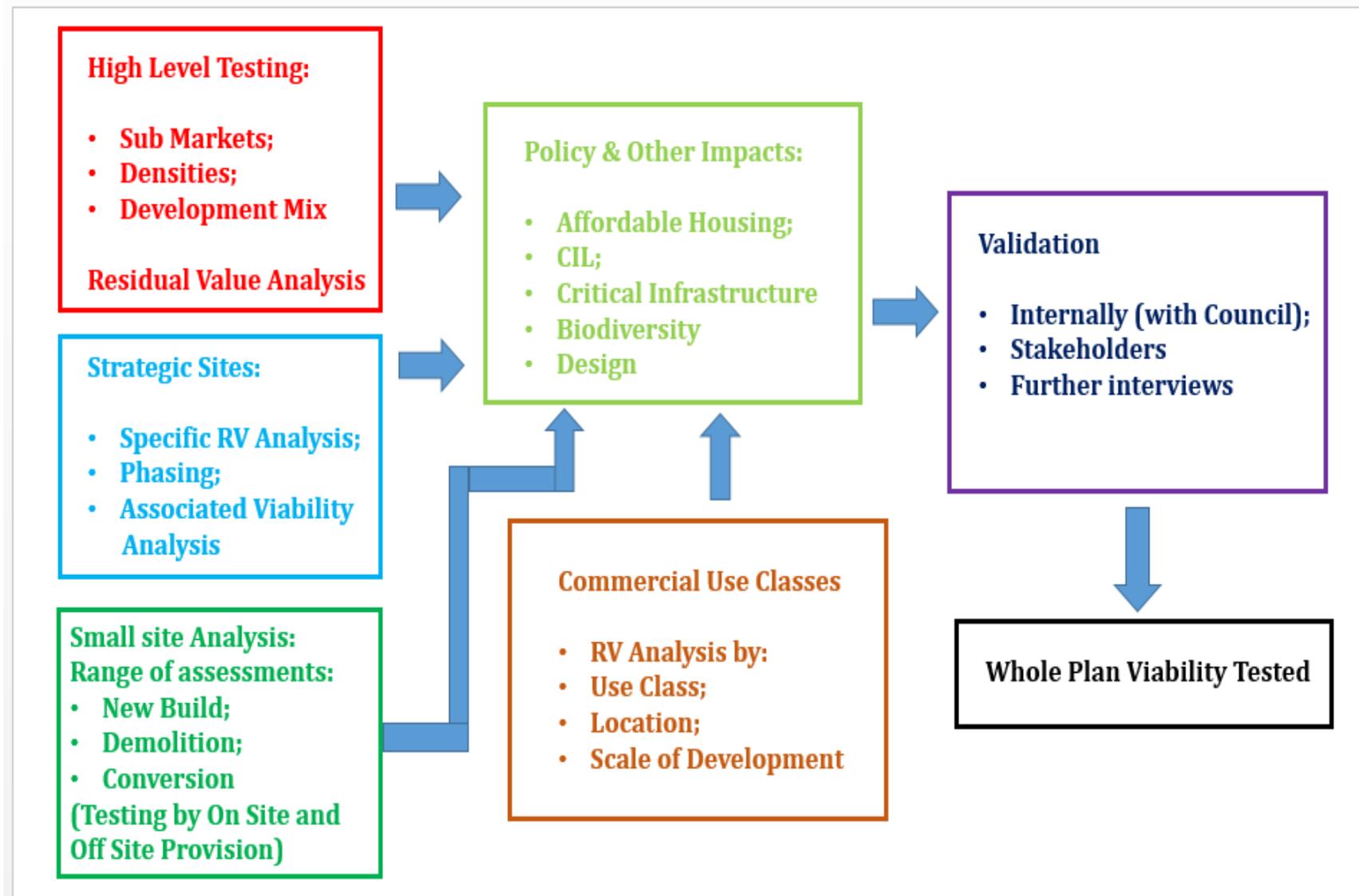
1.3.1 This study relates to Whole Plan Testing (WPT). This is not specifically defined although viability testing should cover all aspects of policy.

1.3.2 The Planning Inspectorate have set out the following principles for WPT (<http://www.pas.gov.uk/documents/332612/6363137/Pages+from+FINAL+PAS+Good+Plan+Making+-10.pdf/06519013-bb1d-4676-a0056832ab6253f8>). PINS have stated that:

‘Evidence for viability can be gathered from a variety of sources including local agents, mystery shopping exercises, the internet, previous planning applications (it can be helpful to record this information over time), and Inspectors’ reports on plans and CIL. However, if you are relying on more than one set of viability evidence

(perhaps commissioned for different purposes CIL or affordable housing and or by different consultancies). This can result in inconsistencies in methodology and assumptions. It is important to understand and to be able to reconcile these differences, through discussion with the consultants, to enable them to use the evidence in relation to whole-plan viability’.

- 1.3.3 Set out below is the approach adopted in this study, which involves High Level Testing (HLT), testing major and strategic sites and testing small sites. In addition there is a focus on the testing of commercial sites and town and district centre areas.



Research undertaken for this study

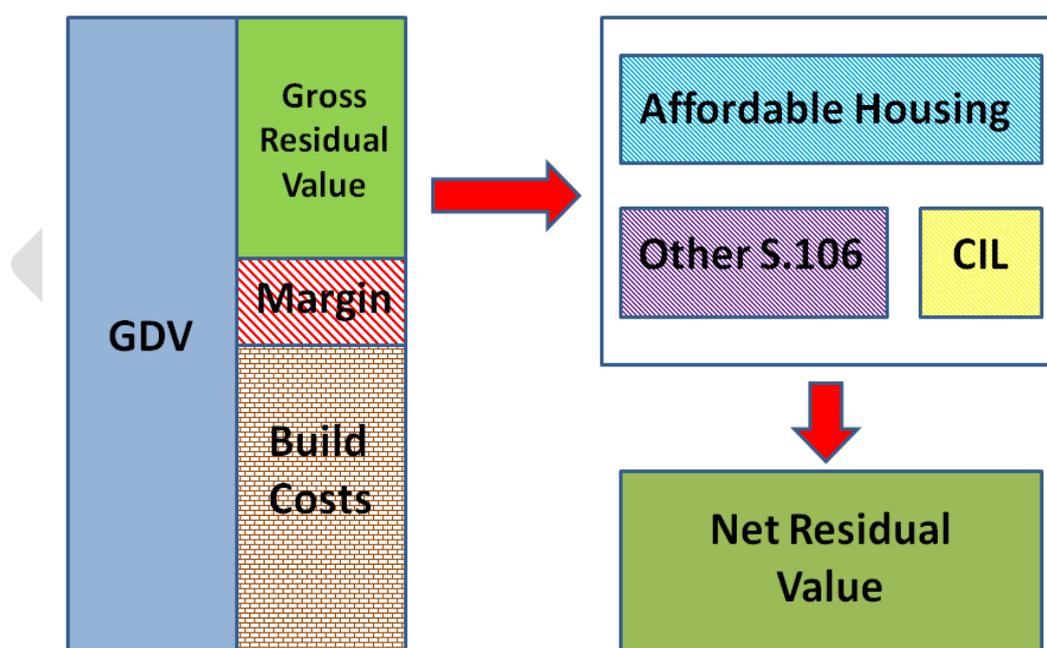
1.3.4 There were four main strands to the research undertaken to complete this study:

- Discussions with a project group of officers from the Council to help inform the structure of the research approach;
- Analysis of information held by the authority, including that which described the types of sites coming forward;
- Use of the Oadby and Wigston Toolkit to carry out High Level Testing and to analyse scheme viability;
- Reporting on the viability of the Plan and its various policy impacts.

2 APPROACH TO VIABILITY DEFINITION

- 2.1 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates (scheme revenue) and what it costs to develop (build costs and developer margin). The model can take into account the impact on scheme residual value of affordable housing and other Section 106 contributions or CIL where this is being tested.
- 2.2 Figure 2.1 below shows diagrammatically the underlying principles of the approach. Scheme costs are deducted from scheme revenue to arrive at a gross residual value. Scheme costs assume a profit margin to the developer and the 'build costs' as shown in the diagram include such items as professional fees, finance costs, marketing fees and any overheads borne by the development company.

Figure 2.1 Viability, CIL and Affordable Housing

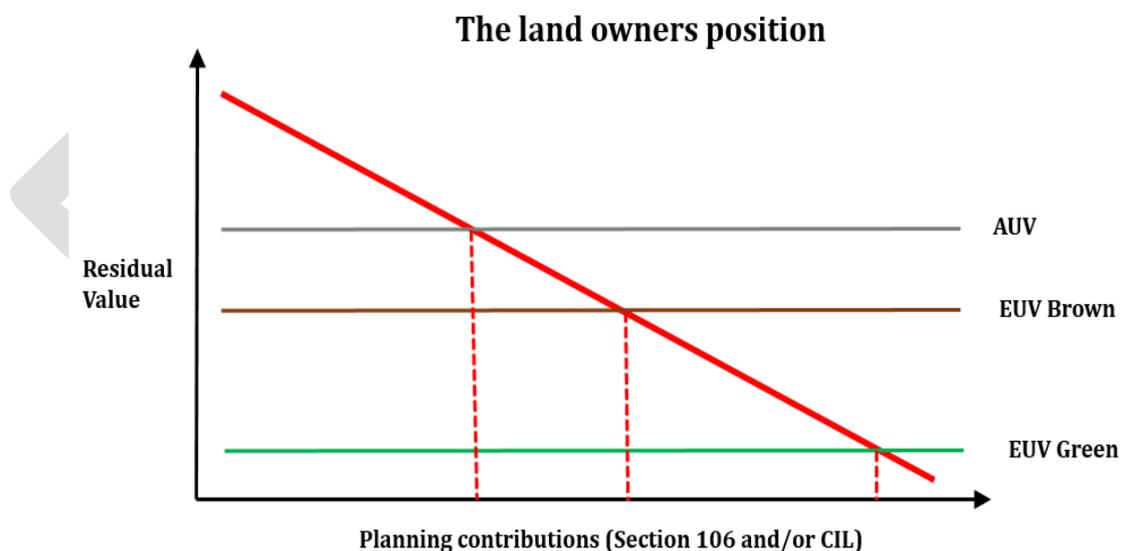


- 2.3 The gross residual value is the starting point for negotiations about the level and scope of Section 106 or CIL contribution. The contribution will normally be greatest in the form of affordable housing but other Section 106 items or CIL will also reduce the gross

residual value of the site. Once the Section 106 contributions/CIL have been deducted, this leaves a net residual value.

- 2.4 Calculating what is likely to be the value of a site given a specific planning permission, is only one factor in deciding what is viable.
- 2.5 A site is extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee that development happens. The Existing Use Value (EUV) of the site, or indeed a realistic alternative use value for a site will also play a role in the mind of the land owner in bringing the site forward and thus is a factor in deciding whether a site is likely to be brought forward for housing or any other use.
- 2.6 Figure 2.2 shows how this operates in theory. Residual value (RV) falls as planning contributions increase. The issue for the land owner will be the point at which RV is less than or equal to the land value benchmark.

Figure 2.2 Residual Value (RV) and the land owner's position



- 2.7 Above this point there will be a land owner return. The extent of this returns depends on the existing use value of the site (EUV). Some sites will be green field and some brown field. Normally brown field sites will have a higher EUV than green field but this does not always follow; for example where brown field land is heavily contaminated.

- 2.8 In some instances, an Alternative Use Value (AUV) will be appropriate to use. The conditions where this is the case are discussed in the Harman Review (2012) which looks at how local authorities may take viability on board when making plans.
- 2.9 The quantum of land owner return has been the subject of much discussion over the past few years. The NPPF, governing planning and viability in England requires local authorities to allow land owners a 'competitive' return, but it does not state what this is.
- 2.10 How affordable housing targets or CIL charges are set will be a function of a number of factors including the nature of land supply, residual value, comparable authority policies and the broader land supply situation. There is no specific 'equation' which specifies how a particular policy should be derived.

3 VIABILITY ANALYSIS: HIGH LEVEL TESTING

Introduction

- 3.1 This chapter of the report considers viability for residential schemes including affordable housing. It provides an understanding of how residual value varies under different housing market circumstances, different policy impacts and different development densities and mixes.
- 3.2 The chapter is important in calculating residual values against which land value benchmarks are set. The chapter provides an update on viability as set out in the 2016 Affordable Housing Viability Report.

Sub Market areas

- 3.3 Location clearly plays a key role in determining viability and residual value is very sensitive to changes or differences in house prices.
- 3.4 A consistent approach has been taken to the determination of sub market areas in line with the 2009 and 2016 AHVS. The house price data has been updated by analysing all transactions in the market (second hand) from January 2014 to current (June 2017). It has been cross checked against recent new build sales.
- 3.5 Table 3.1 below sets out the sub markets. As previously, these are based on postcode sector areas.

Testing assumptions

- 3.6 The analysis is based on a range of policy tests. Specifically, affordable housing targets of 0% through to 40%, including 10%, 15%, 20%, 25%, 30%, 35% and 40%.
- 3.7 Residual values have been generated for a notional one hectare site that reflect the Affordable Housing targets and also a contribution of £4,000 per unit to additional Section 106 items including for example, education, open space and highways. This is consistent with the 2009 and 2016 studies.
- 3.8 As previously stated, there is no requirement in this study to develop a CIL strategy. However, a £4,000 per unit Section 106 equates to a £50 per square metre CIL based on an average unit size of 80 square metres. In so far that residual values are viable, this quantum of CIL would also be viable, and it will be seen that at the top of the market CIL charges significantly in excess of this figure would be viable should the local authority take that policy option.

Table 3.1 Sub Markets: Oadby and Wigston Borough

	Main Area	Roads and Landmarks
LE2 2	Stoneygate Fringe: Oadby	Broadway and Fairway; Gartree Road
LE2 4	Oadby North of the A6	Uplands Road; Launde Road; Grange Farm; 'Oadby Owl'
LE2 5	Oadby South of A6	Oadby Town Centre; Ashtree Road; Rosemead Drive; Brabazon Road; Beauchamp College
LE18 2	Wigston West	West of Welford Road; Little Hill ('Cornwall Roads'); Wigston College
LE18 3	Wigston East	East of Welford Road; Meadow Way housing
LE18 1	Wigston Magna	West of Welford Road; Shackerdale Road; Carlton Drive
LE18 4	South Wigston	Saffron Road; Blaby Road; South Leics College

- 3.9 As ever, and as discussed in Chapter 2 in particular, whether a scheme is viable will depend on the relationship between residual and the adopted land value benchmark (LVB).
- 3.10 A full range of schemes are tested here. Densities of 20 dwellings per hectare (dph), 30 dph, 40 dph, 50 dph and 80 dph have been tested for all (seven) sub markets.
- 3.11 The results are shown in full (Residual Value in £ million) at Appendix 3 for all sub markets and each density is looked at in turn below. The results reflect the following assumptions:
- Affordable Housing split 80% Social and Intermediate Affordable, and 20% Intermediate Affordable (here Shared Ownership) – in line with the recent HEDNA report.
 - Profit margin 20% equivalent on GDV (Gross Development Value);
 - 6% return on the Affordable element of the scheme;
 - 3% marketing fees.

Residual values at 20 dph

- 3.12 Table 3.1 shows residual values for all sub markets at a density of 20 dwellings per hectare. It shows residual values at a range of Affordable Housing targets from 0% through to 40%.

Table 3.1 Residual values (£ million per hectare) at 20 Dwellings per Hectare

20 DPH	Sub Markets	0%	10%	15%	20%	25%	30%	35%	40%
LE2 2	Stoneygate Fringe: Oadby	£5.42	£5.03	£4.93	£4.63	£4.44	£4.24	£4.04	£3.85
LE2 4	Oadby North of the A6	£2.15	£1.92	£1.80	£1.68	£1.57	£1.45	£1.33	£1.21
LE2 5	Oadby South of A6	£1.80	£1.58	£1.48	£1.37	£1.26	£1.15	£1.05	£0.94
LE18 3	Wigston East	£1.07	£0.89	£0.80	£0.71	£0.62	£0.53	£0.44	£0.35
LE18 1	Wigston Magna	£1.05	£0.87	£0.78	£0.69	£0.60	£0.51	£0.42	£0.33
LE18 2	Wigston West	£0.83	£0.66	£0.58	£0.49	£0.41	£0.33	£0.24	£0.16
LE18 4	South Wigston	£0.71	£0.55	£0.47	£0.39	£0.30	£0.22	£0.14	£0.06

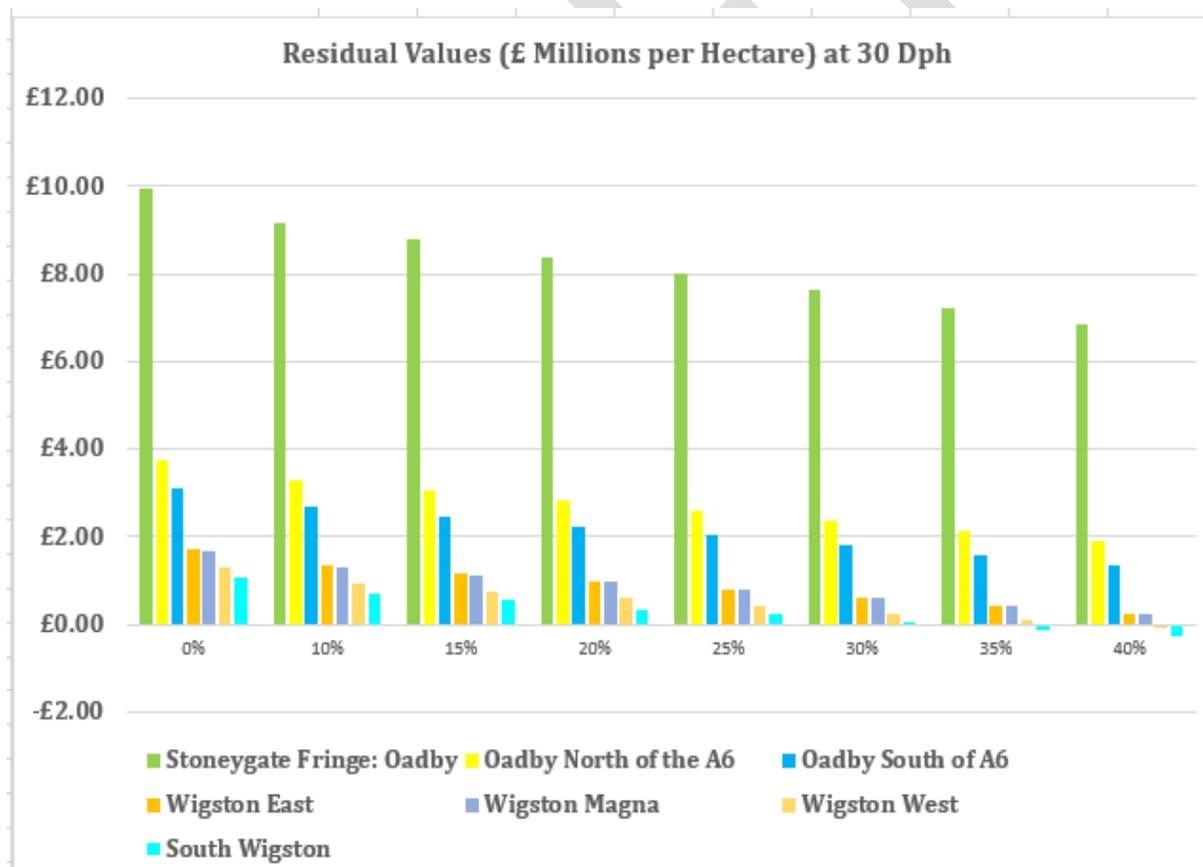
- 3.13 The table shows residual values on a per hectare basis. The housing market in the Oadby and Wigston area is very varied in terms of house prices and this feeds through to even greater variance in terms of residual values.
- 3.14 At 30% Affordable Housing, residual values in the Stoneygate Fringe area are £4.24 million per hectare versus those in South Wigston (at around £200,000 per hectare). This is a huge difference and one which has implications for the way in which policy is, and indeed has been set.
- 3.15 Residual values in mid market locations such as Wigston East at 20% Affordable Housing are around £750,000 per hectare. This is a strong value and Affordable Housing contributions here are not likely to be challenging.
- 3.16 The local housing market is split broadly four ways between:
- Stoneygate: Prime Oadby;
 - Oadby;
 - Wigston;
 - South Wigston.
- 3.17 South Wigston is invariably weaker although up to 20% Affordable Housing yields residual values of around £400,000 per hectare.

Residual values at 30 dph

- 3.18 Figure 3.1 shows residual values at 30 dph. Showing the residual values in graph form demonstrates very clearly the variances.
- 3.19 The chart shows very clearly the huge difference in residual values between the Stoneygate Fringe area and the remaining sub markets of Oadby and Wigston.

- 3.20 A mid to lower value market location such as Wigston Magna generates strong RVs. At 20% Affordable Housing (proposed policy position) the RV is approaching £0.75 million per hectare. At a mid to higher value location such as Oadby South, residual values are around £1.3 million at 30% Affordable Housing.
- 3.21 Where density is increased (from 20 dph to 30 dph) residual values also increase although this is in specific cases; notably, in the highest three value sub markets. In the lower value submarkets the increase in density only generates higher residual values at lower percentages of Affordable Housing (above around 25% Affordable Housing the residual value falls).
- 3.22 What is happening here is that the smaller units that generate higher density are providing less return and once higher levels of Affordable Housing are developed, residual values are lower than at the 20 dph scenario.

Figure 3.1 Residual value at 30 dph



Residual values at 40 dph

- 3.23 An increased density (to 40 dph) retains the same pattern of significant variance between the sub markets.
- 3.24 Table 3.2 sets out the residual values for all sub markets at 40 dph.

Table 3.2 Residual values (£ million per hectare) at 40 dph

40 DPH	Sub Markets	0%	10%	15%	20%	25%	30%	35%	40%
LE2 2	Stoneygate Fringe: Oadby	£8.51	£7.87	£7.55	£7.22	£6.90	£6.58	£6.26	£5.94
LE2 4	Oadby North of the A6	£3.28	£2.88	£2.69	£2.50	£2.31	£2.11	£1.92	£1.73
LE2 5	Oadby South of A6	£2.72	£2.36	£2.18	£2.00	£1.82	£1.64	£1.46	£1.28
LE18 3	Wigston East	£1.56	£1.25	£1.09	£0.94	£0.79	£0.64	£0.49	£0.34
LE18 1	Wigston Magna	£1.22	£1.21	£1.06	£0.91	£0.76	£0.61	£0.45	£0.30
LE18 2	Wigston West	£1.18	£0.89	£0.74	£0.60	£0.46	£0.31	£0.17	£0.02
LE18 4	South Wigston	£0.98	£0.70	£0.57	£0.43	£0.29	£0.15	£0.01	-£0.12

3.25 Residual values begin to rise significantly in the five, higher value sub markets. In Wigston Magna (lowest of these) the residual value at 20% Affordable Housing is approaching £1 million per hectare. There are therefore very strong residual values in these locations which are likely to be reflected in strong land values.

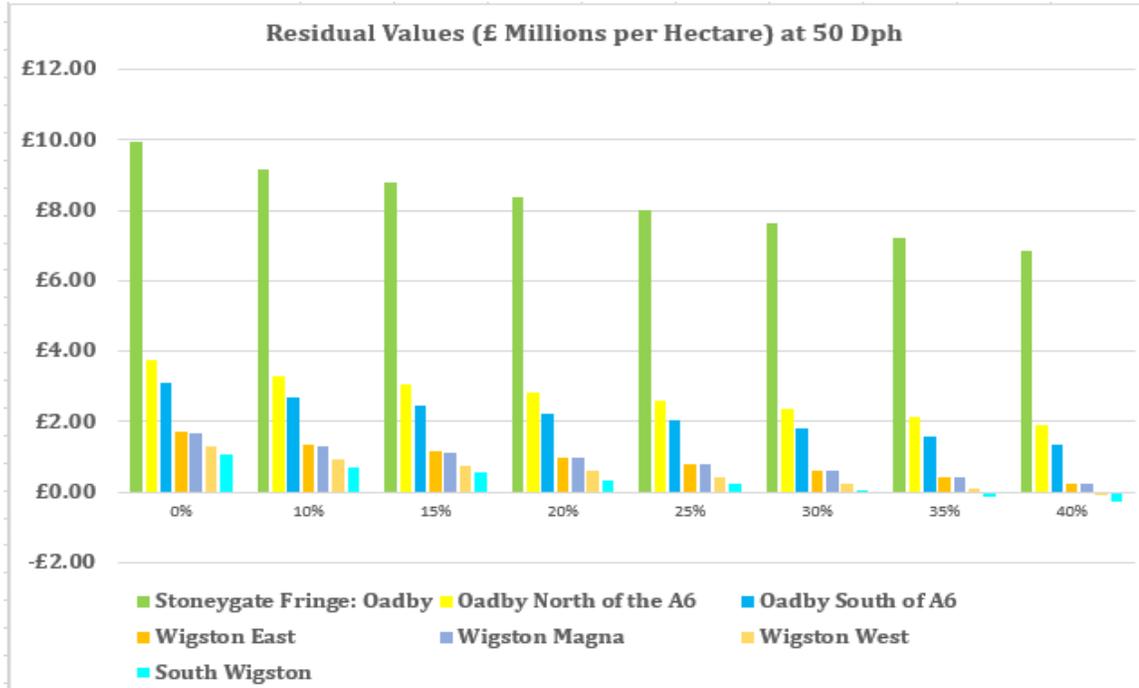
3.26 Only at the highest levels of Affordable Housing do residual values fall lower than at 30 dph.

Residual values at 50 dph

3.27 Figure 3.2 shows residual values per hectare for all sub markets at 50 dph.

3.28 As previously, the pattern or spread of values remains as for other density analyses. The increase in residual values is generally maintained with density in that in the highest three value sub markets residual values are higher at all percentages of Affordable Housing. In a mid market location however such as Wigston East, residual values are higher (between 40 dph and 50 dph) only up to 25% Affordable Housing. In the lower value sub markets, this ‘trigger point’ is between 15% and 20% Affordable Housing.

Figure 3.2 Residual values per hectare at 50 dph



3.29 Nevertheless, values are relatively strong up to 20% in South Wigston

Residual values at 80 dph

Table 3.3 Residual values (£ million per hectare) at 80 dph

3.30 Table 3.3 shows residual values at 80 dph. At this density, a greater proportion of smaller units are likely to be included within the development mix.

80 DPH	Sub Markets	0%	10%	15%	20%	25%	30%	35%	40%
LE2 2	Stoneygate Fringe: Oadby	£12.26	£11.28	£10.78	£10.29	£9.79	£9.30	£8.81	£8.31
LE2 4	Oadby North of the A6	£4.37	£3.76	£3.46	£3.15	£2.85	£2.55	£2.24	£1.94
LE2 5	Oadby South of A6	£3.53	£2.97	£2.68	£2.40	£2.12	£1.84	£1.56	£1.27
LE18 3	Wigston East	£1.75	£1.28	£1.04	£0.79	£0.56	£0.32	£0.08	£-0.16
LE18 1	Wigston Magna	£1.72	£1.24	£1.00	£0.76	£0.53	£0.29	£0.05	£-0.02
LE18 2	Wigston West	£1.19	£0.74	£0.51	£0.29	£0.06	£-0.16	£-0.38	£-0.61
LE18 4	South Wigston	£0.91	£0.47	£0.25	£0.03	£-0.18	£-0.40	£-0.62	£-0.84

3.31 At this significantly higher density, residual value at the top of the local market is extremely high; indeed the analysis suggests an equivalent of over £8 million per hectare at 40% Affordable Housing (Stoneygate Fringe).

- 3.32 The increase from 50 dph to 80 dph generates higher residual values in the two top value sub markets. However, in the lowest (four) value sub markets, residual values are higher at 50 dph than 80 dph (with the exception at 100% Market Housing in Wigston East and Wigston Magna).
- 3.33 These findings indicate that there is a significant diversion in viability between 50 dph and 80 dph: between those higher value locations where residual value rises, and the lower value locations, where residual value falls.

Conclusions

3.34 The analysis in this chapter shows that:

- Market location plays a key role in determining residual value; and hence the capacity to generate viable sites.
- Oadby and Wigston has a very wide range of residual values. The Stoneygate Fringe postcode has very high values which increase with density. Both family housing as well as apartments in this location will generate higher percentages of Affordable Housing. At the other end of the market, South Wigston is fairly challenged in terms of Affordable Housing delivery, particularly at higher densities.
- As previously, density is key, as is its relationship with development mix. The analysis shows that generally increased density generates increased residual value. However this relationship does not apply consistently across all sub markets. In the lower value sub markets, an increase in density particularly to schemes that will include a significant proportion of flats, are likely to have lower residual values at the higher percentages of Affordable Housing.
- As previously, the results reflect a contribution of £4,000 per unit to cover other (than Affordable Housing) Section 106 items such as education, open space and highways. This is a CIL equivalent figure of £50 per square metre (although it should be stated that CIL, if set, could be required at significantly higher levels for the higher value areas).
- It is important to stress the significance of this High Level Testing to the formulation of policy and Affordable Housing targets in particular. The High Level Testing provides a basis for any type of scheme, large or small, brown or green field. It gives a residual value that can be compared with a land value benchmark. This is undertaken later in the study.

4 ANALYSIS OF KEY HOUSING SITES

Background and housing requirements

- 4.1 The Council has a requirement for 2,960 additional homes between 2011 and 2031. A significant number of these (1,159) will be delivered on the 'Direction for Growth' sites as well as at other key locations. The Council is aiming to deliver these key sites sustainably and viably and the new housing development will require infrastructure support to do so.
- 4.2 The Plan has identified three direction for growth areas; one a direct extension of the previous growth area to the south east of Wigston (Wigston Direction for Growth Phase 2); one in the most northerly part of the Borough, along Gartree Road and Stoughton Road in Oadby (Stoughton Grange Direction for Growth); and, one towards Oadby's most southerly part, along the A6 (Cottage Farm Direction for Growth Phase 2).
- 4.3 There are several major infrastructure impacts arising from new development. Perhaps the two most important are Affordable Housing and highways infrastructure. Both are considered here, along with the scope for other contributions such as education, open space and public realm. However it is important to note that the South East Leicestershire Transport Study, which has been published this year (2017) concluded that, although there would be increased traffic levels on the surrounding roads and junctions of each growth areas identified, each of the growth areas have the potential to accommodate growth without having a significant detrimental impact on the wider highway network. However, certain levels of mitigation will be needed.
- 4.4 It is important however to look at the key sites to gauge whether the High Level Testing findings are reflected in site specific analysis. This chapter looks at the key sites and draws conclusion on viability.
- 4.5 The sites looked at are:
- Wigston Direction for Growth;
 - Cottage Farm Direction for Growth;
 - Stoughton Grange Direction for Growth, Oadby.

In addition, the analysis includes other sites that are proposed to be included within the Local Plan.

Wigston Direction for Growth

4.6 The Wigston Direction for Growth area extends to the south east of Wigston. It was originally defined within the Council's Core Strategy. In 2016, a scheme for 450 new homes and 2.5 hectares of new employment land (and associated other infrastructure) was granted planning permission by the Council. The granted permission included the provision of two access points, one to the north, directly on to Newton Lane and one to the south, directly on to Welford Road. Both points of access consist of a roundabout.

Phase 1 includes:

- 20 per cent (90 new dwellings) affordable housing provision;
- a new community facility building;
- provision towards new education facilities, and;
- onsite open space, consisting of allotments, sports pitches, play areas and structural landscaping.

4.7 Through the Local Plan the Council is proposing to allocate additional land within the Wigston Direction for Growth area to accommodate further new homes and new employment accommodation (Phase 2). Phases 1 and 2 will comprise approximately 1,000 new homes and in the region of 5 hectares of new employment land along with the following infrastructure provision:

- a new primary school;
- a new local centre;
- a new community facility building, and;
- outdoor sports space and open space.

4.8 In Phase 2, the Council will allocate land for approximately 600 new homes and in the region of 2.5 hectares of employment land. The following elements will be required on-site:

- approximately 600 new homes, which at least 20 per cent should be affordable.
- in the region of 2.5 hectares of new employment land.

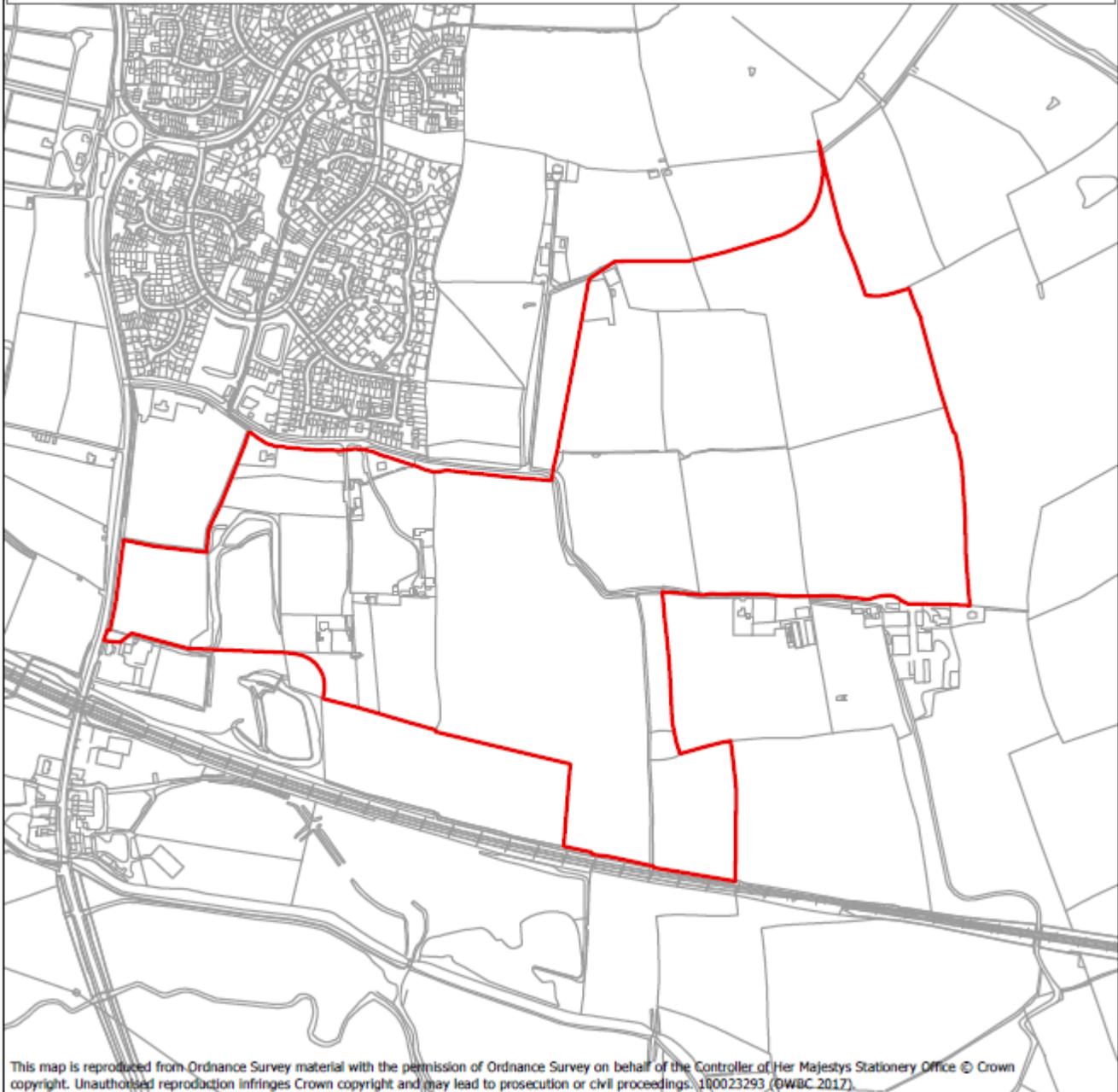
- a new primary school.
- a roundabout site access from Welford Road.
- a link road through the site allowing all parts of the site (including Phase 1) to be accessed from Newton Lane and Welford Road.
- formation of a new Local Centre – that contributes towards the provision of A1, A3 or A4 uses.
- a community facility building (including changing facilities).
- outdoor sports space and open space provision in accordance with the Open Space, Sport and Recreation Facilities policy of this Local Plan.
- provision of Self build and Custom Build plots, to meet the identified need at the time of planning application submission.
- provision of an appropriate number of bus stops and associated infrastructure, including shelters and information display boards, to allow for this sustainable method of public transport, and
- provision of any other associated infrastructure required to bring the site forward sustainably, including cycle ways and footpaths.

4.9 Although the list of items here appears lengthy, there are no significant 'heavyweight' items such as major trunk roads or secondary schools. In my experience the cost of the items above will fall in the range £5,000 to £15,000 per unit. I have taken a cost of £10,000 per unit as a fair representation.

4.10 I have further assumed that the commercial development will operate on a 'break even' basis.

4.11 Phase 2 is shown in the location plan below:

WIGSTON DIRECTION FOR GROWTH AREA (PHASE TWO)



Existing use

4.12 The site is green field agricultural and is likely to have an existing use value of around £15,000 per hectare, giving an existing use value of circa £1 million.



Capacity and nature of development

- 4.13 The site is planned for up to 600 new dwellings at around 25 dph, indicating general family type low density housing.

Constraints

- 4.14 Land ownership is not known but it is probable that such a large tract of land will be in several ownerships. The site is mainly flat and appears to have few constraints.

Viability assumptions

- 4.15 The assumptions adopted in the High Level Testing have been used here, with house prices for Wigston East.

Results

- 4.16 The results are shown in the screenshot below:

19 - Scheme Results			
Site Reference Details		Site Details	
Site Reference Number		Site	Further Wigston Direction for Growth
Application Number		Address	
Site Location	Oadby and Wigston	Site	
Scheme Description		Details	
TOTAL NUMBER OF UNITS		DENSITY (per hectare)	
Dwellings	600	Dwellings	29.2
% Wheelchair Units			
		AFFORDABLE UNITS	
		Total	120.0 20%
		Social rent	48.0 8%
		Intermediate	72.0 12%
REVENUE AND COSTS		RESIDUAL VALUE	
Total scheme revenue	£ 124,469,000	Whole scheme	£ 15,267,000
Total scheme costs	£ 109,202,000	Per hectare	£ 744,000
		Per dwelling	£ 25,000
		Per market dwelling	£ 32,000
Contribution to revenue from:		PUBLIC SUBSIDY (GRANT)	
Market housing	£ 113,645,000	Whole Scheme	£ -
Affordable Housing	£ 10,824,000	Per Social Rental dwelling	£ -
- Social rent	£ 3,168,000	Per New Build HomeBuy dwelling	£ -
- New Build HomeBuy	£ 3,432,000	Per Intermediate Rent dwelling	£ -
- Intermediate Rent	£ 4,224,000		
- Discount Market	£ -		
- Local Sale	£ -		
Capital Contribution	£ -		
Commercial Elements	£ -		
Contribution to costs from:		Alternative Site Values	
Market housing	£ 87,705,000	Existing Use Value	£ - £ -
Affordable Housing	£ 15,497,000	Acquisition Cost	£ - £ -
- Social rent	£ 6,199,000	Alternative Use Value 1	£ - £ -
- New Build HomeBuy	£ 3,099,000	Alternative Use Value 2	£ - £ -
- Intermediate Rent	£ 6,199,000	Alternative Use Value 3	£ - £ -
- Discount Market	£ -		
- Local Sale	£ -		
Land Finance	£ -		
Planning Obligations	£ 6,000,000		
Total Exceptional Costs	£ -		
Commercial Elements	£ -		

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4.17 The residual value for the scheme of 600 dwellings is £15.3 million. This equates to an approximate 25 fold increase in value.

4.18 The following assumptions apply to the appraisal:

- Developer return at 20% equivalent on gross development value of the market housing;
- 20% Affordable Housing;
- An allowance of £10,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and other Section 106 items other than Affordable Housing.

4.19 The scheme looks viable with a potential Affordable Housing contribution above 20%.

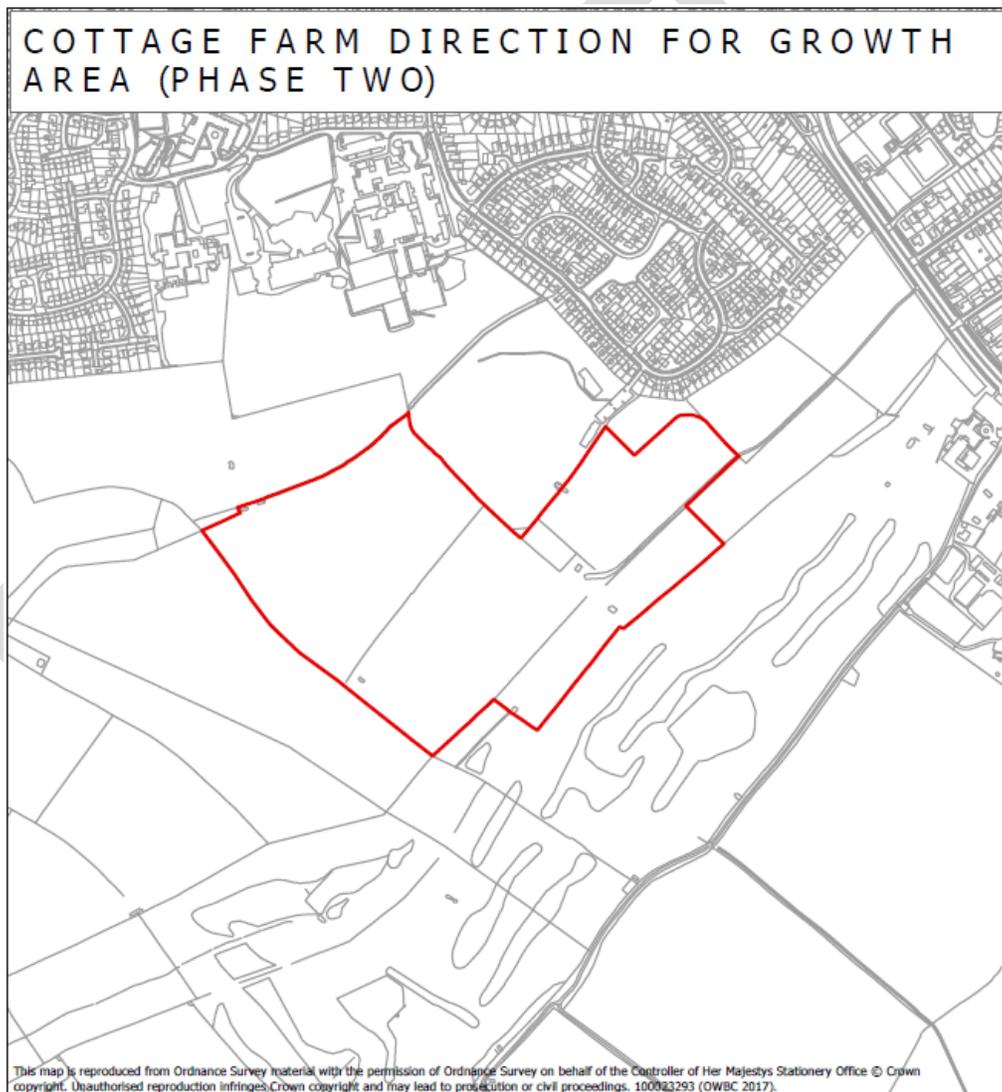
Cottage Farm, Oadby

Location

- 4.20 The site is located to the south side of the A6, and to the south of the settlement boundary of Oadby. Development to the north includes Coombe Rise and Whiteoaks Road. Expansion of development on the south west side of the site will not extend as far out as the housing on the north side of the road.
- 4.21 There is a track leading through the centre of the site accessed through a gate from Glen Road (the A6) which is also currently an informal vehicular access. The boundaries of the site are surrounded by mature vegetation (trees and hedgerow) that screens the site from the A6, and the Glen Gorse Golf Club. There are residential properties on one side and the Golf Course on another. The western side of the site is bordered by open countryside which is accessed through a public footpath.
- 4.22 The site is predominantly flat, and the only landscape features are a small copse. The site is located immediately to the South of Glen Road (A6). The location is less than 500 metres to the South-East of Beauchamp College and the Glen Gorse Golf Club is located immediately to the South and East of the site. The site has good links with the primary road network being located on the A6 and is 5 miles away from Junction 21 of the M1, and 15 miles away from the A14. The nearest bus stop is located on Glen Road, which is adjacent to the site entrance.
- 4.23 The following elements will be required on site (Phase 2):
- at least 250 new additional homes, of which at least 30 per cent should be affordable;
 - vehicular access to the growth area will be directly off the A6;
 - a link road through the site allowing all parts of the site;
 - off-site contribution towards a community facility building in Oadby and / or the extension and refurbishment of Coombe Park pavilion, including further car parking;
 - improved pedestrian access into Coombe Park from the development;
 - on-site open space, consisting of allotments, sports pitches, play areas and structural landscaping in accordance with the Open Space, Sport and Recreation Facilities policy of this Local Plan;
 - off-site contribution towards new education facilities;

- provision of Self Build and Custom Build plots, to meet the identified need at the time of planning application submission;
- provision of an appropriate number of bus stops and associated infrastructure, including bus shelters and information display boards on-site as well as off-site, to allow for this sustainable method of public transport, and;
- provision of any other associated infrastructure required to bring the site forward sustainably, including cycle ways and footpaths, on-site as well as off-site.

4.24 A location map is shown below:



Existing use

4.25 The site is currently agricultural land.

Capacity and nature of development

4.26 The land is around 12.5 hectares and will have an existing use value of around £190,000. The site has an estimated capacity for around 250 dwellings (20 dwellings per hectare gross).

Constraints

4.27 The land ownership is not known but this is a relatively compact area and it may not present assembly problems. The site is flat in nature and has a farm track running through the middle of it.

Viability assumptions

4.28 The assumptions adopted in the High Level Testing have been used here, with house prices for Oadby South.

Results

4.29 The results are shown in the screenshot below:

19 - Scheme Results			
Site Reference Details		Site Details	
Site Reference Number		Site	Cottage Farm, Oadby - 250 dwellings green field site
Application Number		Address	
Site Location	Oadby and Wigston	Site	
Scheme Description		Details	
TOTAL NUMBER OF UNITS		DENSITY (per hectare)	AFFORDABLE UNITS
Dwellings	250	Dwellings	20.0
% Wheelchair Units			
REVENUE AND COSTS		RESIDUAL VALUE	
Total scheme revenue	£ 53,513,000	Whole scheme	£ 10,583,000
Total scheme costs	£ 42,830,000	Per hectare	£ 855,000
Contribution to revenue from:		Per dwelling	£ 43,000
Market housing	£ 45,128,000	Per market dwelling	£ 61,000
Affordable Housing	£ 8,385,000		
- Social rent	£ 2,190,000	PUBLIC SUBSIDY (GRANT)	
- New Build HomeBuy	£ 4,740,000	Whole Scheme	£ -
- Intermediate Rent	£ 1,455,000	Per Social Rental dwelling	£ -
- Discount Market	£ -	Per New Build HomeBuy dwelling	£ -
- Local Sale	£ -	Per Intermediate Rent dwelling	£ -
Capital Contribution	£ -		
Commercial Elements	£ -		
Contribution to costs from:		Alternative Site Values	
Market housing	£ 31,187,000	Existing Use Value	£ -
Affordable Housing	£ 9,143,000	Acquisition Cost	£ -
- Social rent	£ 3,657,000	Alternative Use Value 1	£ -
- New Build HomeBuy	£ 3,657,000	Alternative Use Value 2	£ -
- Intermediate Rent	£ 1,829,000	Alternative Use Value 3	£ -
- Discount Market	£ -		
- Local Sale	£ -		
Land Finance	£ -	Against residual	
Planning Obligations	£ 2,500,000		
Total Exceptional Costs	£ -		
Commercial Elements	£ -		

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4.30 The residual value for the scheme of 250 dwellings is £10.7 million. This provides an uplift of around sixtyfold from existing use value.

4.31 The following assumptions apply to the appraisal:

- Developer return at 20% equivalent on gross development value of the market housing;
- 30% Affordable Housing;
- An allowance of £10,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and other Section 106 items other than Affordable Housing.

4.32 It is likely that an Affordable Housing contribution well in excess of 30% will be viable on this site.

4.33 It should be noted that Phase 1 has an extant permission.

Stoughton Grange Direction for Growth – Gartree Road

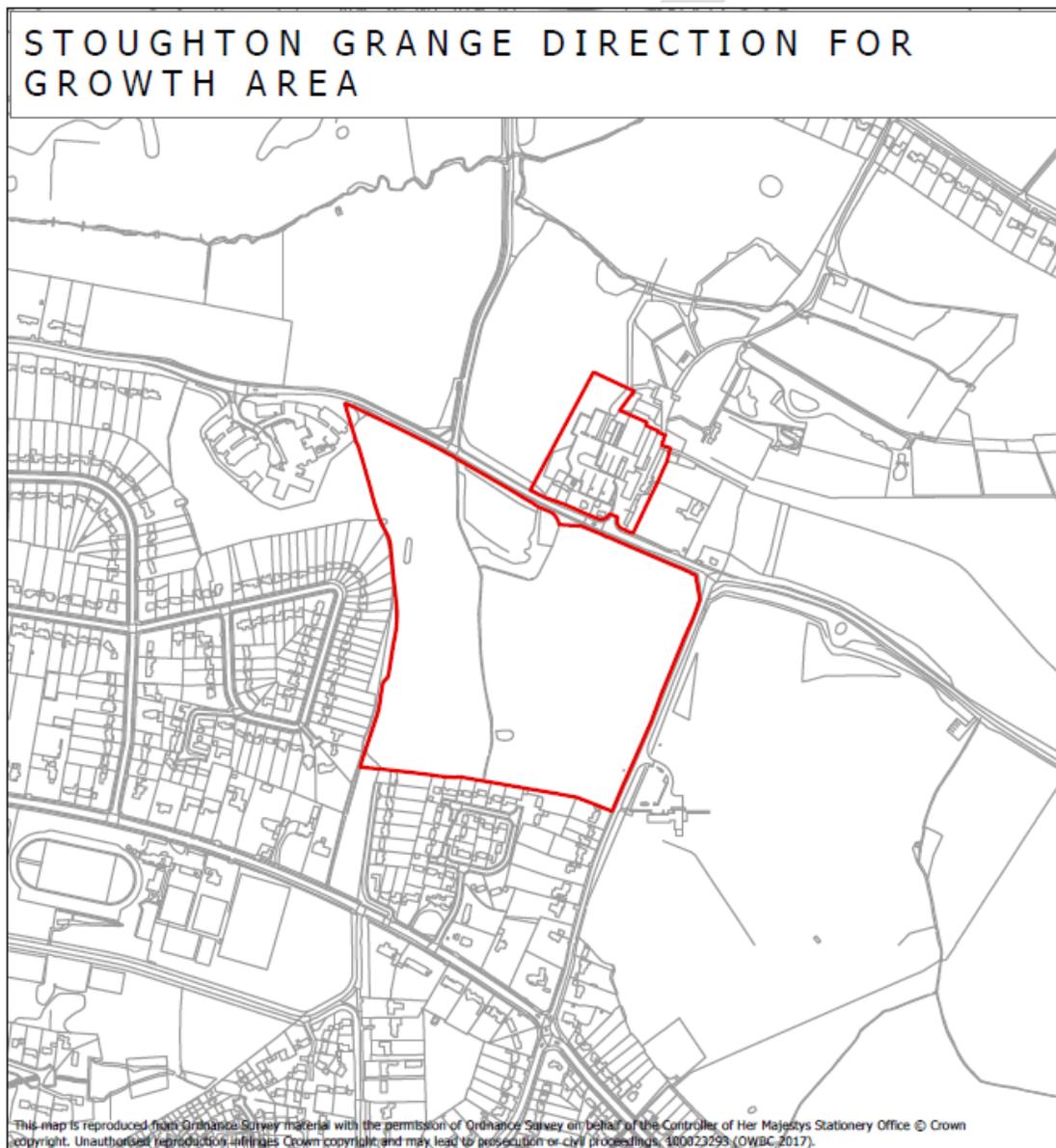
Location

4.34 The Council is allocating land to the north of the Borough in Oadby, for the Stoughton Grange Direction for Growth Area. Any development proposed within this growth area will require the production of a detailed masterplan and hence viability analysis remains outline at this stage. The following elements will be required on-site or via an off-site contribution:

- Safeguarding of the potential transport route (EDDR);
- Up to 300 new homes, of which at least 30 per cent should be affordable;
- Provision of appropriately sized units made available for small scale A1, A2, A3, A4 and small craft workshops;
- At least two access points, one off Gartree Road and one off Stoughton Road, for the land area to the south of Gartree Road;
- Contribution towards a community facility building in Oadby;
- Outdoor sports space provision in accordance with the Open Space, Sport and Recreation Facilities policy of the Local Plan;
- Provision of an appropriate number of bus stops and associated infrastructure, including bus shelters and information display boards, to allow for this sustainable method of public transport, and

- Provision of any other associated infrastructure required to bring the site forward sustainably, including cycle ways and footpaths.

4.35 The site is located to the south side of Gartree Road and to the west of Stoughton Road which runs north-south. The Cow and Plough pub in the grounds of the Grange is located on the opposite side of Gartree Road, directly across from the site. To the east, there are Leicester University playing fields. To the west of the site is Ringers Spinney including mainly detached houses with large gardens. The location plan is shown below:



4.36 The aerial photograph is shown below:



Existing use

4.37 The site is green field and has an existing use value of circa £225,000.

Capacity and nature of development

4.38 The site is around 15.2 hectares and is planned for up to 300 new dwellings. Making a reasonable allowance for open space the density of the development will probably be around 30 dph.

Constraints

4.39 The land ownership is unknown.

4.40 The site is flat and looks unproblematic for development.

Viability assumptions

4.41 The assumptions adopted in the High Level Testing have been used here, with house prices for Stoneygate Fringe.

Results

4.42 The results are shown in the screenshot below:

19 - Scheme Results			
Site Reference Details		Site Details	
Site Reference Number		Site	Land south of Gartree Road, Oadby
Application Number		Address	
Site Location	Oadby and Wigston	Site	
Scheme Description		Details	
TOTAL NUMBER OF UNITS		DENSITY (per hectare)	
Dwellings	300	Dwellings	30.0
% Wheelchair Units			
REVENUE AND COSTS		RESIDUAL VALUE	
Total scheme revenue	£ 113,265,000	Whole scheme	£ 53,665,000
Total scheme costs	£ 59,600,000	Per hectare	£ 5,367,000
Contribution to revenue from:		Per dwelling	£ 179,000
Market housing	£ 95,445,000	Per market dwelling	£ 256,000
Affordable Housing	£ 17,820,000		
- Social rent	£ 4,644,000	PUBLIC SUBSIDY (GRANT)	
- New Build HomeBuy	£ 10,080,000	Whole Scheme	£ -
- Intermediate Rent	£ 3,096,000	Per Social Rental dwelling	£ -
- Discount Market	£ -	Per New Build HomeBuy dwelling	£ -
- Local Sale	£ -	Per Intermediate Rent dwelling	£ -
Capital Contribution	£ -		
Commercial Elements	£ -		
Contribution to costs from:		Alternative Site Values	
Market housing	£ 45,640,000	Existing Use Value	£ -
Affordable Housing	£ 10,960,000	Acquisition Cost	£ -
- Social rent	£ 4,384,000	Alternative Use Value 1	£ -
- New Build HomeBuy	£ 4,384,000	Alternative Use Value 2	£ -
- Intermediate Rent	£ 2,192,000	Alternative Use Value 3	£ -
- Discount Market	£ -		
- Local Sale	£ -		
Land Finance	£ -		
Planning Obligations	£ 3,000,000		
Total Exceptional Costs	£ -		
Commercial Elements	£ -		
		Against residual	
		Existing Use Value	£ -
		Acquisition Cost	£ -
		Alternative Use Value 1	£ -
		Alternative Use Value 2	£ -
		Alternative Use Value 3	£ -

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4.43 The residual value for a scheme of 300 dwellings is £53,665,000. On this basis the planning consent will provide a huge uplift to the existing use value.

4.44 The following assumptions apply to the appraisal:

- Developer return at 20% equivalent on gross development value of the market housing;
- 30% Affordable Housing;
- An allowance of £10,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and other Section 106 items other than Affordable Housing.

4.45 The scheme is very viable at 30% Affordable Housing. As with the previous scheme a contribution well beyond this is likely to be viable and the Council

may wish to consider this in relation to future policy development for this and other key sites in this (Stoneygate Fringe) area.

Land west of Welford Road, Wigston

Location

4.46 The site is located to the west of Welford Road and in open countryside. To the north west is the South Leicester Rugby Club. To the east of Welford Road is further open countryside. The main Leicester-London railway line is some 150 metres to the south.



Existing use

- 4.47 The site is currently farmland and as such will have a very low existing use value.



Capacity and nature of development

- 4.48 The site is around 2.9 hectares and is planned for around 50 new dwellings. Therefore the density is at around 30 dph, meaning relatively low density family housing.

Constraints

- 4.49 The site is flat and green field therefore presents few obvious constraints.

Viability assumptions

- 4.50 The assumptions adopted in the High Level Testing have been used here, with house prices for Wigston West.

Results

- 4.51 The results are shown in the screenshot below:

19 - Scheme Results			
Site Reference Details		Site Details	
Site Reference Number		Site	Land west of Welford Road
Application Number		Address	
Site Location	Oadby and Wigston	Site	
Scheme Description		Details	
TOTAL NUMBER OF UNITS		DENSITY (per hectare)	
Dwellings	50	Dwellings	27.0
% Wheelchair Units			
		AFFORDABLE UNITS	
		Quantity	% of All Units
		Total	10.0 20%
		Social rent	4.0 8%
		Intermediate	6.0 12%
REVENUE AND COSTS		RESIDUAL VALUE	
Total scheme revenue	£ 9,125,000	Whole scheme	£ 933,000
Total scheme costs	£ 8,192,000	Per hectare	£ 504,000
		Per dwelling	£ 19,000
		Per market dwelling	£ 23,000
Contribution to revenue from:		PUBLIC SUBSIDY (GRANT)	
Market housing	£ 8,233,000	Whole Scheme	£ -
Affordable Housing	£ 892,000	Per Social Rental dwelling	£ -
- Social rent	£ 232,000	Per New Build HomeBuy dwelling	£ -
- New Build HomeBuy	£ 504,000	Per Intermediate Rent dwelling	£ -
- Intermediate Rent	£ 156,000		
- Discount Market	£ -		
- Local Sale	£ -		
Capital Contribution	£ -		
Commercial Elements	£ -		
Contribution to costs from:		Alternative Site Values	
Market housing	£ 6,721,000	Existing Use Value	£ - £ -
Affordable Housing	£ 1,220,000	Acquisition Cost	£ - £ -
- Social rent	£ 488,000	Alternative Use Value 1	£ - £ -
- New Build HomeBuy	£ 488,000	Alternative Use Value 2	£ - £ -
- Intermediate Rent	£ 244,000	Alternative Use Value 3	£ - £ -
- Discount Market	£ -		
- Local Sale	£ -		
Land Finance	£ -		
Planning Obligations	£ 250,000		
Total Exceptional Costs	£ -		
Commercial Elements	£ -		
		Against residual	
		Existing Use Value	£ - £ -
		Acquisition Cost	£ - £ -
		Alternative Use Value 1	£ - £ -
		Alternative Use Value 2	£ - £ -
		Alternative Use Value 3	£ - £ -

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4.52 The residual value for the scheme of 50 dwellings is £933,000. The existing use value is agricultural and not likely to exceed £30,000.

4.53 The following assumptions apply to the appraisal:

- Developer return at 20% equivalent on gross development value of the market housing;
- 20% Affordable Housing;
- An allowance of £5,000 per unit across the scheme to cover contributions such as Education, Highways, Open Space and other Section 106 items other than Affordable Housing.

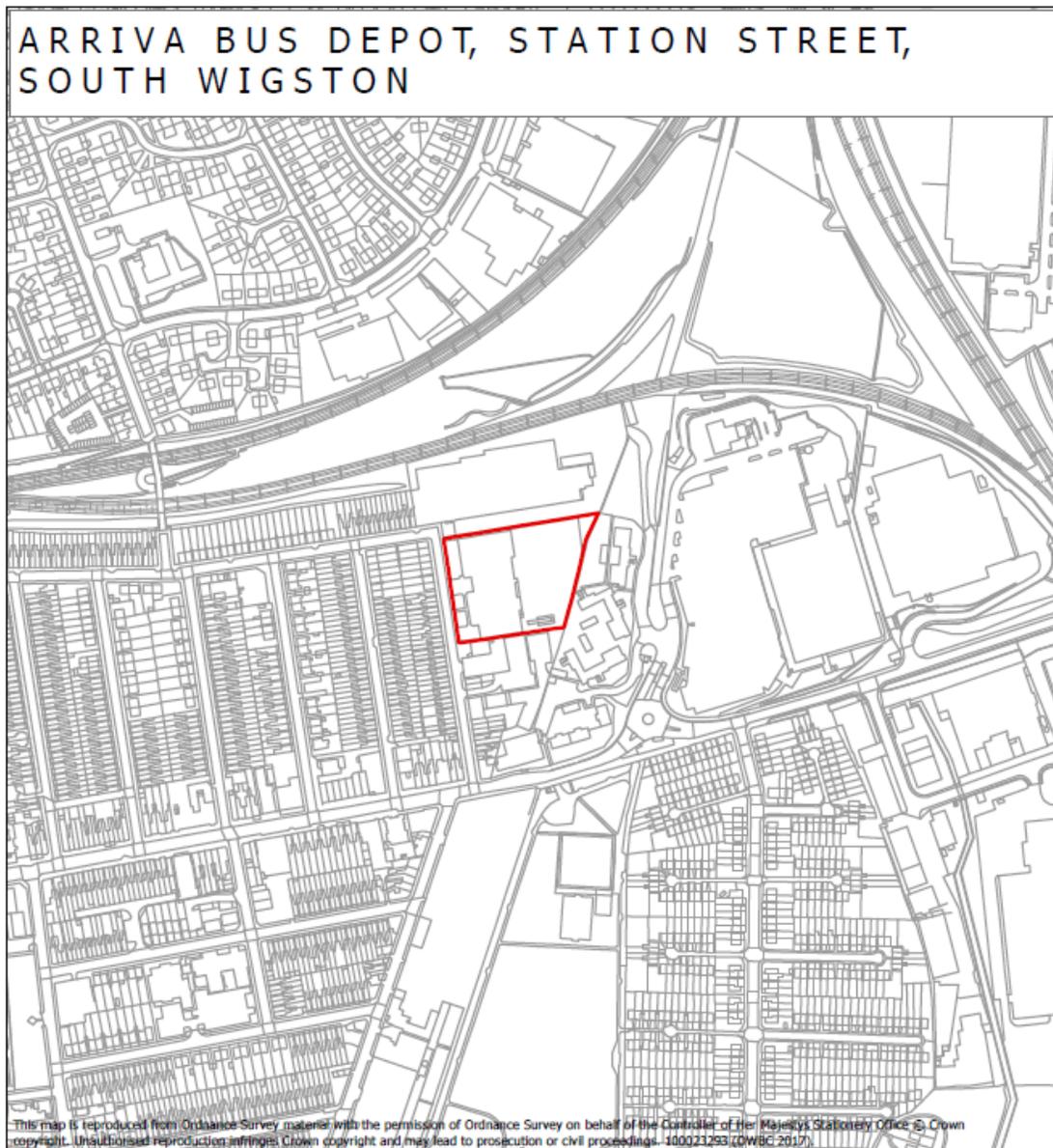
4.54 The current policy position is 20% for this location and this easily achievable give the significant uplift that will occur if permission is given.

Arriva Bus Depot, South Wigston

Location

4.55 The site is located to the east of Station Street and to the south of newer housing. On the opposite side of the road, there is older terraced housing.

Further to the east is a large supermarket and to the north, the railway line. The site location is shown in the location plan below:



Existing use

4.56 The site is currently occupied by Arriva Midlands with offices to the road and parking for coaches behind. It is this a brown field site.



Capacity and nature of development

- 4.57 The site is around 1.11 hectares and is planned for around 43 new dwellings. Therefore the density is at around 40 dph.

Constraints

- 4.58 The land looks to be single ownership and hence unlikely to need assembly. The site is quite tightly located: Station Street is narrow hence access appears not to be straightforward.
- 4.59 The site looks flat although is obviously brownfield with implications for a relatively high existing use value.

Viability assumptions

- 4.60 The assumptions adopted in the High Level Testing have been used here, with house prices for South Wigston.

Results

- 4.61 The results are shown in the screenshot below:

Other key smaller sites

Site Location	PCS	Sub Market	Area (Ha)	Existing Use	Likely development	No of Dwellings	HLT RV per Ha (AH policy)	HLT RV (AH policy)	EUV	Surplus
39, Long Street Wigston	LE18 2	Wigston West	0.23	Disused commercial + car park	Mix flats & Terraces	18	£290,000	£66,700	£46,000	£20,700
53-59 Queens Drive, Wigston	LE18 2	Wigston West	0.1	Redundant commercial	Low rise family housing	15	£290,000	£29,000	£20,000	£9,000
Former Oadby Pool site	LE2 5	Oadby South of A6	0.2	Recreation & open space	Terraces, Semis & Flats	32	£1,840,000	£368,000	£50,000	£318,000
Meadow Hill, Welford Road	LE18 3	Wigston East	1.7	Agricultural land	Family Housing	53	£760,000	£1,292,000	£25,500	£1,266,500
Nautical William, Aylestone Lane	LE18 1	Wigston Magna	0.15	Pub, pub car park and gardens	Family Housing	29	£760,000	£114,000	£100,000	£14,000

- 4.65 The most important of these sites in terms of housing numbers is the Meadow Hill site, which is circa 1.7 hectares. This site is agricultural in its existing use, and a scheme here will prove very viable.
- 4.66 The same applies for the former Oadby Pool site, which is in recreation and open space use.
- 4.67 The other sites in Wigston are less viable although should still come forward for housing. Much depends on the strength of the business use. In the case of Long Street and Queens Drive, the commercial premises appear disused.

Conclusions on the viability of key sites

- 4.68 This analysis has looked at the key sites which will deliver the bulk of housing supply over the Plan period.
- 4.69 The schemes show strong viability, which is particularly the case for the two sites off Gartree Road and behind the Spire Hospital. These sites should deliver well in excess of 30% Affordable Housing.
- 4.70 Whilst the infrastructure loading for these sites is as yet not finalised, there is a large 'buffer' built into the analysis- at around £10,000 per unit which should cover the key items for these sites.
- 4.71 It should be noted that in practice build costs should be significantly lower than assumed here as economies of scale will apply to the large sites.
- 4.72 Overall, the key sites should deliver a significant volume of Affordable Housing and other Section 106 contributions although the Council will clearly need to monitor the market as time passes and selling process and costs change.

5 SMALL SITES AND THE AFFORDABLE HOUSING THRESHOLD

- 5.1 The 2016 Affordable Housing Viability Report set out in some detail the nature of housing supply from small sites. This was done to look at the specifics of delivery in arguably the most challenging situations. Whilst there is no consistent link between scale of development and viability (rather location is a better indicator), small sites present particular challenges sometimes by the nature of the source and existing use. This chapter provides an update of the 2016 analysis.
- 5.2 The Council's proposed policy states that 'Affordable housing will be sought to meet identified local needs on all developments of 11 dwellings or more. Affordable housing is sought to support the creation of balanced and sustainable communities. There is no upper limit to the level of affordable housing that can be delivered on a site. In line with the current Affordable Housing Viability Assessment, the following targets apply:
- Oadby - 30 per cent
 - Wigston (including Kilby Bridge) – 20 per cent
 - South Wigston – 10 per cent'
- 5.3 The policy therefore exempts smaller sites (less than 11 dwellings) from Affordable Housing contributions. This approach is consistent with a relatively recent ruling at a national level on Section 106 contributions, which has generally been held as a 'victory' for the government in its battle with local authorities (notably the 'West Berkshire and Reading' case – 2015) over smaller sites and Section 106 contributions.
- 5.4 Since that ruling, a number of test cases have arisen, presenting challenges to local authorities trying to meet housing needs from a profile of supply that relies on small sites to a significant extent. Following several apparently conflicting decisions, the London Boroughs of Richmond and Wandsworth wrote to the Planning Inspectorate for clarification on thresholds. The response (Ashley Grey, March 17th, PINS) states:

'The correct approach, if minded to allow an appeal in such circumstances, would be for an Inspector to start with the development plan and any evidence presented by the LPA supporting the need for an affordable housing contribution, establish whether the proposal is in conflict with those policies if no contribution is provided for, and, if there is conflict, only then go on to

address the weight to be attached to the WMS as a national policy that post-dates the development plan policies. An Inspector would then be entitled to find in the balancing exercise that the WMS outweighs the development plan policies, as opposed to discounting the development plan's weight at the outset'.

5.5 The consequence of this letter looks to be that local authorities can require Affordable Housing on smaller sites, should they have an evidenced housing need, and, presumably a viability evidence base to back this up. This evidence would appear to 'trump' the Written Ministerial Statement'.

5.6 Table 5.1 sets out the most recent small site permissions granted in the Borough.

Table 5.1 Recent planning permissions granted (2014 to August 2017) for smaller sites in the Borough

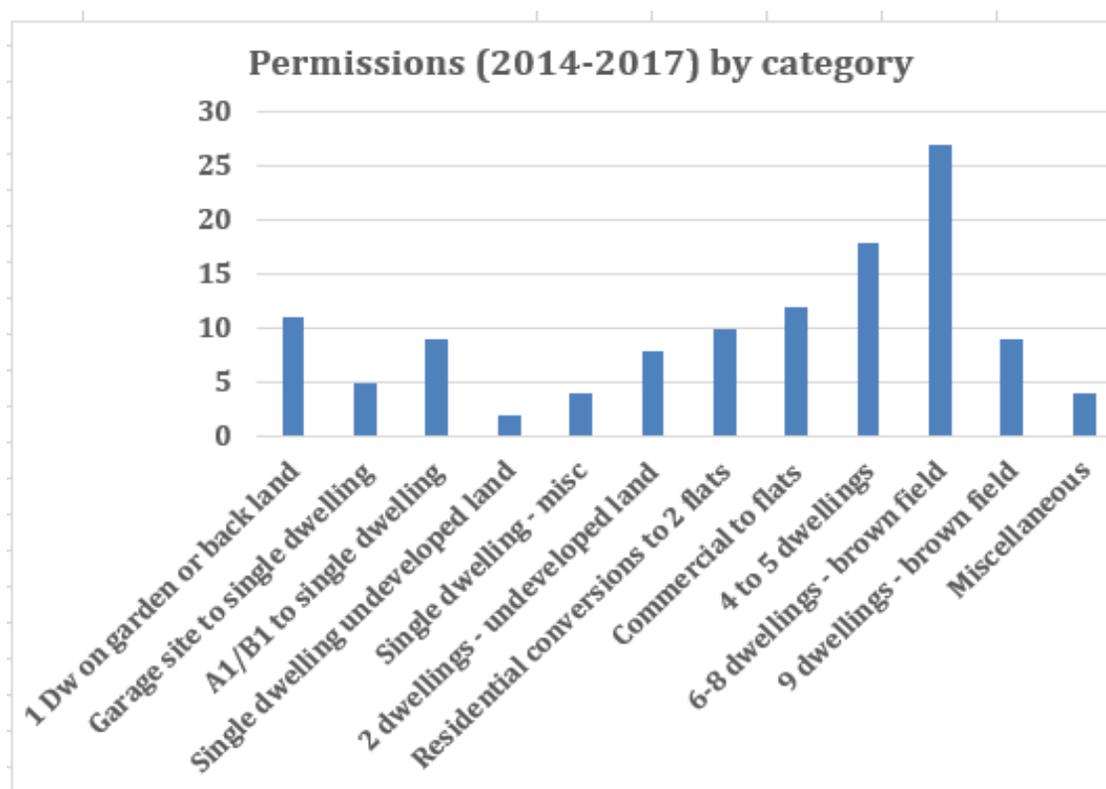
Category	Existing Use	Site Size (Ha)	No (Net)
1 Dw on garden or back land			
LA 11 Glaisdale, Wigston	Open space associated to property	0.03	1
LA 69 Central Avenue, Wigston	Open space associated to property	0.03	1
11 Southmeads Close, Oadby	Open space associated to property	0.13	1
LR Gable House, Stoughton Drive Sth	Open space associated to property	0.15	1
23 Roman Hill, Wigston	Open space associated to property	0.01	1
LR 82 Hidcote Road, Oadby	Open space associated to property	0.03	1
LR 42 Newton Lane, Wigston	Open space associated to property	0.03	1
LR 83 Stoughton Road, Oadby	Open space associated to property	0.11	1
66 Welford Road, Wigston	Open space associated to property	0.03	1
LR 29-31 Kew Drive, Oadby	Rear gardens	0.08	1
LA 11 Glaisdale Road, Wigston	Garden land to 1 dwelling	0.02	1
Garage site to single dwelling			
9 Princess Avenue, Oadby	Demolition of garages	0.02	1
3 Waveney Rise, Oadby	Residential garages to dwelling	0.03	1
46 Granville Road, Wigston	Residential garages to dwelling		1
9 Princess Avenue, Oadby	Residential garages to dwelling	0.01	1
Kilby Bridge Farm, Durnford Road	Residential garages to dwelling	0.01	1

A1/B1 to single dwelling			
22 Long Street, Wigston	A1	0.07	1
101 Briar Meads, Oadby	A1		1
56-58 London Road, Oadby	A1	0.04	1
42 Blaby Road, South Wigston	A1	0.01	1
89 London Road, Oadby	A1 shop to C3 flat	0.01	1
21 Blaby Road, South Wigston	A1 store room	0.00	1
4 Spa Lane, Wigston	A2		1
67-69 Kirkdale Road, Sth Wig	B1		1
15B Stoughton Road, Oadby	B1	0.01	1
Single dwelling undeveloped land			
LA 7 Wye Dean Drive, Wigston	Undeveloped green land	0.05	1
LA 8 Highcroft Road, Oadby	Undeveloped green land	0.07	1
Single dwelling - misc			
Alfrace House, Newton Lane	Care Home	0.29	1
LA 152 Station Road, Wigston	Driveway to house	0.04	1
32 Homestead Drive, Wigston	Existing house conversion	0.01	1
219 Leicester Road, Wigston	1 flat conversion to 2 flats	0.01	1
2 dwellings - undeveloped land			
LA 31 Chapel Street, Oadby	Undeveloped green land	0.03	2
1A Uplands Road, Oadby	Undeveloped green land	0.06	2
Vikings Tun, Launceston Road	Undeveloped green land	0.06	2
LR 116-118 Saffron Lane	Rear gardens	0.05	2
Residential conversions to 2 flats			
59 Blaby Road, South Wigston	1 flat conversion to 3 flats	0.01	2
44-46 Price Drive, Oadby	2 dwellings into 4 No. 1 bed flats	0.05	2
6 Central Avenue, Wigston	5 bed dwelling to 3 flats	0.03	2
5 Victoria Street, Wigston	Dwelling to 3 flats	0.02	2
3 Victoria Street, Wigston	Dwelling to 3 flats	0.02	2
Commercial to flats			
32 Junction Road, Wigston	A3 Restaurant to 2 x C3 Flats	0.01	2
1 North Street, Oadby	B1 Conversion		2
91 Blaby Road, South Wigston	B1a to 2 self contained flats (C3)	0.01	2
3 Canal Street, South Wigston	B8	0.02	2

2 Clifford Street, South Wigston	COU - 2 bedroom flat to 3No. studio flats	0.01	2
152 Station Road, Wigston	Doctors Surgery	0.02	2
4 to 5 dwellings			
61 Moat Street, Wigston	B1	0.03	4
52 Park Road, South Wigston	Demolition of existing house	0.09	4
21 Manor Road, Oadby	Care Home	0.75	5
14-18 Dunton Street, South Wig	A5 and C3 flat to 6 flats	0.02	5
6-8 dwellings - brown field			
25 Church Street, Oadby	Care Home	0.06	6
271 Leicester Road, Wigston	A1 and C3 to form retail and more C3 Flats	0.06	6
52 Blaby Road, South Wigston	Upper floor storage to A1	0.04	7
34 Bell Street, Wigston	A1 and upper floor storage	0.03	8
9 dwellings - brown field			
69 Canal Street, South Wigston	Builders Yard	0.15	9
Miscellaneous			
56 Blaby Road, South Wigston	Extension of A1 retail and to form 1 x C3 Flat.	0.01	1
32 Junction Road, Wigston	A3 Conversion	0.01	3

5.7 Figure 5.1 below summarises the data in graph form. The bulk of the supply is likely to come from schemes in the 4 to 9 dwelling range, and from brownfield sites.

Figure 5.1 Small scheme permissions by source of supply



5.8 Much of this supply is located in the lower value areas including Wigston and South Wigston. These are conversions, from vacant land and for commercial uses. They are likely to have higher existing use values.

5.9 Some of the smallest and single dwelling sites will be developed on garden and back land associated with a current dwelling. There are a number of schemes for single dwellings built on garage sites. With the caveats about the need for site specific testing, it is nevertheless useful to test typical small sites. In this respect, the following types of schemes are looked at:

- A single dwelling in garden or back land;
- Two dwellings in garden or back land; also garages;
- Development of five dwellings on commercial and vacant land;

Single dwelling in garden or back land

5.10 There are a number of schemes which are being developed as single dwellings within curtilages of existing dwellings. These are garden and back land plots.

5.11 The viability of these plots is strong in principle because there is no loss of existing dwellings, although there may be some loss to the value of retained property if a new dwelling is built in the existing grounds. It is difficult to ascertain precisely what the devaluation will be although in my experience this will amount to somewhere in the range 10% to 30%. I have therefore suggested 20% as the effective land value benchmark (LVB) for the analysis.

5.12 Set out below (Table 5.1) are the residual values for a single plot at the range of Affordable Housing scenarios.

Table 5.1 Residual values for a single plot

	0%	10%	15%	20%	25%	30%	35%	40%	New Build	Second Hand	20% Devaluation
Stoneygate Fringe: Oadby	£271,000	£252,000	£247,000	£232,000	£222,000	£212,000	£202,000	£193,000	£612,000	£550,800	£110,160
Oadby North of the A6	£108,000	£96,000	£90,000	£84,000	£79,000	£73,000	£67,000	£61,000	£373,000	£335,700	£67,140
Oadby South of A6	£90,000	£79,000	£74,000	£69,000	£63,000	£58,000	£53,000	£47,000	£347,000	£312,300	£62,460
Wigston East	£54,000	£45,000	£40,000	£36,000	£31,000	£27,000	£22,000	£18,000	£294,000	£264,600	£52,920
Wigston Magna	£53,000	£44,000	£39,000	£35,000	£30,000	£26,000	£21,000	£17,000	£292,000	£262,800	£52,560
Wigston West	£42,000	£33,000	£29,000	£25,000	£21,000	£17,000	£12,000	£8,000	£276,000	£248,400	£49,680
South Wigston	£36,000	£28,000	£24,000	£20,000	£15,000	£11,000	£7,000	£3,000	£267,000	£240,300	£48,060

5.13 The table sets out in the final column on the right hand side, the devaluation (assumed here to be 20% from an existing dwelling) that would be likely in many cases to occur, should a new dwelling be built in the garden of an existing one.

5.14 The table suggest that significant Affordable Housing contributions are likely to be viable at higher levels in the higher value sub markets. For the three highest value sub markets, Affordable Housing contributions between 25% to 40% look viable. However at the bottom of the market, this type of scheme looks marginal to non viable.

5.15 Much of course here depends on the precise nature of the scheme. The analysis assumes going rate prices for existing dwellings. In practice there will be a number of situation where the retained dwelling is in poor

condition. This may make a scheme more viable to deliver with Affordable Housing.

Two dwellings in garden or back land

5.16 The same overall principle applies as for the single plot. The land value benchmark is likely to be any devaluation to the existing dwelling. However, in this case there will be two dwellings covering the LVB, so increasing the chances of a viable scheme.

5.17 Table 5.2 sets out the results:

Table 5.2 Residual values for two dwellings

	0%	10%	15%	20%	25%	30%	35%	40%	New Build	Second Hand	20% Devaluation
Stoneygate Fringe: Oadby	£542,000	£503,000	£493,000	£463,000	£444,000	£424,000	£404,000	£385,000	£612,000	£550,800	£110,160
Oadby North of the A6	£215,000	£192,000	£180,000	£168,000	£157,000	£145,000	£133,000	£121,000	£373,000	£335,700	£67,140
Oadby South of A6	£180,000	£158,000	£148,000	£137,000	£126,000	£115,000	£105,000	£94,000	£347,000	£312,300	£62,460
Wigston East	£107,000	£89,000	£80,000	£71,000	£62,000	£53,000	£44,000	£35,000	£294,000	£264,600	£52,920
Wigston Magna	£105,000	£87,000	£78,000	£69,000	£60,000	£51,000	£42,000	£33,000	£292,000	£262,800	£52,560
Wigston West	£83,000	£66,000	£58,000	£49,000	£41,000	£33,000	£24,000	£16,000	£276,000	£248,400	£49,680
South Wigston	£71,000	£55,000	£47,000	£39,000	£30,000	£22,000	£14,000	£6,000	£267,000	£240,300	£48,060

5.18 Here, a greater proportion of development is likely to be viable, because the residual value generated by two dwellings will be significantly greater than that generated by one.

5.19 Table 5.2 shows that a 40% Affordable Housing contribution is likely to be viable in the highest three value sub markets. It is nevertheless the case that for the lower value sub markets viability is more challenging. In Wigston, contributions between 15% and 30% Affordable Housing look viable; and in South Wigston, up to 10%.

5.20 There have been a few applications where the land is occupied by garages. It is assumed that these are very small plots with around 3-4 garages, letting say at between £50 and £100 per month; giving say a rental income of circa £1,000 per annum. At a yield of 8% this would give a capital value of circa £12,500, say £15,000 a garage.

5.21 Dependent on the precise number, a LVB of say £100,000 would be likely to be towards the higher end. If applied to the residual values in Table 5.2, viability would be similar (to the garden plots) in the higher value areas, although significantly lower contributions would be likely in Wigston and South Wigston.

Development of five dwellings on commercial land

5.22 There are a number of smaller schemes emanating from commercial property and land which contribute to housing supply in the Borough. These range from A1 conversions to residential, to care homes to residential and from demolition of existing buildings to residential. In so far that a site is clear, it will have a low LVB; typically industrial.

5.23 Table 5.3 sets out the residual values and the LVB for industrial land for a small site capable of accommodating circa 5 dwellings.

5.24 Schemes of this nature should prove viable to deliver Affordable Housing at relatively high percentages. Indeed as the number of dwellings increase (say between 5 and 10 dwellings on smaller sites) viability should be maintained and in some cases, improved.

Table 5.3 Residual values for five dwellings

	0%	10%	15%	20%	25%	30%	35%	40%	Industrial Land
Stoneygate Fringe: Oadby	£1,112,000	£1,027,000	£985,000	£943,000	£902,000	£860,000	£815,000	£775,000	£70,000
Oadby North of the A6	£430,000	£378,000	£353,000	£328,000	£303,000	£278,000	£253,000	£227,000	£70,000
Oadby South of A6	£358,000	£310,000	£287,000	£263,000	£240,000	£215,000	£192,000	£168,000	£70,000
Wigston East	£207,000	£167,000	£147,000	£127,000	£107,000	£88,000	£68,000	£48,000	£70,000
Wigston Magna	£202,000	£162,000	£142,000	£122,000	£102,000	£82,000	£63,000	£43,000	£70,000
Wigston West	£157,000	£120,000	£100,000	£82,000	£63,000	£45,000	£27,000	£8,000	£70,000
South Wigston	£132,000	£95,000	£77,000	£58,000	£42,000	£23,000	£5,000	£-13,000	£70,000
Notes									DVS PMR (Leicester - 2011)

5.25 Table 5.4 shows the likely viability scenarios where five dwellings replace an existing. This is a much more challenging situation and suggests that this

type of scheme will not be viable to deliver Affordable Housing in all but the highest value areas of the Borough.

Table 5.4 Residual values for five dwellings; demolish an existing dwelling

	0%	10%	15%	20%	25%	30%	35%	40%	Existing Dwelling
Stoneygate Fringe: Oadby	£1,112,000	£1,027,000	£985,000	£943,000	£902,000	£860,000	£815,000	£775,000	£550,800
Oadby North of the A6	£430,000	£378,000	£353,000	£328,000	£303,000	£278,000	£253,000	£227,000	£335,700
Oadby South of A6	£358,000	£310,000	£287,000	£263,000	£240,000	£215,000	£192,000	£168,000	£312,300
Wigston East	£207,000	£167,000	£147,000	£127,000	£107,000	£88,000	£68,000	£48,000	£264,600
Wigston Magna	£202,000	£162,000	£142,000	£122,000	£102,000	£82,000	£63,000	£43,000	£262,800
Wigston West	£157,000	£120,000	£100,000	£82,000	£63,000	£45,000	£27,000	£8,000	£248,400
South Wigston	£132,000	£95,000	£77,000	£58,000	£42,000	£23,000	£5,000	£-13,000	£240,300

5.26 It follows therefore that smaller schemes (2,3 and 4 new build dwellings) replacing an existing dwelling will be even more challenging in viability terms.

5.27 Conversion schemes are very site and building specific. As a rule of thumb, existing use values for retail are likely to prove as valuable as residential which means that to deliver a scheme including Affordable Housing will require very low conversion costs. It is suggested therefore, if the Council wish to take a cautious approach, then these schemes will be exempted from a low Affordable Housing threshold.

Conclusions

5.28 The most recent guidance suggests that in so far that the Council has a housing need, and one that is backed by evidence, it may lower the Affordable Housing threshold as far as is viable.

5.29 In this respect, it is viable to deliver Affordable Housing on the very smallest of sites, namely single plots. A threshold of one gross dwelling is therefore viable in principle.

5.30 However, the nature of the source of supply is key. Where this is garden or back land, schemes look viable, particularly in the higher value locations. And further on cleared industrial or vacant land, they look even more viable.

- 5.31 On the other hand, schemes involve demolition are challenging as well as conversion schemes and for this reason the Council may be prudent to exempt these sources of supply from its Affordable Housing policy.
- 5.32 As can be seen from the data, small sites are varied in nature and it will be important for the Council to monitor them going forward.

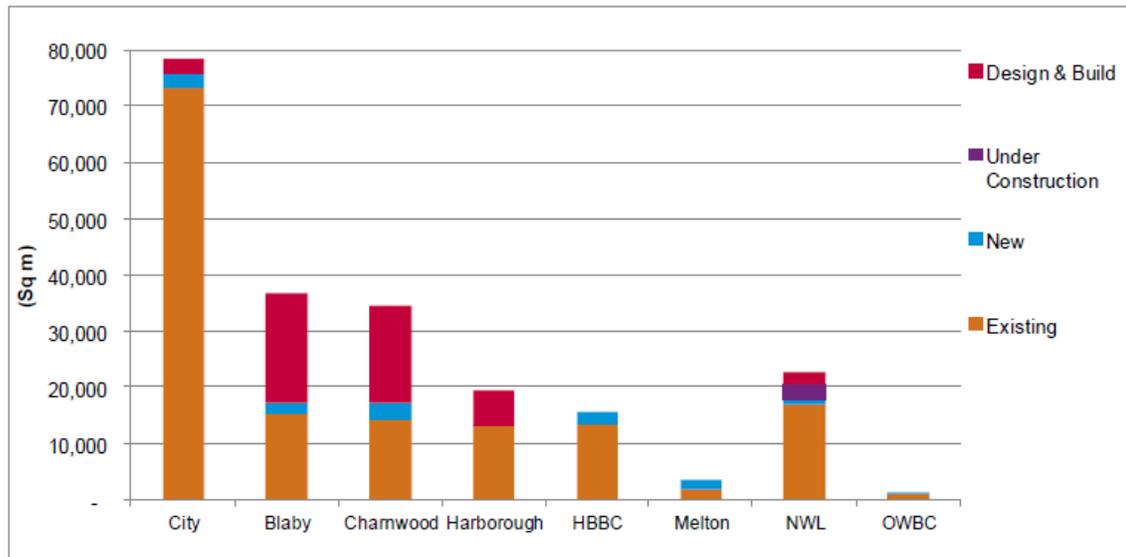
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6 THE VIABILITY OF COMMERCIAL DEVELOPMENT IN THE BOROUGH

6.1 The need for employment development

- 6.1.1 As for residential development, the requirement for commercial development is based on objectively assessed need. The Council's OAN for employment use land is evidenced in the Leicester and Leicestershire Housing and Economic Development Needs Assessment. In addition to the HEDNA, the Council also commissioned an Employment Land and Premises study, which sought to look in more detail at the demand for employment uses within the Borough. The study also took account of the current state and quality of the Borough's existing employment use land stock.
- 6.1.2 The Employment Land and Premises study identifies an Employment use land requirement of 8.25 hectares (including 5 year buffer) for the period of 2011 to 2031. The Council, through its Local Plan is proposing the following levels of employment land allocations:
- 5 hectares of B1, B2 and/or B8 use land at the Wigston Direction for Growth area (includes 2.5 hectares with extant outline planning permission);
 - 0.55 hectares of B1, B2 and/or B8 use land at land at Magna Road. This is an outstanding employment land allocation, originally defined in the Council's Saved Local Plan.
 - 2.67 hectares of B1, B2 and/or B8 use land at Oadby Sewage Works, and;
 - 9,800 sq m of new office/commercial floorspace (0.3 hectares) within the town centre of Wigston and the district centre of Oadby.
- 6.1.3 These elements are provided for in the Borough's Spatial Strategy. These are relatively modest commercial allocations in the context of the wider Leicestershire commercial land requirements.
- 6.1.4 The chart below, taken from the HEDNA, shows the relatively low office availability in the Borough in relation to the other Leicestershire authorities.

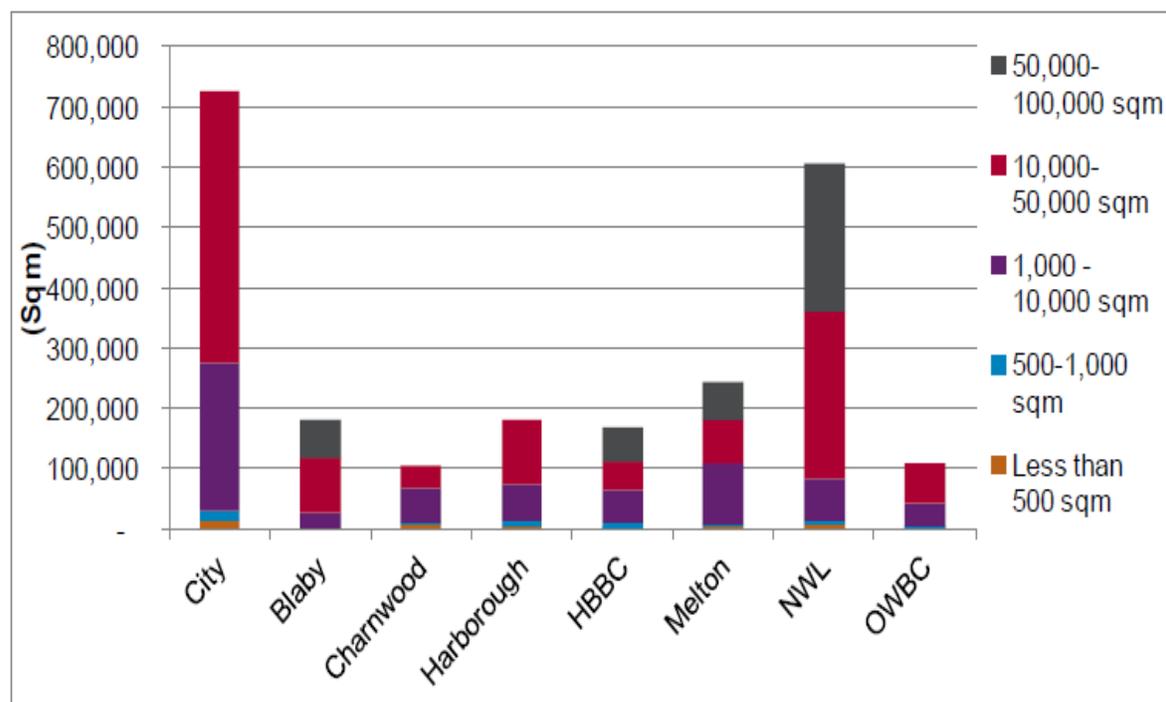
Figure 65: Office Availability by Location and Status (July 2016)



Source: GL Hearn Analysis of EGi and CoStar Data

6.1.5 The chart below, taken also from the HEDNA, shows the relatively low industrial floorspace availability in the Borough in relation to the other Leicestershire authorities.

Figure 73: Industrial floorspace across FEMA, July 2016



Source: GL Hearn Analysis of EGi and CoStar Data

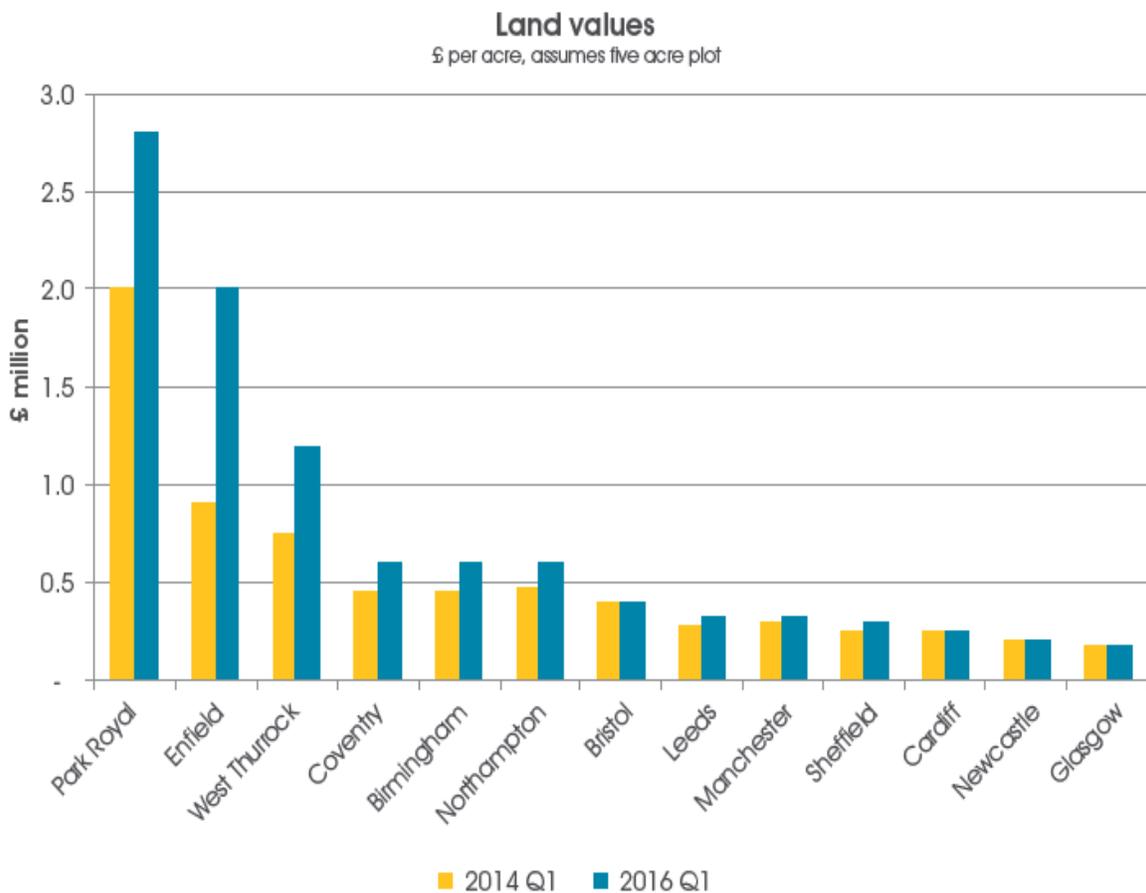
6.1.6 This low availability would appear to coincide with a low requirement, suggesting that the current position between supply and demand is broadly in balance.

Economics of commercial property development

6.1.7 For the purposes of this viability report, the assessment of the viability should be undertaken using the same principles as for residential development; i.e., by determining residual values based on the difference between scheme revenue and scheme cost.

6.1.8 In so far that land value is a reasonable proxy for residual value the Valuation Office's Property Market Report suggested land value for the City of Leicester (nearest available data) was £400,000 per hectare. This was on a 'cleared site' basis, and was for the last publication data (2010). Despite complaints about the Valuation Office Agency not providing this data any more, it remains the latest available.

6.1.9 More up to date figures are available in the GVA Industrial Intelligence report of Spring 2016. This suggests that for locations such as Coventry and Birmingham (closest comparables) industrial land values are around £500,000 per hectare (circa £1.2 million per hectare):



6.1.10 These are strong values indicating that the supply of industrial premises is likely to be viable.

6.1.11 To investigate the viability of this type of development further, data on rents and development costs has been gathered. This is set out in Table 6.1 below:

Table 6.1 Commercial Property transactions and data

Offices								
Address	Rental (pa)	Unit Size (per Sq M)	Rent per Sq M	Capital Value	Yield	Selling Price/Sq M	Age & Quality	Agent
Manderville Road, Oadby	£10,400	93	£112				Older - Secondary	Rightmove
The Parade, Oadby	£4,740	38	£125				Older - Secondary	Innes England
Burbage, Hinckley	£17,000	224	£76				Modern	Innes England
Horsefair Street, Leicester			£91				Older	Innes England
Selbury Drive	£12,000	149	£81				Older	Andrew & Ashwell
Lancer House, Scudamore Road		2053		£1,250,000		£609	Older - Secondary	Andrew & Ashwell
Grove Park, Enderby	£168,000	945	£178				Modern - Prime	Andrew & Ashwell
New Walk, Leicester	£24,500	248	£99				Older - Prime	Andrew & Ashwell
De Montfort Street	£32,000	195	£164				Older - Prime	Andrew & Ashwell
Millstone Lane, Leicester	£20,000	176	£114				Older	Andrew & Ashwell
St John's Business Park, Lutterworth	£15,000	140	£107				Modern	Andrew & Ashwell
Warren Park Way, Enderby	£20,000	134	£149				Modern	Andrew & Ashwell
Leicester - 'Office Market Pulse'			£182		6.25		Prime Offices	Lambert Smith Hampton
Industrial								
Address	Rental (pa)	Unit Size (per Sq M)	Rent per Sq M	Capital Value	Yield	Selling Price/Sq M	Age	Agent
Wigston	£39,996	812	£49				Older	Rightmove
Pullman Road, Wigston	£9,804	139	£71				Older - Secondary	Innes England
Whetstone Ind Estate	£39,615	774	£51				Older - Secondary	Innes England
East Goscote Ind Estate	£20,000	336	£60				Older - Secondary	Innes England
Evelyn Road, Leicester	£412,000			£4,000,000	10		Older - Secondary	Andrew & Ashwell
Coventry Road, Hinckley		7141	£0	£1,500,000		£210	Older - Secondary	Andrew & Ashwell
161, Barkby Road		5084	£0	£2,500,000		£492	Older - Secondary	Andrew & Ashwell
Meridian Business Park	£175,000	2850	£61				Modern - Prime	Andrew & Ashwell
Scudamore Road		2053		£1,250,000		£609	Older - Secondary	Andrew & Ashwell
Pullman Road, Wigston	£30,000			£495,000	6		Older - Secondary	Andrew & Ashwell
Quarry Hill, Enderby	£35,000	694	£50				Older - Secondary	Andrew & Ashwell
West Avenue, Wigston	£18,000	414	£43				Older - Secondary	Andrew & Ashwell
Saffron Way	£9,500	174	£55			£0	Modern	Andrew & Ashwell

- 6.1.12 This analysis shows a range of office and industrial comparables from the Borough and from the wider Leicester area. The rents for offices located in secondary areas are in the range £80 to £120 per square metre, with prime office locations and more modern premises being in the range £150 to £180 per square metre.
- 6.1.13 For industrial property, the rents for older and secondary premises are in the range £40 to £50 per square metre and for more modern premises, £50 to £70 per square metre.
- 6.1.14 The research provides further information on capital values and yields, including analysis from Lambert Smith Hampton on prime office yields which are stated to be 6.25%.
- 6.1.15 Although the commercial development in Oadby and Wigston will be modern (in limited cases perhaps from conversion) the location of development is not realistically deemed 'prime'. The Wigston Direction for Growth is not poorly accessed from the M1, but at the same time, it is not describable as 'easily accessed' (as is the case for example with Meridian or Grove Park).
- 6.1.16 The same applies for the Magna Road site, and indeed the Oadby Sewage Works site.
- 6.1.17 In terms of rents for offices, I would suggest that an appropriate rate is between prime and secondary, probably towards the lower end of prime, say £140 per square metre. The yields in these locations are not going to be prime either, and I would suggest on this basis a yield of say 7.5%, making anticipated capital value at around £1,850 per square metre.
- 6.1.18 The same general logic will apply to the industrial development. Therefore apply a rent between secondary and prime; say £55 per square metre. And employing a yield of say 8% (best available from comparables). This gives a capital value of circa £700 per square metre (also broadly in line with the comparables available).

6.1.19 Applying these figures very generally to potential development in the Borough, the following appraisals would result:

Property Calculation	Offices	Industrial
	Per Sq M	
Rent	£140	£55
Yield	7.5	8
Years Purchase	13.3	12.5
Capital Value	£1,867	£688
Construction Costs	£1,200	£500
Professional Fees (at 10%)	£120	£50
Finance (at 7%)	£92	£39
Marketing (1%)	£19	£7
Margin (at 10%)	£132	£55
Development Costs	£1,563	£650
Residual Value	£304	£37
Land calculation		
Per Hectare (Sq M)	10000	10000
Efficiency say 60%	6000	6000
Office (1.5 Storey)	9000	
Industrial (Single Storey)		6000
Residual Value	£2,732,400	£222,750
Split		
Offices (at 10%)	£273,240	
Industrial (at 90%)		£200,475
Blended	£473,715	

6.1.20 These appraisals suggest that, taking revenues and costs into account, that commercial development is viable in the locations proposed in the Local Plan. Making reasonable assumptions on costs (BCIS based), a residual value of circa £500,000 would be achievable. This depends on the split between offices and industrial and it is important to note that

industrial development although viable, may be assisted towards greater viability by the inclusion of offices.

- 6.1.21 It is further important to note that commercial development will be sensitive to local factors and the dynamics of the sectors going forward over the Plan period. The Council will therefore need to monitor development going forward.

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7 TOWN CENTRE DEVELOPMENT

- 7.1 In 2013, the Council adopted a Town Centres Area Action Plan that set out levels of growth for the centres of Wigston and Oadby. The Area Action Plan also, through a masterplan, illustrated one way in which the levels of growth set out could be implemented. Since the adoption of the Area Action Plan, a certain level of growth and regeneration has occurred within the two centres. For the purposes of the new Local Plan, levels of growth will be set out for the town centre of Wigston and the district centre of Oadby, that are similar to the levels set out within the Town Centres Area Action Plan 2013.
- 7.2 Since its adoption, the Area Action Plan has been fundamental in bringing forward large scale public realm regeneration works and in encouraging large scale retail refurbishment; and in obtaining government funding towards, and the production of Local Development Orders. The Area Action Plan has also been instrumental in encouraging town centre living and the provision of new homes within the key centres in the Borough. As well as scales of development, The Area Action Plan envisaged a number of principles:
- A relatively flexible approach to change of use from A1 to other uses (where a primary proportion of properties remain as retail) at ground floor level;
 - Change of use to residential encouraged at first and other floors above to existing properties;
 - Sustainable measures including cycling, expansion of electric car facilities and improved bus facilities;
 - The Council's new Local Plan envisages scales of development, however allows for flexibility on which allocated site accommodates what type of development. For the purposes of this viability report (because the levels of development proposed within the new Local Plan are consistent with) the proposed approach to delivering development illustrated within the current Area Action Plan will be followed.

Masterplan for Wigston

- 7.3 The Masterplan for Wigston is shown below along with the floor areas envisaged:



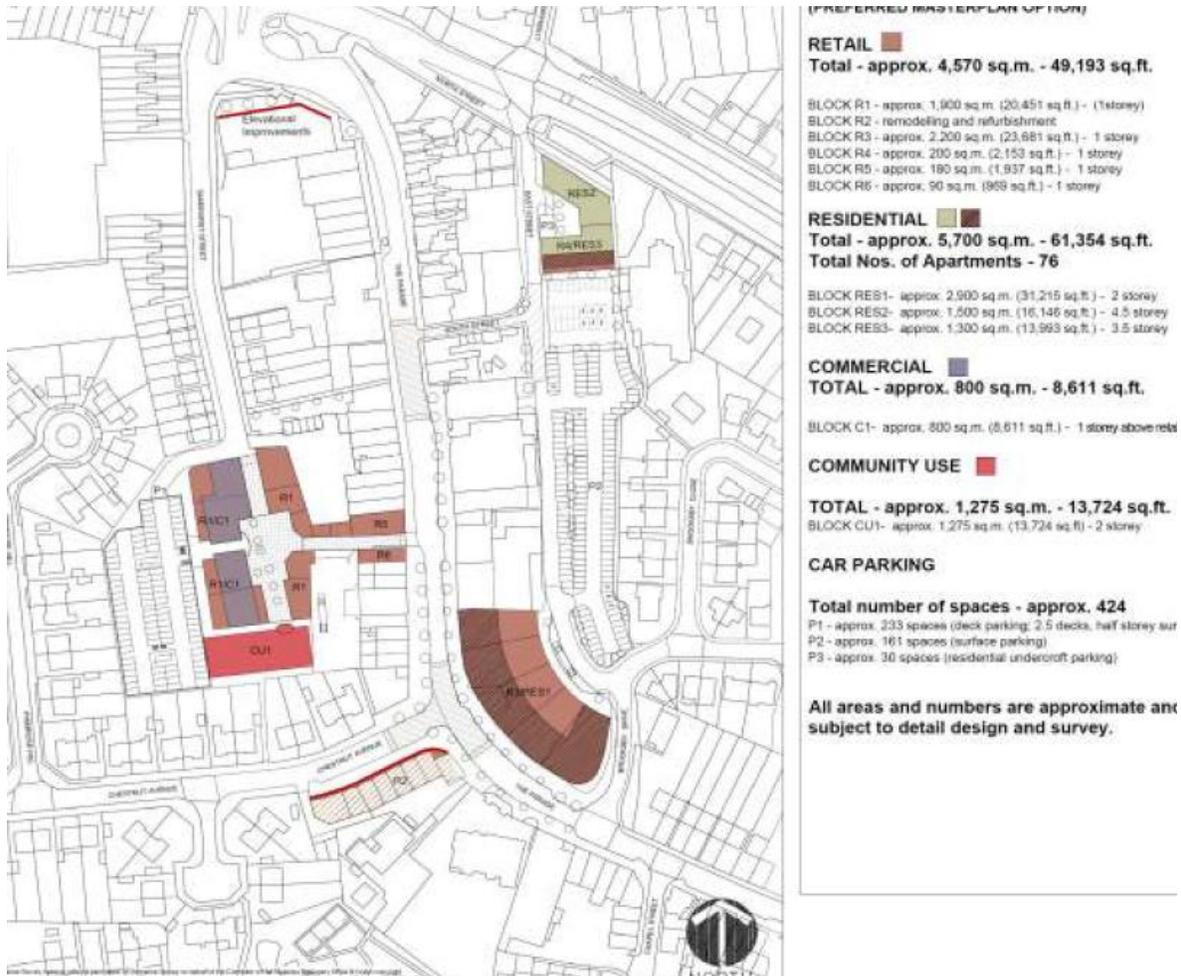
7.4 The Area Action Plan is focused on four main areas:

- Burgess Junction. This comprises commercial development including retail to the south of Burgess Street and the west of Junction Road;
- Development to the north of Frederick Street. This is envisaged to be retail in the main;
- Retail development joining Frederick and Bell Streets (to the east);
- Paddock Street or 'Long Lanes'.

7.5 The Plan envisages in total 9,000 square metres of new office floorspace; 11,811 square metres of retail floorspace and 153 residential units

Masterplan for Oadby

7.6 The Masterplan for Oadby is shown below along with the floor space envisaged:



7.7 The Area Action Plan is focused on three main areas:

- Brooksby Square. This encompasses residential development to the north of the area, and retail development and residential and retail to the south.
- Baxters Place. This area is to the west of The Parade and behind existing shops. This area is envisaged for commercial and retail development and some community use;
- Property to the south of Chestnut Avenue. These currently are occupied by low rise retail. There is potential re-development here with retail at ground floor and residential above (up to 40 dwellings).

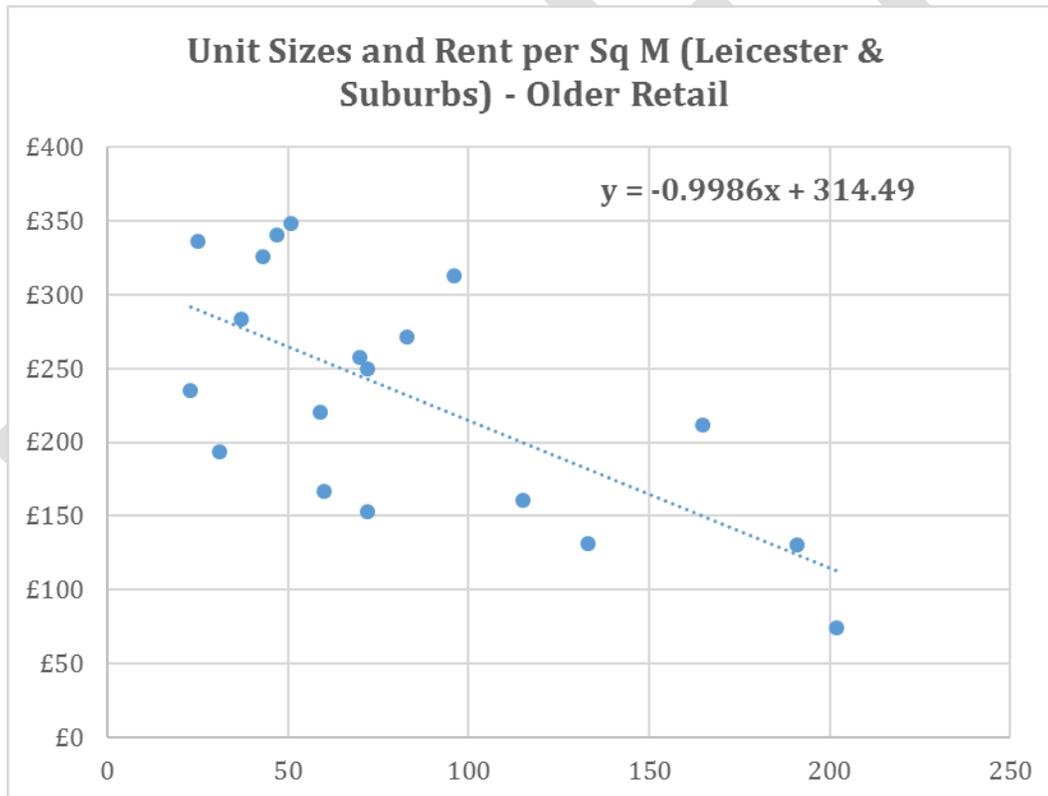
Appraisals

7.8 The Area Action Plan includes seven main areas and these are assessed below. It is important to state that analysis here can only be relatively broad brush and the effective demand for the development is taken as ‘as read’

from the Masterplanning exercise. The development mix and use classes may alter as planning applications come in. However, the conclusions should provide a robust starting point for understanding the likely viability implications. The analysis looks first at the town centre locations in Wigston.

Burgess Junction

7.9 This area is planned for commercial and retail development. There is in total 7,155 square metres of office/commercial development, and 2,596 square metres of retail development planned. The same assumptions have been used for the offices as in Chapter 6, which looked at commercial development outside the town centre. For retail, a separate analysis has been carried out for the Leicester and surrounding area in terms of rents per square metre. This is shown below and demonstrates the relationship between rent per square metre and size of retail unit.



7.10 There is clearly here a negative inverse relation; i.e. as the size of unit increases, the rent per square metre falls. It is thus important to stress that the end user for retail will be very important in influencing the overall viability.

7.11 The Burgess Junction appraisal is shown below. This shows a healthy residual value based on the sale of land for commercial and retail in this location.

	Offices	Retail
	Per Sq M	
Rent	£140	£250
Floor Space	7,155	2,596
Rental per annum	£1,001,700	£649,000
Yield	7.5	6.5
Years Purchase	13.3	15.4
Capital Value	£13,356,000	£9,984,615
Construction Costs (per Sq M)	£1,200	£1,200
Floor Area	7,155	2,596
Construction Costs	£8,586,000	£3,115,200
Professional Fees (at 10%)	£858,600	£311,520
Finance (at 7%)	£661,122	£239,870
Marketing (2%)	£267,120	£199,692
Margin (at 15%)	£2,003,400	£1,497,692
Development Costs	£12,376,242	£5,363,975
Residual Value	£979,758	£4,620,640
RV Total	£5,600,398	
Existing Use Value Estimate		
Car Parking		
Loss of Spaces - Circa 60 (£3 per day; 180 days per year; 60 spaces; 10% Yield)	£325,000	
Loss of retail (c.320 sq m) @ £1875/sq m)	£600,000	
Total	£925,000	
Land Owner Return at 25%	£1,156,250	
Surplus - RV less EUV	£4,444,148	

7.12 The existing use value for this area is made up of car parking, where the Council set only nominal charges and, it is understood a small area of retail which may make way for new retail development. The existing use value is low, but this conclusion is based on the low charges made by the Council on its sites:

https://www.oadby-wigston.gov.uk/pages/car_park_charges_and_locations

7.13 The surplus of residual value over the EUV is significant – some £4.5 million. This should be around sufficient to cover the projected £4.5 public realm costs which are likely to fall in part on this project.

7.14 The surplus will however not cover the costs in full of developing the multi-storey car park which is projected for this location. A joined up approach across the entire town centre will be required to deliver the necessary public car parking provision.

Development to the north of Frederick Street

7.15 As with Burgess Junction, this area is planned for commercial and retail development. There are 1,750 square metres of office/commercial development planned, and 6,830 square metres of retail development. The same assumptions have been used for the offices and retail as for the Burgess Junction area.

7.16 The appraisal is shown below:

	Offices	Retail
	Per Sq M	
Rent	£140	£250
Floor Space	1,750	6,830
Rental per annum	£245,000	£1,707,500
Yield	7.5	6.5
Years Purchase	13.3	15.4
Capital Value	£3,266,667	£26,269,231
Construction Costs (per Sq M)	£1,200	£1,200
Floor Area	1,750	6,830
Construction Costs	£2,100,000	£8,196,000
Professional Fees (at 10%)	£210,000	£819,600

Finance (at 7%)	£161,700	£631,092
Marketing (2%)	£65,333	£525,385
Margin (at 15%)	£490,000	£3,940,385
Development Costs	£3,027,033	£14,112,461
Residual Value	£239,633	£12,156,770
RV Total	£12,396,403	
Existing Use Value Estimate		
Loss of retail (c.1,600 sq m) @ £2000/sq m)	£3,200,000	
Car Parking	£300,000	
Total	£3,500,000	
Land Owner Return at 25%	£4,375,000	
Surplus - RV less EUV	£8,021,403	

- 7.17 The existing use value for this site is made up mainly of retail, although there is an area of car parking to the immediate north of Frederick Street (55 spaces).
- 7.18 There is a key retail occupant here (Wilko) and the regeneration of this area looks to rely to a significant extent on the relocation/closure of this occupier at this location whilst development takes place. The remaining retail comprises older, street facing shops which would have to be purchased to make way for re-development.
- 7.19 The residual value for the scheme is just over £8 million and the existing use value around £4 million. This provides a significant uplift to an development of this nature.

Retail development joining Frederick Street and Bell Street (to the east);

- 7.20 This area is planned retail development: 825 square metres. Consistent assumptions have been adopted as for the previous two areas.
- 7.21 The appraisal is shown below:

	Retail
Rent	£250
Floor Space	825
Rental per annum	£206,250
Yield	6.5
Years Purchase	15.4
Capital Value	£3,173,077
Construction Costs (per Sq M)	£1,200
Floor Area	825
Construction Costs	£990,000
Professional Fees (at 10%)	£99,000
Finance (at 7%)	£76,230
Marketing (2%)	£63,462
Margin (at 15%)	£475,962
Development Costs	£1,704,653
Residual Value	£1,468,424
Existing Use Value Estimate	
Offices	
300 sq m	
At £1,300 per Sq M	
Capital Value	£390,000
Shop	
200 sq m	
Capital Value (£1,875 per sq m)	£375,000
Total EUV	£765,000
Land Owner Return at 25%	£956,250
Surplus	£512,174

7.22 The current uses on the site are two storey office and retail buildings. The proposed development will link these buildings either through new build or

conversion. A broad indication of a land value benchmark here is circa £1 million.

7.23 The residual value for the new development is around £1.5 million, and hence the scheme should be viable. It should be noted that the LVB here assumes demolition of the existing buildings, and in practice conversion/linking to existing may well be appropriate and feasible.

Long Lanes

7.24 This area is planned predominantly for residential development, although with some retail facing north towards Bell Street. The residential development envisaged is 10,325 square metres of apartment development, and 2220 square metres of terraced housing. 138 flats are planned along with 15 town houses. These will be located in blocks to the north of Paddock Street and to the west of Bull Head Street. It should be noted that the 26 units already provided are not allocated within the Council's new Local Plan.

7.25 The appraisal is set out below, and which incorporates assumptions that are consistent with the evidence base elsewhere in this report.

	Retail		Residential	
Rent	£250		Flats	Terraces
Floor Space	1,560	Price per Sq M	1800	2000
Rental per annum	£390,000	Floor area	10325	2220
Yield	6.5			
Years Purchase	15.4			
Capital Value	£6,000,000	GDV	£18,585,000	£4,440,000
Construction Costs (per Sq M)	£1,200	Cost per Sq M	£1,327	£1,123
Floor Area	1,560			
Construction Costs	£1,872,000		£13,701,275	£2,493,060
Professional Fees (at 10%)	£187,200		£1,370,128	£249,306
Finance (at 7%)	£144,144		£1,054,998	£191,966
Marketing (2%)	£120,000	Marketing @ 3%	£557,550	£133,200
Margin (at 15%)	£900,000	Margin at 20%	£3,717,000	£888,000
Development Costs	£3,223,344		£20,400,951	£3,955,532
Residual Value	£2,776,656		-£1,815,951	£484,468

RV (Across Retail & Residential)	£1,445,174		
Existing Use Value Estimate			
Car Parking			
Loss of Spaces - Circa 81 (£3 per day; 180 days per year; 81 spaces; 10% Yield)	£437,400		
Pub/Restaurant use 1,000 sq m			
Capital Value (£1,250 per sq m)	£1,250,000		
Total EUV	£1,687,400		
Land Owner Return at 25%	£2,109,250		
Surplus	-£664,076		

7.26 The residual value for the planned scheme is circa £2 million. This is not a high value, not least because the return to land on apartments in Wigston is relatively poor to negative. This is not the case for terraces and a scheme mix more in favour of this development type, would generate better land value.

7.27 The existing use value relates to parking and to the restaurant/pub uses which exist to the north east part of the area.

7.28 Overall, this looks a marginal proposal, although if the relatively high value leisure uses can be maintained within the scheme and/or the retail element proposed for that area reduced or relocated, then the overall proposal will be considerably more viable.

Brooksby Square

7.29 This area of Oadby town centre is planned predominantly for residential development: 76 apartments incorporating 5,700 square metres. There is also a small retail element – circa 200 square metres.

7.30 The appraisal is shown below:

	Retail		Residential
Rent	£250		Flats
Floor Space	200	Price per Sq M	2200
Rental per annum	£50,000	Floor area	5700
Yield	6.5		
Years Purchase	15.4		
Capital Value	£769,231	GDV	£12,540,000
Construction Costs (per Sq M)	£1,200	Cost per Sq M	£1,327
Floor Area	200		
Construction Costs	£240,000		£7,563,900
Professional Fees (at 10%)	£24,000		£756,390
Finance (at 7%)	£18,480		£582,420
Marketing (2%)	£15,385	Marketing @ 3%	£376,200
Margin (at 15%)	£115,385	Margin at 20%	£2,508,000
Development Costs	£413,249		£11,786,910
Residual Value	£355,982		£753,090
RV (Across Retail & Residential)	£1,109,071		
Existing Use Value Estimate			
Car Parking			
Loss of Spaces - Circa 50	£270,000		
(£3 per day; 180 days per year; 50 spaces; 10% Yield)			
Land Owner Return at 25%	£337,500		
Surplus	£771,571		

7.31 The residual value for the planned scheme is circa £1 million. This reflects a predominantly residential scheme in an area where values do not exceed development costs by a significant amount.

7.32 The existing use value in this area is car parking (Council's East Street). This has been valued consistently with the other elements of car parking.

7.33 There is a surplus over and above the residual value and hence the proposal is viable.

Baxters Place

7.34 This is significant development planned for land to the rear of the west side of the Parade in Oadby. This is currently underutilised and would likely benefit from additional commercial and retail space. There is 800 square metres of commercial space planned along with 1,900 square metres of retail. There is also 1,275 square metres of community space planned, presumably to replace the building currently used as the Oadby central mosque.

7.35 The appraisal is shown below:

	Offices	Retail	Community Use
	Per Sq M		
Rent	£140	£250	30
Floor Space	800	1,900	1275
Rental per annum	£112,000	£475,000	£38,250
Yield	7.5	6.5	6
Years Purchase	13.3	15.4	16.7
Capital Value	£1,493,333	£7,307,692	£637,500
Construction Costs (per Sq M)	£1,200	£1,200	1300
Floor Area	800	1,900	1275
Construction Costs	£960,000	£2,280,000	£1,657,500
Professional Fees (at 10%)	£96,000	£228,000	£165,750
Finance (at 7%)	£73,920	£175,560	£127,628
Marketing (2%)	£29,867	£146,154	£12,750
Margin (at 15%)	£224,000	£1,096,154	£95,625
Development Costs	£1,383,787	£3,925,868	£2,059,253
Residual Value	£109,547	£3,381,825	-£1,421,753
RV Total	£2,069,618		
Existing Use Value Estimate			
Community Use			

500 sq m	£200,000		
Land Owner Return at 25%	£250,000		
Surplus - RV less EUV	£1,819,618		

7.36 The residual value is approaching £2 million. This takes account of a significant loss on the replacement community building.

7.37 The main existing use on this area is the existing community building. This would have a relatively low capital value, particularly in view of the structure. There may have to be some compensation paid to owners of the shops facing the Parade, for potential loss of land or use of use as a result of the proposals. However, it is not envisaged that this would be substantial enough to make this area proposal unviable.

Property to the south of Chestnut Avenue

7.38 The Masterplan foresees some improvement for the current parade of shops to the south side of Chestnut Avenue. It is unlikely that a wholesale new development would work here, as it would involve replacing retail with retail on the same footprint. Even the development of flats above the current shops would probably not tip the balance in favour of a completely new scheme, because the additional residual value from residential with apartments in this location is not significant.

7.39 Hence a scheme involving some form of conversion/improvement is probably the best option for this area.

Conclusions

7.40 In general, the masterplans look deliverable in viability terms. The Long Lanes plan looks the most marginal but viability concerns here might be overcome with the incorporation of current buildings into any proposed new scheme.

7.41 These are town centre development areas and it might be expected that high values are generated for apartments. This is, on the face of the data, the case, and hence some further look at the mix in these areas may help to bring the development forward.

- 7.42 There are also currently concerns over a faltering retail market and it is therefore imperative that the Council have the latest information on demand for this sector. The development of these areas relies to an extent on retail and this is never more the case where existing retail is envisaged to be replaced. If the current rather more gloomy national views are brought to fruition, then it may be necessary for the Council to retain current retail to a greater degree than is foreseen in the masterplans.
- 7.43 This may apply with commercial, although only where existing offices provide reasonably good accommodating which is maintaining its demand.
- 7.44 A significant amount of development foreseen here will be built on Council owned car parks. Currently parking charges are low, and hence the opportunity cost of not converting the sites to commercial and other uses is high. Realising the additional income will be beneficial to the Council.
- 7.45 Although this report has utilised the delivery as illustrated within the Area Action Plan, and has found each proposed allocation site deliverable and viable, the policy proposal set out within the new Local Plan, that allows for a more flexible approach to town and district centre sites would more than likely increase viability and deliverability across each scheme.

CHAPTER 8 – BENCHMARKING AND VIABILITY - RESIDENTIAL

Benchmarks and policy development

- 8.1 There is no detailed guidance setting out how affordable targets should be assessed, based on an analysis of viability. The Harman guidance provides a helpful framework for developing policy, but this is not ‘step-by-step’ and does not provide specific information in relation to land owner return.
- 8.2 The (Harman) guidance does support the approach set out in Chapter 2 of this report; i.e. an EUV ‘Plus’ approach and sets out reservations about the ‘market value’ approach adopted in the RICS Planning and Viability paper. The Harman guidance is helpful in identifying situations where alternative use values (AUVs) might be adopted in lieu of EUVs. It places emphasis on setting land value benchmarks in the local context.
- 8.3 Generally however, an assessment of viability for policy setting purposes might have reference to a range of factors including: past and recent delivery of affordable housing, residual values, the relationship between residual values and existing use values, what have been found to be robust targets in similar authorities through the Local Plan process, the land supply equation and its relationship to the policy weight given to affordable housing delivery in the wider context of housing supply generally. To some extent, land owner expectations are also significant. The experience of the consultant, working in conjunction with the local authority and through developer workshops helps to arrive at a robust policy stance.
- 8.4 A workshop was held in June 2016 (Appendix 1) to answer questions about LVB as well as other assumptions. There was no specific answers given to this issue, other than feedback which suggested that land owner expectations are ‘unrealistic’ and that this might be fuelled by the relatively short supply of land in the Borough. Delegates at the Workshop were requested subsequent to the event itself to provide further information but there was no response to this request.
- 8.5 This means that LVBs have to be drawn either from local ‘deals’, or from wider experience and research. In practice information on deals is usually scarce, and where it does exist, it normally fails to provide information on whether the land purchase reflects policy impacts or not. Therefore the headline figure could just be recording a deal done where policy has been ignored altogether.
- 8.6 In the wider context, the DCLG’s study on The Cumulative Impact of Policy Requirements (2011), suggested that a figure of £100,000 to £150,000 per

gross acre (£247,000 to £370,500 per gross hectare) is a reasonable benchmark for green field land. Assuming a net to gross factor of around 70%, this would mean a land value benchmark on a net basis in the region of £400,000 per hectare.

8.7 This is a useful benchmark for the larger sites in the Borough and to some extent these will provide a ‘marker’ for land owners of smaller sites with potential for housing. There is now no longer systematic evidence on the value of brown field land for the area since the Valuation Office stopped publishing their annual Property Market Report. The last edition was 2011, and values for industrial land are shown in the table (6.1) below:

Table 6.1 Industrial land values (Valuation Office Property Market Report)

Industrial land as at 1 January 2011

Region	Location	Cleared industrial development site 0.5-1.0 hectares £ per hectare
South West	Bristol	800,000
	Plymouth	400,000
South East	Southampton	1,145,000
	Reading	1,900,000
	Oxford	1,000,000
	Medway Towns	850,000
East	Norwich	425,000
	Cambridge	740,000
East Midlands	Nottingham	500,000
	Leicester	400,000
West Midlands	Birmingham	650,000
	Stoke	300,000
Yorkshire & Humberside	Leeds	600,000
	Sheffield	495,000
North East	Newcastle	235,000
North West	Liverpool	450,000
	Manchester	650,000
Wales	Cardiff	620,000
	Wrexham	260,000
Scotland	Aberdeen	1,000,000
	Glasgow	370,000
	Edinburgh	750,000
London Inner	Docklands	N/A
London Outer	Hammersmith	3,025,000
	Croydon	2,000,000
	Romford	2,000,000
	Enfield	2,200,000

- 8.8 This also points to a figure of £400,000 per hectare (example 'Leicester') although it does indicate a cleared site, so existing use value for vacant or derelict property (with costs to demolish) is likely to be lower.
- 8.9 The question is then at what level will these sites come forward for housing? A working figure applied in site specific negotiations is usually between 15% and 30% for brown field sites. This would mean a figure of around £500,000 per hectare.
- 8.10 Housing numbers in Oadby and Wigston are not high. Hence permissions for residential development are relatively limited. This combined with the fact that although there will be brown field development in the Borough, there is still green field within its area and relatively few agricultural land releases would effectively 'mop up' the surplus demand. So land owners of brown field sites in the Borough cannot hold unrealistic expectations for their sites.
- 8.11 There will no doubt be instances where sites including up and running businesses are considered for housing. In these situations the existing use value will probably make delivering Section 106 contribution difficult. However, the Council does not need significant volume of housing and hence in these instances are likely to prioritise Affordable Housing and other Section 106 contributions above bringing the site forward generally.
- 8.12 All considered, a figure of £400,000 per hectare would seem to be reasonable for the Borough. This however, as a Borough wide figure will need to be adjusted for the local sub markets.
- 8.13 The table (6.2) which follows makes these adjustments. This initially looks at house prices across the sub markets and notes their relative values. It then takes the residual values from the High Level Testing (at 20% Affordable Housing – a mid point in policy) and notes relative RVs (by sub market).
- 8.14 The table then takes the relative ratios between house prices and RVs (third column from the right hand side). The starting point (£400,000 per hectare) is then adjusted around the ratios. This leads to an adjusted LVB of £1.4 million per hectare at the top of the market, and £201,000 per hectare at the bottom of the market.

Table 6.2 Adjusted Land Value Benchmarks

	Price 3 Bed Terrace	Relative House Prices	RV at 20% AH	Relative RVs	Ratio Relative HPs to RVs	LVB	LVB Adjusted
Stoneygate Fringe: Oadby	£382,000	209	£5,660,000	745	3.57	£400,000	£1,427,087
Oadby North of the A6	£233,000	127	£1,970,000	259	2.04	£400,000	£814,344
Oadby South of A6	£217,000	119	£1,580,000	208	1.75	£400,000	£701,285
Wigston East	£183,000	100	£760,000	100	1.00	£400,000	£400,000
Wigston Magna	£182,000	99	£730,000	96	0.97	£400,000	£386,322
Wigston West	£172,000	94	£490,000	64	0.69	£400,000	£274,388
South Wigston	£167,000	91	£350,000	46	0.50	£400,000	£201,859

8.15 Table 6.3 then shows the viable potential Affordable Housing policy positions for each of the sub markets.

Table 6.3 Viable potential Affordable Housing policy positions

30 DPH	Sub Markets	0%	10%	15%	20%	25%	30%	35%	40%
LE2 2	Stoneygate Fringe: Oadby	£6.67	£6.16	£5.91	£5.66	£5.41	£5.16	£4.89	£4.65
LE2 4	Oadby North of the A6	£2.58	£2.27	£2.12	£1.97	£1.82	£1.67	£1.52	£1.36
LE2 5	Oadby South of A6	£2.15	£1.86	£1.72	£1.58	£1.44	£1.29	£1.15	£1.01
LE18 3	Wigston East	£1.24	£1.00	£0.88	£0.76	£0.64	£0.53	£0.41	£0.29
LE18 1	Wigston Magna	£1.21	£0.97	£0.85	£0.73	£0.61	£0.49	£0.38	£0.26
LE18 2	Wigston West	£0.94	£0.72	£0.60	£0.49	£0.38	£0.27	£0.16	£0.05
LE18 4	South Wigston	£0.79	£0.57	£0.46	£0.35	£0.25	£0.14	£0.03	-£0.08

8.16 The viable potential policy positions are shown in red. This suggests:

- Stoneygate Fringe: 40% Affordable Housing or above;
- Oadby North: 40%;
- Oadby South: 35%;
- Wigston East: 30%
- Wigston Magna: 30%
- Wigston West: 25%
- South Wigston: 25% (marginal)

8.17 These are headline figures and reflect specific assumptions about land value benchmark, about which there can be much discussion generally. However, the residual values are strong and well above what is needed to re-inforce the current positions.

9 MAIN FINDINGS AND CONCLUSIONS

Main objectives

- 9.1 The principal objective of the study has been to test the most significant aspects of the new Local Plan which will serve the Council's housing and commercial property policies over the Plan period to 2031. The Council require an up-to-date evidence base that will provide a justification for the policies being implemented.
- 9.2 The analysis carried out here is comprehensive and covers high level testing for residential development, key housing sites, smaller residential development opportunities, commercial development included within the larger sites and the town centre opportunity areas identified in the Oadby and Wigston Area Action Plan (AAP).

Analysis - residential

- 9.3 It is important to emphasise that the Borough encompasses a wide and varied range of housing and commercial property markets, although it is fair to say that residential development values vary more than in the commercial sector. The Borough includes the prime housing market within the Leicester Principal Urban Area, whilst at the same time, includes significantly weaker housing market and in particular that in South Wigston.
- 9.4 This means that viability of residential development varies hugely from one location to another. The high level testing shows residual values approaching £5 million per hectare in the Stoneygate fringe sub market. This warrants an Affordable Housing way beyond the 40% tested in this study. Currently the target is 30%.
- 9.5 The housing market in Wigston appears to be growing steadily in terms of prices. Residual values in Wigston generally are strong and in South Wigston, the current target of 10% should be comfortably deliverable in most instances.
- 9.6 Oadby provides very sound residual values and the two main sub markets here should deliver 30% Affordable Housing without challenge on viability grounds.

Key sites

- 9.7 The report (Chapter 4) has looked in detail at the viability of the key sites. The main potential here comes from the Direction for Growth sites at Wigston and Oadby. The Stoughton Grange development will pick up existing market values to a significant extent and a 40% Affordable Housing target is easily attainable given the very low

existing use value of the site. The 20% Affordable Housing at Wigston Direction for Growth should also be easily attainable and there could be a strong argument for increasing the target at this location, as the site again has very low existing use value.

- 9.8 Other key sites such as the land at Cottage Farm and land off Welford Road should be deliverable to their Affordable Housing targets.

Infrastructure

- 9.9 The analysis of large sites has been carried out with realistic expectations for infrastructure delivery. This (infrastructure provision) is not as yet quantified, although very substantial surpluses are evident over and above the current policy requirements for physical, social and environmental infrastructure.
- 9.10 These surpluses could be built in a CIL Charging Schedule should the Council go along that route although with most of the capacity being delivered on larger sites, it may be prudent to negotiate contributions on a scheme by scheme basis at this stage. In all events, it is understood that CIL is being reviewed by national government.

Small sites

- 9.11 As with the previous (Affordable Housing Viability Study) this Whole Plan Testing has looked at the potential for the Council to reduce its Affordable Housing threshold from the current level of 11 dwellings down to a lower level in order to capture a higher number of Affordable homes. This analysis suggests that this would be a viable policy, and one which now may be supported by recent advice from PINS. It was never that viability was determined by scale of development, and always that it was determined by location. In these respect a lower threshold would be viable, particularly in the higher value areas. That being said, care would be needed with respect to certain types of small site, notably conversions from existing dwellings and from retail as well as schemes where demolition of existing homes were involved.

Town centre development

- 9.12 The Masterplans for both Oadby and Wigston town centres have been tested for viability.
- 9.13 The key areas suggest that regeneration and new development can take place viably even though in some instances there are high existing use values.

- 9.14 The key question with respect to this part of the Plan is momentum with the retail sector. The Plan is built to a very significant extent on the development of retail to drive regeneration of the centres forward. The viability appraisals suggest that the schemes generally 'stack up', but this is based on there being sufficient demand in these locations, an issue which lies beyond the scope of this study.
- 9.15 Another potential issue with the town centre plans could be residential. This is not as strong as might be imagined, mainly because the schemes rely to a significant extent on flats, which provide only a relatively low residual value return. The development mix at locations such as Long Lanes could potentially be reviewed with the aim of enhancing residual value.
- 9.16 Finally on the town centres, it should be recognised that the plans rely quite heavily on the provision of land that is currently used for car parking. It is understood that this is effectively subsidised by the Council at the present time with all its sites in the Oadby and Wigston town centres. The re-development of these sites should generate significant returns over and above their current incomes, although of course there will be a loss of parking. It will be important going forward that the Council is clear on the extent to which the revenue from the sale of land to retail and residential covers any potential cost of major replacement parking (e.g, the multi storey).

Finally

- 9.17 The new Local Plan does foresee significant growth of residential and other forms of property development. There is nothing in the analysis to suggest that this growth will not be deliverable. However the phasing of development and careful management of site provision will need to be monitored in order to avoid situations where land owners' expectations are unrealistically generated.

Appendix 1

Oadby and Wigston Borough Council: Workshop 2nd June 2016

Brocks Hill Country Park, Oadby

Delegates

Sarah Robinson – Waterloo Housing
Michael Feenan – Connells Estate Agents
Stephen Dey – Connells Estate Agents
Seema Bhojani – Wigston Properties
Prakash Bhojani – Wigston Properties
Andrew Golland – AGA
Jamie Carr – Oadby and Wigston Borough Council
Adrian Thorpe - Oadby and Wigston Borough Council
Steve Glazebrook - Oadby and Wigston Borough Council

Workshop Notes

A workshop was held on Thursday 2nd June 2016. Representatives of the development industry were in attendance. In addition local authority housing and planning officers attended.

Oadby and Wigston BC and Andrew Golland Associates would like to thank all who attended for their contributions.

At the workshop, Andrew Golland (AGA) gave a presentation summarising the methodology and outlining the process of testing.

It was agreed that the PowerPoint presentation (attached) would be made available to all Workshop participants as well as those who couldn't attend in conjunction with feedback notes.

1 Context for the study and CIL

A question was raised about the relationship between this study and CIL (Community Infrastructure Levy). It was explained by the Council that at this moment in time the Council is not planning to undertake a CIL, therefore this study will not focus on CIL or specific CIL charges.

However, the analysis will provide scope for the Council to understand the potential surpluses for CIL allowing for Affordable Housing and other policy impacts.

2 Basis for interpreting viability: land owner and developer return

AGA outlined the methodology of the viability model which is based upon scheme revenue versus development costs (including developer margin and S106 agreements).

Delegates agreed in principle to the general approach for assessing viability. This is by reference to residual scheme value and the existing use value of a site or another appropriate Land Value Benchmark (LVB).

Important in deciding where to set the LVB are a number of factors:

- LVB can be based at a number of levels: EUV (Existing Use Value) for green field; brown field, or AUV (Alternative Use Value). In some instances the residual value may be appropriate, providing that it reflects policy impacts (c/f RICS guidance for example);
- Land supply is important. Local authorities who are short of development land are in a weaker position with respect to viability and may have to set the LVB at a relatively high rate;
- Land owner tax situations may be relevant and are sometimes taken account of in viability negotiations.

Delegates were asked what a working LVB might constitute in Oadby and Wigston. There was no specific response on this, however it was mentioned that land values tend to be very site specific. It was stated that land owners with 'unrealistic expectations' are a general challenge to development.

It was suggested that the 'easy' sites had already been developed in the Borough and the less easy sites are more costly to bring forward. Also it was said that in general developers do not make any profit on affordable housing.

Strategic sites are being optioned extensively in the area – in particular by one company. It was suggested that option agreements tend to be agreed

for sites to be purchased at 60% to 80% of open market value. It was queried what this means in practice.

It was stated by one delegate that 'Oadby is essentially landlocked with a relatively small number of developable sites and this could inflate potential land values'.

Sites are purchased according to (RICS) Red Book principles. Developers and Housing Associations usually can't pay above this figure.

It would be appreciated if recipients of this note could comment on Land Value Benchmark indications, based on local evidence, as it will be necessary to use benchmark figures for calculations. If a single figure cannot be identified, it would be appreciated if respondents could provide figures per site 'type' or area.

3 Overall methodology

It was explained that the study will focus mainly on testing Affordable Housing targets and thresholds. This will be mainly tested through the high level notional one hectare site testing, although it was explained that smaller sites will be tested on a case study basis.

It was emphasised that the approach will not preclude the rights of developers to negotiate on a scheme by scheme basis. Participants at the workshop suggested that if developers could demonstrate that where costs for example, are higher than those tested, and can be justified, an element of flexibility could be applied by the Council

Participants at the workshops did not express any particularly strong comments about the approach set out (please see the PowerPoint which explains the approach diagrammatically). AGA explained that this was an approach which has been accepted elsewhere at Local Plan Examinations.

Data sources (e.g. HMLR for house prices and BCIS for build costs) were explained to participants. The need for best primary data sources based on a large sample was understood and agreed.

4 Sub markets and market values

A key part of the study will involve the analysis of viability at a sub market level. The initial AHVA (2009) established the current sub markets and it is proposed that the update study (2016) will retain these areas, subject to clarification of how they relate to the strategic housing policy zones.

The sub markets are set out in the Powerpoint Presentation.

AGA explained that the price sets are based on 2.5 years of HM Land Registry data (January 2014 to April 2016). This data set reflects every market transaction for second hand homes across the Borough. The prices were calibrated and indexed to new build by cross referencing with new schemes. It was agreed that this approach is appropriate as a baseline for policy development since it sets the 'tone' for each of the postcode sectors.

Delegates were asked for their views on the indicative prices set out in the Powerpoint.

The only substantive point to be raised (from one delegate) was that indicative new build selling prices in South Wigston looked 'too low'.

Delegates generally agreed that more time to look at the prices would be welcomed. It would be appreciated if comments relating to sale values could be shared with AGA.

Other feedback:

Oadby is seen to be a strong housing market location as it is very accessible and has good schools.

One delegate suggested that properties for rent within Oadby are in high demand and that you can 'let anything'.

It was agreed that South Wigston is an 'up and coming' housing market location.

5 Density and development mix

AGA set out the suggested range of schemes which the DAT will test. These are set out in the PowerPoint Presentation.

In addition to those densities shown in the PowerPoint Presentation, it was suggested that a scheme at 20 dph and a higher (say 100 dph) should be tested.

It was suggested that in general a range of densities through from 20 dph to 50 dph should be tested.

It was suggested that 'people don't want apartments in Oadby and Wigston' and there was some agreement to this.

Two and three beds houses are seen to be in the highest demand in Oadby and Wigston.

Delegates are asked to comment further on typical development mixes.

6 Development costs

AGA presented the proposed page that will be used for the testing framework. This is included in the PowerPoint presentation. It was explained that the base build costs per square metre will be calculated from the BCIS data source.

This was generally accepted as an appropriate approach.

Developers at the Workshop were invited to provide costs from recent and current developments.

One delegate suggested a baseline cost of £125 per square foot.

It was stated by one delegate that costs are rising at between 8% and 10% per year at the current time.

Abnormal costs were seen to be an issue by some operators. Brown Field sites have ground remediation issues and some require piling etc. These items 'squeeze margins'.

Former petrol filling stations are a consistent challenge. A recent site cost '£80,000 to £90,000' to remove two tanks. This was a site for circa 20 apartments.

Minor asbestos contamination (similar costs level) is also a challenge in some regeneration projects.

There was some discussion on contingency in policy development work. It was agreed that this is a difficult area as for the greater part it is included in viability assessments in order to make provision for potential rather than actual costs.

7 Profit margin

There was some discussion on profit margins. It was agreed that the purpose of the margin is to reflect development risk although between different locations and over time this may change.

The DAT (Development Appraisal Toolkit) currently adopts a 17% margin for private housing on Gross Development Value. This is after overheads, finance, fees and sales percentage have been taken into account.

The DAT adopts a 5% overhead allowance on build costs. Therefore a blended rate of around 20% should be achieved on GDV.

There is an allowance of 5% as a contractor return for Affordable Housing.

These rates are considered by AGA to be consistent with appeal decisions, LocalPlan evidence bases and leading appraisal software (e.g. GLA Toolkit and the HCA's Economic Appraisal Toolkit (EAT)).

It was suggested that a profit rate of 22% on GDV should be applied – and that this should be applied across all units.

Affordable housing providers may make schemes work at a margin less than 20% on GDV.

It was stated by one delegate that 'smaller regional builders' will operate on a margin of 15% on GDV.

8 Affordable housing tests and issues

AGA suggested a range of policy scenarios which should be tested and questioned whether they were reasonable. These are set out in the PowerPoint Presentation and reflect the policy positions.

The slide suggests a 80% Intermediate (Affordable Rent/Shared Ownership) and 20% Social Rent split. It was suggested that the

terminology be changed to Shared Ownership and Affordable Rent rather than Intermediate and Social Rent.

It was suggested by one delegate that there is 'no issue' with Shared Ownership in Oadby and Wigston and some schemes could come forward at 100 per cent Shared Ownership.

Shared Ownership should assume a revenue at 60% to 70% of open market value.

Affordable Rent should assume a revenue at 40% of open market value.

It was suggested that Local Housing Allowances in Leicestershire were low compared to other parts of the country.

But – offers are lower from housing associations now because rents have been squeezed by government policy.

Starter Homes – will be determined by CML (Council of Mortgage Lenders) – and lending criteria.

9 Section 106 costs

One delegate suggested that the flexible approach adopted to Section 106 contributions in North West Leicestershire ('flexible') is seen as positive by some developers.

10 AOB and Next Steps

If you could direct your comments to Andrew Golland at the email address below this would greatly assist in taking forward the Study.

This will inform the viability testing process.

Thank you

Andrew Golland draig@btopenworld.com

Appendix 2 Method statement and assumptions

A2.1 Development Appraisal Toolkit (DAT)

The Oadby and Wigston Toolkit provides the user with an assessment of the economics of residential development. It allows the user to test the economic implications of different types and amounts of planning obligation and, in particular, the amount and mix of affordable housing. It uses a residual development appraisal approach which is the industry accepted approach in valuation practice.

The Toolkit compares the potential revenue from a site with the potential costs of development before a payment for land is made. In estimating the potential revenue, the income from selling dwellings in the market and the income from producing specific forms of affordable housing are considered. The estimates involve (1) assumptions about how the development process and the subsidy system operate and (2) assumptions about the values for specific inputs such as house prices and building costs. These assumptions are made explicit in the guidance notes. If the user has reason to believe that reality in specific cases differs from the assumptions used, the user may either take account of this in interpreting the results or may use different assumptions.

The main output of the Toolkit is the residual value. In practice, as shown in the diagram below, there is a 'gross' residual value and a 'net' residual value. The gross residual value is the total revenue that a scheme generates before Section 106 is required. Once Section 106 contributions have been taken into account, the scheme then has a net residual value, which is effectively the land owner's interest.

A2.2 Indicative new build house prices

PCS	Sub Markets	Detached			Semi Detached		Terraced		Flat/Maisonette	
		5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	3 Bed	2 Bed	2 Bed	1 Bed
LE2 2	Stoneygate Fringe: Oadby	£704,000	£612,000	£459,000	£513,000	£428,000	£382,000	£319,000	£245,000	£171,000
LE2 4	Oadby North of the A6	£428,000	£373,000	£279,000	£312,000	£260,000	£233,000	£194,000	£149,000	£104,000
LE2 5	Oadby South of A6	£399,000	£347,000	£260,000	£291,000	£242,000	£217,000	£181,000	£139,000	£97,000
LE18 3	Wigston East	£338,000	£294,000	£220,000	£246,000	£205,000	£183,000	£153,000	£117,000	£82,000
LE18 1	Wigston Magna	£336,000	£292,000	£219,000	£245,000	£204,000	£182,000	£152,000	£117,000	£82,000
LE18 2	Wigston West	£317,000	£276,000	£207,000	£231,000	£193,000	£172,000	£144,000	£110,000	£77,000
LE18 4	South Wigston	£307,000	£267,000	£200,000	£224,000	£187,000	£167,000	£139,000	£107,000	£75,000

A2.3 Density and development mix

	20	25	30	40	50	80
1 Bed Flats						15
2 Bed Flats					10	25
2 Bed Terraces		25	30	30	25	20
3 Bed Terraces	10	10	10	15	15	15
3 Bed Semis	15	15	20	25	25	25
3 Bed Detached	35	25	25	20	20	
4 Bed Detached	25	15	10	5	5	
5 Bed Detached	15	10	5	5		
	100	100	100	100	100	100

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Appendix 3 High Level Testing Results (Residual values per hectare) – July 2017

20 DPH	Sub Markets	0%	10%	15%	20%	25%	30%	35%	40%
LE2 2	Stoneygate Fringe: Oadby	£5.42	£5.03	£4.93	£4.63	£4.44	£4.24	£4.04	£3.85
LE2 4	Oadby North of the A6	£2.15	£1.92	£1.80	£1.68	£1.57	£1.45	£1.33	£1.21
LE2 5	Oadby South of A6	£1.80	£1.58	£1.48	£1.37	£1.26	£1.15	£1.05	£0.94
LE18 3	Wigston East	£1.07	£0.89	£0.80	£0.71	£0.62	£0.53	£0.44	£0.35
LE18 1	Wigston Magna	£1.05	£0.87	£0.78	£0.69	£0.60	£0.51	£0.42	£0.33
LE18 2	Wigston West	£0.83	£0.66	£0.58	£0.49	£0.41	£0.33	£0.24	£0.16
LE18 4	South Wigston	£0.71	£0.55	£0.47	£0.39	£0.30	£0.22	£0.14	£0.06
30 DPH	Sub Markets	0%	10%	15%	20%	25%	30%	35%	40%
LE2 2	Stoneygate Fringe: Oadby	£6.67	£6.16	£5.91	£5.66	£5.41	£5.16	£4.89	£4.65
LE2 4	Oadby North of the A6	£2.58	£2.27	£2.12	£1.97	£1.82	£1.67	£1.52	£1.36
LE2 5	Oadby South of A6	£2.15	£1.86	£1.72	£1.58	£1.44	£1.29	£1.15	£1.01
LE18 3	Wigston East	£1.24	£1.00	£0.88	£0.76	£0.64	£0.53	£0.41	£0.29
LE18 1	Wigston Magna	£1.21	£0.97	£0.85	£0.73	£0.61	£0.49	£0.38	£0.26
LE18 2	Wigston West	£0.94	£0.72	£0.60	£0.49	£0.38	£0.27	£0.16	£0.05
LE18 4	South Wigston	£0.79	£0.57	£0.46	£0.35	£0.25	£0.14	£0.03	£-0.08
40 DPH	Sub Markets	0%	10%	15%	20%	25%	30%	35%	40%
LE2 2	Stoneygate Fringe: Oadby	£8.51	£7.87	£7.55	£7.22	£6.90	£6.58	£6.26	£5.94
LE2 4	Oadby North of the A6	£3.28	£2.88	£2.69	£2.50	£2.31	£2.11	£1.92	£1.73
LE2 5	Oadby South of A6	£2.72	£2.36	£2.18	£2.00	£1.82	£1.64	£1.46	£1.28
LE18 3	Wigston East	£1.56	£1.25	£1.09	£0.94	£0.79	£0.64	£0.49	£0.34
LE18 1	Wigston Magna	£1.22	£1.21	£1.06	£0.91	£0.76	£0.61	£0.45	£0.30
LE18 2	Wigston West	£1.18	£0.89	£0.74	£0.60	£0.46	£0.31	£0.17	£0.02
LE18 4	South Wigston	£0.98	£0.70	£0.57	£0.43	£0.29	£0.15	£0.01	£-0.12
50 DPH	Sub Markets	0%	10%	15%	20%	25%	30%	35%	40%
LE2 2	Stoneygate Fringe: Oadby	£9.94	£9.17	£8.78	£8.40	£8.01	£7.63	£7.24	£6.86
LE2 4	Oadby North of the A6	£3.76	£3.29	£3.06	£2.83	£2.59	£2.36	£2.13	£1.89
LE2 5	Oadby South of A6	£3.10	£2.67	£2.45	£2.24	£2.02	£1.81	£1.59	£1.37
LE18 3	Wigston East	£1.73	£1.36	£1.18	£0.99	£0.81	£0.63	£0.44	£0.26
LE18 1	Wigston Magna	£1.68	£1.32	£1.14	£0.96	£0.78	£0.60	£0.42	£0.24
LE18 2	Wigston West	£1.28	£0.93	£0.76	£0.59	£0.42	£0.25	£0.08	£-0.09
LE18 4	South Wigston	£1.05	£0.72	£0.55	£0.33	£0.22	£0.05	£-0.11	£-0.28
80 DPH	Sub Markets	0%	10%	15%	20%	25%	30%	35%	40%
LE2 2	Stoneygate Fringe: Oadby	£12.26	£11.28	£10.78	£10.29	£9.79	£9.30	£8.81	£8.31
LE2 4	Oadby North of the A6	£4.37	£3.76	£3.46	£3.15	£2.85	£2.55	£2.24	£1.94
LE2 5	Oadby South of A6	£3.53	£2.97	£2.68	£2.40	£2.12	£1.84	£1.56	£1.27
LE18 3	Wigston East	£1.75	£1.28	£1.04	£0.79	£0.56	£0.32	£0.08	£-0.16
LE18 1	Wigston Magna	£1.72	£1.24	£1.00	£0.76	£0.53	£0.29	£0.05	£-0.02
LE18 2	Wigston West	£1.19	£0.74	£0.51	£0.29	£0.06	£-0.16	£-0.38	£-0.61
LE18 4	South Wigston	£0.91	£0.47	£0.25	£0.03	£-0.18	£-0.40	£-0.62	£-0.84

Appendix 4

Worked example: 30 Dph – Oadby South – 30% Affordable Housing

1 - SITE IDENTIFICATION

Site Details	<input type="text"/>
Site Address	<input type="text" value="30 Dph One Hectare Site"/>
Site Reference	<input type="text" value="Oadby South - 30 Dph at 30% AH"/>
Application Number	<input type="text"/>
Scheme Description	<input type="text"/>

I have read, and accepted, the terms and conditions set out in the [license agreement](#)

3 - BASIC SITE INFORMATION

Site Area

Total Size of Site In Hectares (You must enter a value in here)

Density / Number of Dwellings

Enter a number of dwellings (You must enter a value in here)

Percentage Increase/Decrease in Density:

You may test the effect of a percentage increase/decrease in the site density by using the cell below

%

Resulting Number of Dwellings

Resulting Density dph

4 - CHARACTERISTICS OF DEVELOPMENT

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

You then have 2 options for entering information about the scheme

EITHER, enter information for up to 20 dwelling types – each row must be either fully complete or left blank (enter 1 if information not relevant e.g. size of affordable unit but is a market unit)

OR select the Toolkit default mix by depressing the button called Use Default Unit Types

Clear Table Use Default Unit Types View Default Mix ->

Ref.	Description of Dwelling	No of Bed-Rooms	Dwelling Type	No of Units	Size in sq.m Affordable	Size in sq.m Market	Parking (flats only)	No. of Storeys (1-99)
1								
2								
3	2 Bed Terraces	2	House	9.0	70	68	n/a	n/a
4	3 Bed Terraces	3	House	3.0	80	78	n/a	n/a
5	3 Bed Semis	3	House	6.0	82	86	n/a	n/a
6	3 Bed Detached	3	House	7.0	90	94	n/a	n/a
7	4 Bed Detached	4	House	3.0	110	120	n/a	n/a
8	5 Bed Detached	5	House	2.0	120	130	n/a	n/a
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total Number of units				30				

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5 - MARKET VALUES

This is a custom scheme, default values are not available.

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear Table

You can enter your own values for each dwelling type or select the Toolkit default market values by depressing the button called Default Market Values

View Default Values ->

You can adjust the market values by using the % increase/decrease arrows

100 %

Reset

Depress the Reset button to return to base market value

Ref.	Unit Type	No of Bed-Rooms	Market Value	Adjusted Market Value
1				
2				
3	2 Bed Terraces	2	£181,000	£181,000
4	3 Bed Terraces	3	£217,000	£217,000
5	3 Bed Semis	3	£242,000	£242,000
6	3 Bed Detached	3	£260,000	£260,000
7	4 Bed Detached	4	£347,000	£347,000
8	5 Bed Detached	5	£399,000	£399,000
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

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6 - TENURE MIX

If you are using a default mix then you can distribute units across the tenures by percentage; enter the percentage of units to assign to each tenure in the top row. The percentages are applied equally across all unit types

If you are not using a default mix then you may either enter units by percentage or by the exact number of units of each type for each tenure; in the table enter the exact number of units of each type for each tenure in the table

Whichever method is selected, ensure that relevant information is entered in the boxes at the bottom of the table.

Input by Percentages Input by Quantity

Clear Table

Ref	Description	AFFORDABLE					Required No. of Units
		SALE	Social rent	New Build HomeBuy	Intermediate rent	Discount Market	
1		70%	12%	6%	12%		
2							
3	2 Bed Terraces	6.3	1.1	0.5	1.1		9.0
4	3 Bed Terraces	2.1	0.4	0.2	0.4		3.0
5	3 Bed Semis	4.2	0.7	0.4	0.7		6.0
6	3 Bed Detached	4.9	0.8	0.4	0.8		7.0
7	4 Bed Detached	2.1	0.4	0.2	0.4		3.0
8	5 Bed Detached	1.4	0.2	0.1	0.2		2.0
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
Total		21.0	3.6	1.8	3.6		30.0

New Build HomeBuy	Percentage Purchased	40%
	Rental limit on unbought share	100%
Percentage purchased by purchaser for Discount Market		
Local Sale	Average Income	
	Income Multiplier	

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10 - DEVELOPMENT COSTS

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

Build Costs per sq m

You can enter your own values in the white cells below.
Where cells are left blank, the Toolkit value for that row will be used

	Toolkit Values	User Values
Bungalows	£915	
Flats (6+ storeys)	£1,375	
Flats (5 & less storeys)	£1,050	£1,327
Houses <= 75m2	£870	£1,123
Houses > 75m2	£835	£1,123

Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items.
Where cells are left blank, the Toolkit value for that row will be used.

	Toolkit Values	User Values	
Professional Fees %	12.00%		of build costs
Internal Overheads	5.00%		of build costs (Market and Discount Market units)
Interest Rate (Market)	7.00%	6.00%	of build Costs (Market, Discount Market and Low Cost Sale units)
Interest Rate (Affordable Housing)	7.00%	6.00%	of build costs (SR, HB, IR units)
Marketing Fees	3.00%		of market value (Market and Discount Market units)
Developers Return	15.00%	17.00%	of market value (Market and Discount Market units)
Contractors Return	6.00%	5.00%	of development costs (SR, HB, IR and LCS units)
Land financing costs	£	-	Please see the Guidance Notes for use of this value

Exceptional Development Costs

You may enter SCHEME totals for exceptional costs. The first row is for Sustainable Homes costs. The other three rows are for user defined costs. You can enter the name of the cost in the left hand cells and SCHEME value in the right hand cell.

Sustainable Homes Standard	
Market Housing	Affordable Housing
None	None

Costs incurred for Sustainable Homes Levels None and None	£	-
<Enter Costs Description>	£	-
<Enter Costs Description>	£	-
<Enter Costs Description>	£	-

Scheme Total	£0
per dwelling	£0
per hectare	£0

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11 - PLANNING OBLIGATIONS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit					Calculated Total (Affordable and Sale)
	Enter Total?	User Total	Sale	Affordable				
				Social rent	New Build HomeBuy	Intermediate rent	Discount Market	
Education Contribution	<input type="checkbox"/>							
Highway Works	<input type="checkbox"/>							
Contribution to public transport	<input type="checkbox"/>							
Contribution to community facilities	<input type="checkbox"/>							
Provision for open space	<input type="checkbox"/>							
Contribution to public realm	<input type="checkbox"/>							
Contribution to public art	<input type="checkbox"/>							
Environmental improvements	<input type="checkbox"/>							
Town centre improvements	<input type="checkbox"/>							
Waterfront Improvements	<input type="checkbox"/>							
Support for employment development	<input type="checkbox"/>							
Employment related training	<input type="checkbox"/>							
<Enter Planning Obligation Description here>	<input type="checkbox"/>							
<Enter Planning Obligation Description here>	<input type="checkbox"/>							
<Enter Planning Obligation Description here>	<input type="checkbox"/>							

Obligations package per unit

Contribution from Commercial

Total for Scheme	£120,000
Total for Scheme per hectare	£120,000
Total for Scheme divided by total number of units	£4,000
Total for Scheme divided by number of sale units	£5,714

13 - SCHEME REVENUE FROM AFFORDABLE HOUSING

Please choose the method by which the payment is made by the affordable housing provider to the developer

- Payment by affordable housing provider to developer is calculated by the Toolkit
- Payment by affordable housing provider to developer is fixed and is a known amount

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14 - KNOWN PAYMENT FOR AFFORDABLE HOUSING

ALWAYS DEPRESS THE CLEAR PAGE BUTTON FIRST

Clear Page

Enter a known payment from the affordable housing provider either by unit, as a total sum for each tenure or as a total across the three affordable tenures shown on this page.

	Affordable Housing Tenures			Total
	Social rent	New Build HomeBuy	Intermediate rent	Affordable Units
Number of units	3.6	1.8	3.6	9
Payment By Unit	£ 73,000	£ 158,000	£ 97,000	
Or Payment By Tenure				
Or Scheme Total	Enter a lump sum payment for Affordable Housing			
Tenure Total	£ 262,800	£ 284,400	£ 349,200	
Method by which Affordable Housing Revenue is calculated	By Unit	By Unit	By Unit	
Total Known Payment for Affordable Housing	£ 896,400			

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19 - Scheme Results

Site Reference Details	
Site Reference Number	Oadby South - 30 Dph at 30%
Application Number	
Site Location	Oadby and Wigston
Scheme Description	

Site Details	
Site	30 Dph One Hectare Site
Address	
Site	
Details	

TOTAL NUMBER OF UNITS	
Dwellings	30
% Wheelchair Units	

DENSITY (per hectare)	
Dwellings	30.0

AFFORDABLE UNITS		
	Quantity	% of All Units
Total	9.0	30%
Social rent	3.6	12%
Intermediate	5.4	18%

REVENUE AND COSTS	
Total scheme revenue	£ 6,070,400
Total scheme costs	£ 4,774,000

RESIDUAL VALUE	
Whole scheme	£ 1,296,400
Per hectare	£ 1,296,000
Per dwelling	£ 43,000
Per market dwelling	£ 62,000

Contribution to revenue from:	
Market housing	£ 5,174,000
Affordable Housing	£ 896,400
- Social rent	£ 263,000
- New Build HomeBuy	£ 284,000
- Intermediate Rent	£ 349,000
- Discount Market	£ -
- Local Sale	£ -
Capital Contribution	£ -
Commercial Elements	£ -

PUBLIC SUBSIDY (GRANT)	
Whole Scheme	£ -
Per Social Rental dwelling	£ -
Per New Build HomeBuy dwelling	£ -
Per Intermediate Rent dwelling	£ -

Contribution to costs from:	
Market housing	£ 3,587,000
Affordable Housing	£ 1,067,000
- Social rent	£ 427,000
- New Build HomeBuy	£ 213,000
- Intermediate Rent	£ 427,000
- Discount Market	£ -
- Local Sale	£ -
Land Finance	£ -
Planning Obligations	£ 120,000
Total Exceptional Costs	£ -
Commercial Elements	£ -

Alternative Site Values		Against residual	
Existing Use Value	£ -	£ -	-
Acquisition Cost	£ -	£ -	-
Alternative Use Value 1	£ -	£ -	-
Alternative Use Value 2	£ -	£ -	-
Alternative Use Value 3	£ -	£ -	-

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GLOSSARY OF TERMS

A

Abnormal Development Costs: Costs associated with difficult ground conditions e.g. contamination.

Affordable Housing: As defined in PPS3 as housing that includes Social Rented and Intermediate Affordable housing.

Affordable Rented Housing: Housing let at above Social Rented levels and up to 80% of Open Market Rent

Appraisal: development calculation taking into account scheme revenue and scheme cost and accounting for key variables such as house prices, development costs and developer profit.

B

Base Build Costs: including costs of construction: preliminaries, sub and superstructure; plus an allowance for external works.

C

Commuted Sum: a sum of money paid by the applicant in lieu of providing affordable housing on site.

Community Infrastructure Levy: A levy raised by local authorities from developers and land owners in order to cover the costs of providing infrastructure, where the form of provision can include physical, social and environmental infrastructure. The levy is charged on a per square metre basis across a range of development uses.

D

Developer's Profit or margin: a sum of money required by a developer to undertake the scheme in question. Profit or margin can be based on cost, development value; and be expressed in terms of net or gross level.

Developer Cost: all encompassing term including base build costs (see above) plus any additional costs incurred such as fees, finance and developer margin.

Development Economics: The assessment of key variables included within a development appraisal; principally items such as house prices, build costs and affordable housing revenue.

E

Existing Use Value (EUUV): The value of a site in its current use; for example, farmland, industrial or commercial land.

F

Finance (developer): usually considered in two ways. Finance on the building process; and finance on the land. Relates to current market circumstances

G

Gross Development Value (GDV): the total revenue from the scheme. This may include housing as well as commercial revenue (in a mixed use scheme). It should include revenue from the sale of open market housing as well as the value of affordable units reflected in any payment by a housing association(s) to the developer.

I

Intermediate Affordable Housing: PPS3 Housing defines intermediate affordable housing as housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent.

L

Land Value: the actual amount paid for land taking into account the competition for sites. It should be distinguished from Residual Value (RV) which is the figure that indicates how much should be paid for a site.

Local Development Framework (LDF): a folder of planning documents encompassing DPDs (Development Plan Documents) and SPDs (Supplementary Planning Documents)

M

Market Housing: residential units sold into the open market at full market price to owner occupiers, and in some instances, property investors. Usually financed through a mortgage or through cash purchase in less frequent cases.

P

Planning Obligation: a contribution, either in kind or in financial terms which is necessary to mitigate the impacts of the proposed development. Affordable housing is a planning obligation as are, for example, education and open space contributions. (See Section 106)

Proportion or percentage of Affordable Housing: the proportion of the scheme given over to affordable housing. This can be expressed in terms of units, habitable rooms or floorspace

R

Residual Valuation: a key valuation approach to assessing how much should be paid for a site. The process relies on the deduction of development costs from development value. The difference is the resulting 'residue'

Residual Value (RV): the difference between Gross Development Value (GDV) and total scheme costs. Residual value provides an indication to the developer and/or land owner of what should be paid for a site. Should not be confused with land value (see above)

Registered Provider (RP): a housing association or a not for profit company registered with the Homes and Communities Agency and which provides affordable housing

S

Scheme: development proposed to be built. Can include a range of uses – housing, commercial or community, etc

Section 106 (of the Town and Country Planning Act 1990): This is a legally binding agreement between the parties to a development; typically the developer, housing association, local authority and/or land owner. The agreement runs with the land and binds subsequent purchasers. (See Planning Obligation)

Shared Ownership (SO): Also known as a product as 'New Build HomeBuy'. From a developer or land owner's perspective SO provides two revenue streams: to the housing association as a fixed purchase sum on part of the value of the unit; and on the rental stream. Rent charged on the rental element is normally lower than the prevailing interest rate, making this product more affordable than home ownership.

Social Rented Housing (SR): Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are SET through the national rent regime.

Sub Markets: Areas defined in the Viability Study by reference to house price differentials. Areas defined by reference to postcode sectors, or amalgams thereof.

Supplementary Planning Document (SPD): planning documents that provide specific policy guidance on e.g. affordable housing, open space, planning obligations generally. These documents expand policies typically set out in Local Plans and LDFs.

T

Target: Affordable housing target. Sets the requirement for the affordable housing contribution. If say 30% on a scheme of 100 units, 30 must be affordable (if viable).

Tenure Mix: development schemes usually comprise a range of housing tenures. These are described above including market and affordable housing.

Threshold: the trigger point which activates an affordable housing contribution. If a threshold is set at say 15 units, then no contribution is payable with a scheme of 14, but is payable with a scheme of 15. The appropriate affordable housing target is then applied at the 15 units, e.g. 20%, or 30%.

V

Viability: financial variable that determines whether a scheme progresses or not. For a scheme to be viable, there must be a reasonable developer and land owner return. Scale of land owner return depends on the planning process itself.