Rossendale Borough Council

Urban Potential Study

Final Report

19 September 2005

Entec UK Limited

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Report for

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Contents

The identification of housing potential from sites and buildings within this study does not imply that Rossendale would necessarily grant planning permission for their residential development. Similarly it does not preclude sites being developed for other suitable uses. Nor does it preclude the possibility of residential development being granted on sites which have not been included. Any planning applications will continue to be treated on their own merits and in accordance with relevant planning policies.

This version of the Urban Potential Study has been updated to include the recently approved Housing Policy Position Statement. No findings have been altered from that which was originally finalised on the 11 July 2005.

1. Background to Study

1.1 Introduction

Entec UK Ltd and the Centre for Residential Development were instructed by Rossendale Borough Council to undertake an Urban Potential Study. The purpose of this study is to inform the preparation of the Rossendale Borough Council Local Development Framework (LDF) which will replace the Local Plan adopted by the Council in 1995.

The requirement to prepare a Urban Potential Study comes from Planning Policy Guidance Note 3 '*Housing*' (PPG3) (DETR 2000 with 2005 amendments) which sets out a new policy direction for the delivery of housing through the planning system based upon the 'plan, monitor and manage' approach. It directs that priority should be given to re-using previously developed land within urban areas, bringing empty homes back into use and converting existing buildings in preference to development of greenfield sites. In adopting this approach, each Local Planning Authority is expected to contribute to the national target of 60% of additional housing being provided on previously developed land and through the conversion of existing buildings by 2008. The Adopted Joint Structure Plan (March 2005) sets a target of developing 75% of additional housing on previously developed land and through the conversion of buildings between 2001-2016.

To achieve the targets, PPG3 sets out the expectation that all Local Planning Authorities should undertake urban housing capacity studies and that these will form the basis for the sequential approach and the managed release of housing sites. Good practice guidance is provided by '*Tapping the Potential - Assessing Urban Housing Capacity: Towards Better Practice*' (DETR 2000).

The Regional Spatial Strategy for the North West (RPG13, approved in March 2003) also recommends in policy UR8 that planning authorities in the region should prepare their own urban potential studies. The North West Regional Assembly published guidance in June 2003 on how these studies should be prepared. This guidance is entitled "Exploring Urban Potential for Housing".

The Study has sought to identify all housing potential from within the urban area of Rossendale, within the built up area, as defined in the Local Plan. The objectives of the study are to

- Provide a robust assessment of the capacity of Rossendale urban area to accommodate new dwellings to be the period 2019;
- Provide a firm indication of the likely level of capacity which will come forward as 'windfall' sites;
- Inform the preparation of the Borough Council's emerging Local Development Framework (LDF) and future Regional Spatial Strategy (RSS).

The approach adopted in undertaking this study is in accordance with the guidance outlined above. A more detailed description of the guidance used to prepare this study is outlined in Section 2. This study uses a base date of **31 March 2004** which means that all housing figures are calculated from this date, so sites with planning permission before this date where not included in the study and conversely sites which were granted planning permission after this date were included. This identification of a base date ensures that 'double counting' of potential capacity sources does not take place.

1.2 Structure of the Report

This report is structured as follows:

- **Section 2** provides a brief summary of the guidance and policy context which informed the approach to this work;
- **Section 3** describes the approach to assessing the unconstrained potential;
- **Section 4** sets out the discounting methodology;
- **Section 5** sets out the approach to housing market and economic viability assessment;
- **Section 6** identifies the constrained potential; and
- **Section 7** summarises the conclusions and recommendations arising from the study.

2. Policy Context

2.1 Introduction

This section considers guidance and other policy statements at national, regional and local level which are relevant to the Study.

2.2 'Tapping the Potential'

As noted in the introduction to this report, '*Tapping the Potential'* suggests a two stage approach to the assessment of urban capacity. The first step is to identify capacity sources across the Borough, table 3.1 outlines provides an overview of the sources of the potential which should be considered. It is recommended in '*Tapping the Potential'* that all settlements which contribute to sustainable patterns of development should be included in the study. There are three methodologies identified in the guide as being appropriate for surveying the potential capacity. These are:

- Comprehensive surveys of the defined study area through a combination of OS plans, aerial photographs and site visits;
- Priority Area Studies which focus on specific areas such as town and local centres around public transport nodes;
- Typical Urban Areas which involve dividing settlements into areas based on a combination of dwelling type, age of the area and density patterns. The area covered by each character area is then estimated. The capacity of each character area is then assessed through a series of sample studies and expressed as a dwelling per hectare. The results are then grossed up for each character area.

Each of the above approaches has its own particular merits although the guide does recommend the use of comprehensive surveys or priority area studies at a local level.

The next step is to identify the yield which could come forward for each site and building which has been identified through the survey work. In assessing the capacity of sites the guide recommends the use of a design-led approach whereby the capacity of each site can be tested through the production of a series of layouts. This identifies the theoretical total number of dwellings that could be accommodated if all of the potential capacity was developed optimally. The second step is to predict how much of this unconstrained capacity can be brought forward in the timescale that is being considered. The principles that should underpin the discounting process are summarised in Box 1 and discussed in turn below.

Box 1 Summary of Approach to Discounting in '*Tapping the Potential*'

Four sets of factors that will influence capacity are identified as follows:

- Market viability - This covers both the market attractiveness of an area and the viability of individual development sites. This is the prime area of work covered by this report.
- Developability - Covering issues such as land ownership, infrastructure capacity, access and physical constraints such as contamination or flood risk.
- Local character - This is particularly relevant with regard to the intensification of some existing residential areas, although the guide suggests that such areas can often sustain further development without any effect on their character, so an overly cautious approach should be avoided.
- Planning standards - This encompasses parking standards, overlooking distances, ceilings on densities etc. The guide states that inflexible standards should not 'drive' the discounting process.

The guide then gives examples of discount rates used in previous studies for each of the sources of supply.

Finally the guide recommends that the results of the work are compared against recent housing activity to provide a sense check.

2.2.1 Market Viability

'*Tapping the Potential'* states (page 31):

> *"…market viability can be affected by a range of factors including national and local planning policies. PPG3 is likely to reconfigure the market because of the priority given to previously – developed sites."*

The extent to which policy can impact on the market is a controversial question, e.g. in relation to sources of supply such as Living Over the Shop that are recognised as having much greater potential than is currently being realised and in relation to specific geographical areas that may need a comprehensive approach to make them attractive locations for housing despite the shift in policy brought about by PPG3.

2.2.2 Developability

The 'developability' of a site is identified within '*Tapping the Potential*' as having significant impact upon the discounting process and will, by virtue of this, affect sites' market viability. However, '*Tapping the Potential*' is relatively brief in describing 'developability'. It simply states (DETR, '*Tapping the Potential*', December 2000):

> *"Not all yield from sites identified as suitable for housing, or from estimates of particular capacity sources, is likely to be realised. Factors that will bear on whether the unconstrained yield can be realised, or on the timing of release will include:*
>
> *Availability - willingness of an owner to release the opportunity for development;*
>
> *Infrastructure capacity, including the provision of satisfactory access; and*
>
> *Land quality issues e.g. physical constraints on development, including site contamination or the risk of flooding."*

2.2.3 Local Character

The policy guidance allows constrained capacity to be arrived at via a process that takes account of the need to reflect local issues and local environmental characteristics. It states (DETR, '*Tapping the Potential*', December 2000):

> *"A number of studies have discounted explicitly to take account of local character, particularly when considering capacity sources such as conversions and intensification. For example, some identified conservation areas and excluded them from consideration while in others the capacity of conservation areas was discounted by up to 60%."*

However, the guidance further states that:

> *"It is important, however, not to fall into the trap of assuming that conservation areas and other areas of 'special character' do not contain realisable capacity for additional homes. With sensitive design, these areas can often sustain further development without any effect on their character. They should not be omitted from capacity studies"*.

2.2.4 Planning Standards

Planning standards will impose constraints on sites and influence the eventual built form and market viability in terms of, for example:

- parking standards;
- overlooking distances; and
- density ceilings.

The adjustments of parking standards and the delivery of higher densities will only be possible in certain locations and in response to the demands of particular market sectors. A robust assessment of market viability will need to consider a range of development solutions on sites of differing sizes and in differing locations.

In assessing market viability, it is important to acknowledge that these discounting measures are interrelated and hence developability, local character and planning standards will all have an influence on what is possible or appropriate on an individual site. Hence, all these considerations are reflected within this study.

2.3 North West Regional Assembly Guidance

In June 2003 the North West Regional Assembly (NWRA) published a guidance note for local authorities in the North West to assist with the preparation of their urban potential studies. This document was prepared to replace the original guidance produced for the Region prior to the publication of PPG3 Housing and Tapping the Potential.

The guidance advises that an urban potential study is effectively a snapshot of the situation which will need to be monitored and reviewed.

When scoping for sources of potential, the aim should be to identify the most productive areas and ensure that no significant sources are ignored. For example, urban potential studies should make an assessment of previously developed land, undeveloped land, existing buildings, and suitable commercial premises.

The guide identifies that it is important to identify the period covered by the study because of the importance of survey results to the development plan process. It may include past rates of development, and evaluation of the study results should include comparison with past rates. A review should be built into the development plan process.

Authorities should be satisfied that significant sources are treated similarly. Consistent scoping is necessary as well as the methods of assessing capacity. The purpose is to prevent skewed results that could affect policy decisions.

It is unlikely that any authority will use all of the sources set out in 'Tapping the Potential', but any that may contribute substantially should not be ignored. The study should be clear about what sources have been used.

Other parties should be involved in the process at some stage, either in undertaking the study or responding to it.

2.4 Employment Land

The ODPM has produced a guidance note to assist Local Authorities to undertake Employment Land Reviews. The purpose of these reviews in to help local authorities assess the supply and demand for employment land. The toolkit recognises that in assessing employment land within the context of an urban potential study, it is rare for consistent reviews. In light of this the guidance recommends that Local Authorities undertake employment land reviews at the same time as their urban potential study. This will enable local authorities to:

- Adopt consistent assumptions and approaches across their housing capacity studies and their employment land reviews;
- Take account of both housing and employment requirements as well as the economics of both housing and employment requirement, as well as the economics of development and landowners intentions, when assessing the likelihood that existing or allocated employment sites will remain in, or come forward for, employment uses within the plan period; and
- Adopt a systematic approach to assessing the development potential of sites suitable for mixed use development, where these will include either housing or employment.

Rossendale Borough Council is just about to embark on the preparation of their employment land review. Although employment sites have been identified as part of the unconstrained capacity no **allocated** employment sites have been taken through for consideration into the constrained capacity without justification. The reasoning for this approach is so as not to pre-judge or be in conflict with the findings of the employment land review. It is anticipated that future reviews of this urban potential study will be able to take into account the findings arising from the employment land survey and where appropriate include suitable sites as part of the assessment of capacity.

Where sites which are in employment use have been identified, they are restricted to those which are vacant, run-down or partially vacant, operating at the margins of economic viability and in a suitable location for residential development.

2.5 Housing Land Supply

Rossendale Borough Council has a responsibility to 'plan, monitor and manage' the release of land for housing to comply with the policies of both the Regional Spatial Strategy and Joint Lancashire Structure Plan. The Joint Structure Plan required the provision of 1920 new dwellings to be provided between 01 April 2001 and 01 April 2016. In the period between 01 April 2001 and 01 October 2003 a total of 431 new dwellings have been built. Within the same timescale there are outstanding planning consents for a further 1606 dwellings. As of the above base date the Borough Council has an over supply of 100 dwellings. In order to remain in strict compliance with the Joint Structure Plan the Borough Council should not grant planning permission for any further dwellings.

In order to provide guidance on this matter the Borough Council produced an interim Housing Policy as supplementary guidance to Policy H3 of the adopted Local Plan (February 2004). Following a period of consultation the Council decided not to adopt this supplementary guidance. There is however a recognition that the Council needs to be able to properly plan, monitor and manage residential development. In light of this the Council has adopted a housing policy position statement which states that applications for residential development in Rossendale will be refused, on housing land supply grounds in all but the following limited circumstances:

- In any location where the proposal is a like for like replacement i.e. for replacement of an existing residential dwelling resulting in no net gain in dwelling numbers and which conforms to relevant policies of the development plan and other material considerations; or
- the proposal will positively contribute to the urban regeneration of the Bacup, Stacksteads and Britannia Housing Market Renewal Initiative areas or the Rawtenstall Town Centre Masterplan (Area Action Plan); and
- the proposal will not harm the character of the adjoining areas such as conservation areas; and
- the proposal will assist the regeneration of the site; and
- the proposal meets an identified local housing need.

This approach is to be applied to the construction of all new build residential dwelling and flats, including conversions of non-residential buildings to dwellings and the intensification of existing dwellings to provide additional residential units. This approach is not to be applied to nursing or residential care homes. Nevertheless taking into account the base date of this study as the 31 March 2004 in assessing the potential timescales for development no account can be made of this moratorium.

2.5.1 Previous Borough Wide Urban Capacity Studies

Rossendale Borough Council have previously undertaken a desk based review of urban potential sites in 2002. The survey work sought to identified the potential unconstrained capacity across the Borough. This survey work was not subject to any discounting or testing to identify a potential constrained. The basis of the survey work has been used as part of the site identification work undertaken by Entec.

2.6 Other Relevant Initiatives/Strategies

2.6.1 Housing Market Renewal Initiative

The Government's Sustainable Communities Plan has set as a key priority the tackling of low demand housing, and the Government has committed to spending over £500 m to promote innovative and effective schemes to tackle housing regeneration in such areas of low demand.

In April 2002 East Lancashire was one of nine areas in the North and Midlands awarded Pathfinder status as a means of tackling low housing demand and rundown housing areas. The vision for the East Lancashire Pathfinder area is that it becomes:

> *"a place of choice to live: known for the varied and distinctive character of its towns, for its environmental quality and heritage, for celebrating its cultural diversity and as a place which offers residents access to a high standard of education, employment, security and healthcare."*

Within Rossendale the focus of the Housing Market Renewal Programme is on Bacup, Stacksteads and Britannia. The Bacup, Stacksteads and Britannia area was identified for Housing Market Renewal initiatives because this area is characterised by:

- A predominance of small pre 1919 terraced housing creating limited and unsuitable housing choice;
- A growth in private sector landlords;
- High vacancy rates or high quantity of abandoned and poorly maintained properties. Through addressing the Bacup & Stacksteads area a knock on effect for the whole of Rossendale is anticipated.

Halsall Lloyd Partnership is currently preparing a key sites report based upon extensive consultation as a means of guiding the regeneration of the HMRI area. Due to the identification of 31 March 2004 as the base date for this study the identification of sites in the HMRI area has been carried out independently of the emerging themes and strategies aimed at regenerating the HMR area.

2.6.2 Rawtenstall Masterplan

In September 2004, Rossendale Borough Council commissioned Arup to prepare a masterplan for Rawtenstall Town Centre. The emerging vision for the masterplan is to develop Rawtenstall as the principal town centre in Rossendale. One role of the masterplan will be to encourage a range of self sustaining uses including:

- Retail, leisure and cultural facilities;

- Business and employment accommodation;
- New residential development;
- Health and educational facilities; and
- Civic facilities and public sector services.

As with the HMRI, although this masterplan will have implications on the identification of potential capacity sites the base date of the study means that any emerging masterplan proposals cannot be included in this study.

3. Assessing the Unconstrained Potential

3.1 Introduction

The approach to identifying the unconstrained potential closely follows the NWRA Guidance "Exploring Urban Potential for Housing" (June 2003) and the DETR Guide 'Tapping the Potential' (2000). It is not repeated in detail here, other than to explain the key decisions that were taken in applying this approach to Rossendale.

3.2 Study Area

3.2.1 Settlements Included in the Study

The Borough Council identified that a comprehensive survey should be adopted which would include all towns and villages with a settlement boundary as identified in the adopted Rossendale Local Plan. These are settlements which it is considered can contribute towards sustainable patterns of urban development, as recommended in the guidance, "Tapping The Potential". The latter guidance states that such settlements "typically would (or have scope to) contain shops and services, be accessible by public transport and be capable of having a sensible settlement envelope drawn round them."

Table 3.1 Sites Included in the Comprehensive Area Survey

Bacup	Brtiannia	Broadley	Edenfield
Facit	Goodshaw	Haslingden	Helmshore
Irwell Vale	Newchurch	Ramsbottom (Chatterton)	Rawtenstall
Rising Bridge	Shawforth	Stacksteads	Waterfoot
Weir	Whitewell Bottom	Whitworth	

The following settlements / residential areas have not been included in the study.

Table 3.2 Sites Excluded from the Study

Broad Clough	Greave Clough	Hall Park	Higher Broad Clough
Laund	Love Clough	Lumb	Sharneyford

The justification for excluding these settlements is that they are all outside the urban boundary and therefore development would not be in accordance with planning policy. These settlements are small in size and population and are not considered as sustainable settlements since they contain a limited range of shops and services and are not on frequent public transport routes.

3.3 Sources of Potential Considered

The following sources of potential have been considered in the Study. Table 3.3 below identifies these sources and details the method of data collection used for each source. Where a particular source is considered not relevant to Rossendale's particular circumstances, then the reasoning behind this is also set out in the table. No size thresholds which would initially exclude a site at the beginning of the process were applied.

Table 3.3 Sources of Potential and Method of Data Collection

Source	Method of Data Collection
Sub-division of existing housing	Assessed by looking at past trends in housing land availability data.
Flats over shops	Global estimates will be produced for this source, using past trends (based upon the Housing Land Availability Data).
Empty Homes	This source of supply was not considered in the study. Justification: This source of supply is considered in the Adopted Joint Lancashire Structure Plan, and is included in the calculations for the Borough's new dwelling requirement.
Previously developed vacant and derelict land and buildings (non housing)	Site specific potential was identified for this source, using the Borough Councils previous Urban Capacity site survey 2002 as a starting point and data from the Vacant Land & Premises Register, NLUD, Derelict Land Study, Property Register, and any other land not identified by these sources. Maps were used to plot each identified site. A series of site surveys have been undertaken to assess the level of capacity available through this source.
Redevelopment of existing housing	It was decided that his source should only be considered where there are firm proposals. As of the base date of this study the emerging area action plan for Rawtenstall and Bacup, Stacksteads and Britannia did not include any provision for the demolition of existing residential areas.
Redevelopment of car parks	Assessed by identifying council and privately owned car parks and consultation with the highways section. A series of site visits were undertaken to determine the suitability of these sites for residential development.
Conversion of commercial buildings	This source was assessed by looking at NLUD data, past trends, and through consulting with Borough officers. This source of supply was also subject to site surveys.
Review of existing housing allocations	The adopted local plan does not provide an indication of the number of units to be developed on individual housing sites. In light of this it is not possible to identify whether it is feasible to secure a net increase on individual allocations. In light of this no intentional review of outstanding allocations has taken place.
Review of land allocated for employment.	This source of supply has been treated with a degree of caution due to the lack of an Employment Land Study and the lack of flat, serviceable employment land sites across the Borough. It is proposed to review this source one the employment land review has been completed.
Vacant land not previously developed (White Land)	This source was surveyed using of OS maps and aerial photos, NLUD data, and site visits.

3.3.1 Existing Information and Trend Data

Information was collected from the Borough Council's Housing Land Completions Monitor and the Planning Applications database (Newhart). This data was used to exclude sites which already have planning permission. Although the NWRA guidance suggests that sites with planning permission which have not yet been started should be included within the study it is considered in this instance that it may be more prudent to exclude sites with planning permission to ensure that there is no scope for double counting.

In addition to considering the land use and planning related factors that will influence urban housing potential, consideration was given to a range of commercial factors. This was undertaken through a market analysis and broad brush financial appraisals of specific opportunities.

3.4 Results

The results of this exercise are set out in Appendix A which is a schedule of the 455 sites which were originally identified and subject to an individual site survey. These sites form the unconstrained capacity, excluding potential identified through past trends.

4. Discounting the Unconstrained Potential

4.1 Methodology

Having identified sites where the principle of residential development may be appropriate the next stage is to test them against a range of detailed factors. All 455 sites have been subject to assessment through field survey work with the aim of appraising a site to identify its potential to come forward for residential development.

Five key factors were used to appraise individual sites. These factors were:

- Sustainable development considerations;
- Planning Policy;
- Local Character;
- Developability; and
- Economic Viability (informed by an assessment of market viability).

In line with the NWRA guidance, each factor was considered in turn and if a site was judged to fail against one factor it was not considered against the others.

Discussions were held with Officers from the Borough Council in order to take advantage of local knowledge of selected sites. Representatives from the following Departments were consulted on a range of sites which were considered to be representative of the total number:

- Development Control;
- Housing Market Renewal;
- Environmental Health;
- Economic Development; and
- Planning Policy.

The **sustainability** of sites was assessed primarily in terms of their proximity to public transport facilities (routes and nodes) and town / village centres.

Sites where housing would be in conflict with established **planning policies** were discounted at this stage.

The impact on the **local character** of an area was considered by reference to a number of criteria including:

- Is housing compatible with existing or planned land uses in the area?

- Is additional development likely to increase on-street parking?
- Is their likely to be an impact on existing street patterns, or plot sub-divisions of historical importance?
- Is there likely to be an impact on townscape and quality of spaces?
- Would housing development impact on important landscape features?
- What is the relationship of the site to the areas landscape or open countryside? and
- Impact on significant landmarks, vistas and panoramas?

Sites which were considered to impact adversely on the local character of that area were discounted.

Developability was assessed by reference to a number of factors, notably:

- Land ownership where this was known, no searches were lodged with HMLR as part of this study;
- Highway access;
- Flood risk;
- Contamination
- Local Plan Policy;
- Flood Risk from the Environment Agency's Indicative Flood Plain Maps;
- Air Quality; and
- Bad neighbour uses.

Other issues such as drainage capacity and detailed highway issues such as road capacity or visibility splays may become development constrains, however it has not been possible to undertake such a detailed review.

The assessment of **Economic Viability** was undertaken in detail, the analysis is provided in the following chapter.

5. Housing Market Assessment

5.1 Discounting for Housing Market Factors

5.1.1 The Discounting Method

The market discounting process aims to examine the unconstrained capacity of key sites within Rossendale and to form a view of whether they will come forward for housing development (to give a constrained figure). This process is known as 'market discounting' where site suitability for housing is judged against the marketability of a site, the economic viability of the scheme proposed and the developability of the site itself.

The process of market discounting, following the methodology set out in the North West Regional Assembly's Good Practice Guide to Assessing Urban Potential, is based on four key stages:

- An overview of the market in Rossendale, based on secondary data analysis;
- Interviews with key agents, developers and the local authority;
- Site surveys; and
- Economic viability assessment through residual valuation spreadsheet analysis.

These steps are complementary to each other. The secondary data analysis provides an overview of the market including areas of strength and weakness. The interviews provide a basis for the data that supports the spreadsheet analysis (and particular local land values that provide a benchmark for site viability). The site survey process is important in informing a view on whether a site will be attractive in development terms. The survey also helps to provide a view on a site's developability.

It should be emphasized however that this is not an exhaustive analysis; in particular, we have not established any precise abnormal development costs associated with, for example, demolition or contamination. Key information on each of the sites is contained in summary form on the relevant spreadsheets. These provide an informed view on the commercial viability and marketability of the sites.

5.1.2 Housing Market Review

Although it is common to talk of a housing 'market' that is synonymous with an urban or local authority area, in practice this is rarely the case. The housing 'market' in Rossendale is really a number a sub-markets covering areas of relative strength and weakness. Within the context of this report, the analysis considers Rossendale Borough in terms of settlements and neighbourhoods within the larger urban area. The analysis is based on H.M. Land Registry postcode sector data. This has been shown in other studies in the North West and elsewhere to be the most appropriate unit which provides a representative sample of transactions (it is possible using the data to analyse at the full (6/7 digit) postcode level but transactions here are often very small in number). Postcode sectors have been identified in Table 5.1.

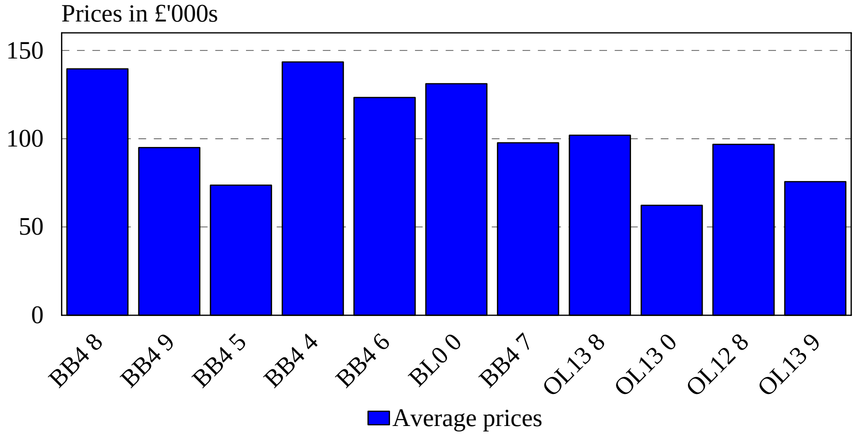
Table 5.1 Rossendale: Postcode Sectors and Settlement Areas

Post Code	Main Settlement
BB4 8	North Rawtenstall and Crawshawbooth
BB4 9	Water and Whitewell Bottom
BB4 5	Haslingden
BB4 4	Helmshore
BB4 6	West Rawtenstall and east Haslingden
BL0 0	Edenfield
BB4 7	Irwell Valley/Waterfoot
OL13 8	North Bacup

Rossendale is not a high priced location, although there is significant variance in prices at the sub-area level as can be seen from the Figure below. The price of housing is significantly higher in locations such as North Rawtenstall and Crawshawbooth (BB4 8), Helmshore (BB4 4), West Rawtenstall (BB4 6) and Edenfield (BL0 0). The Bacup postcodes OL13 0 and OL13 9 provide low priced homes and central Haslingden also has a relatively affordable market. There is thus a significant variation in the market structure of the area.

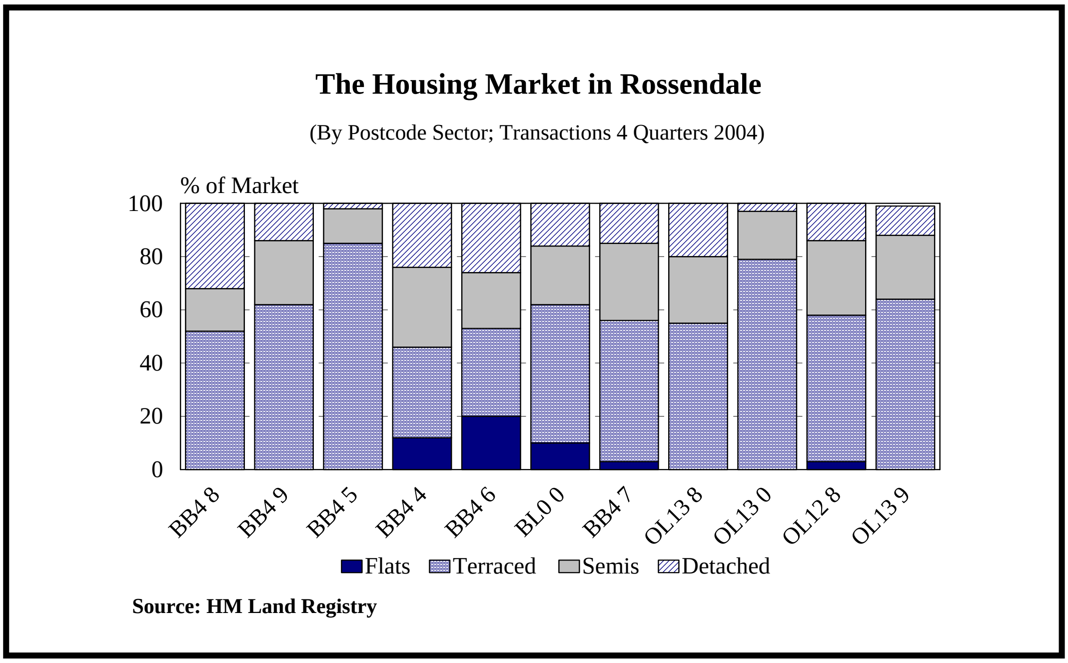
House Prices in Rossendale

(By Postcode Sector: average prices for all dwelling prices 2004)



Source: HM Land Registry

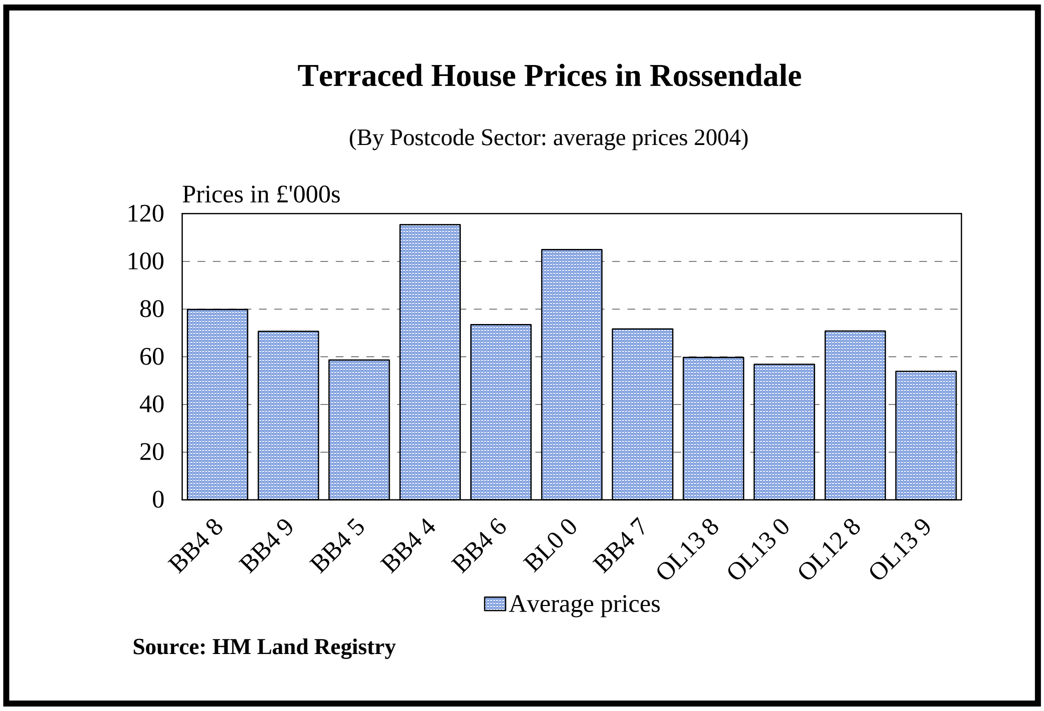
The local sub markets are balanced very differently across the Borough. As elsewhere in the Region, terraced housing predominates (see Figure below). In the case of Rossendale, terraced housing makes up over 50% of the market in most postcode sectors. This has implications for the demand for other forms of housing, where it may be expected that buyers will be prepared to pay a premium for detached and semi-detached homes.



Flats and maisonettes are very under-represented except in locations such as Helmshore, west Rawtenstall and Edenfield. These three locations provide the best balanced supply of houses to the market (see Figure above).

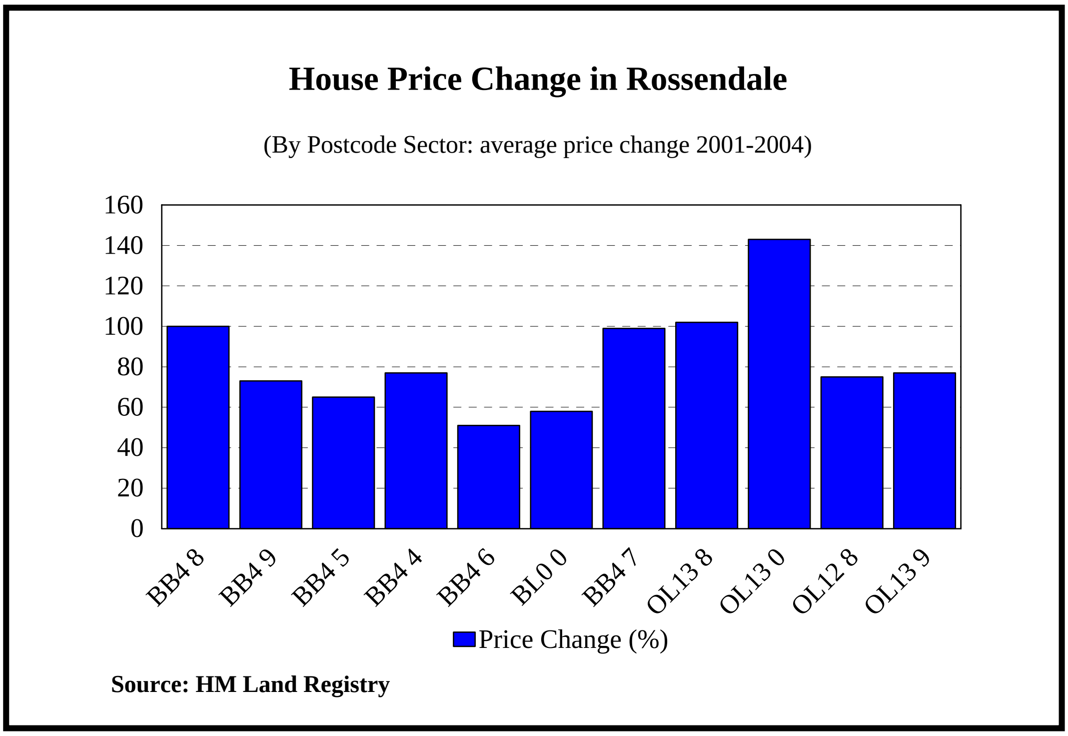
It can be expected that developers and land owners will be looking to provide forms of housing that consider closely the nature of supply from the second hand market; it is likely that this response will be to try to develop housing towards the higher ends of the market. To a great extent the affordability of housing in specific locations is dependent on the mix of dwelling types available and prices tend to be highest where a more balanced housing market is evident. This explained not only by the local environment, but also by the ‘maths’ which pull up average house prices where larger dwelling types predominate. Because of this reason, it is important to also look at how the price of one dwelling type (here terraces) compares. This comparison is shown in the graph below.

The graph provides a much truer picture of demand for specific locations since we are comparing housing ‘products’ which are more alike. The graph suggests that West Rawtenstall and Edenfield are the most desirable locations, with the Bacup postcodes, OL13 0 and OL13 8 sustaining demand least well.



Importantly, the price of a terraced house is on average below £60,000 in four out the eleven postcode sectors in the Borough. This makes is difficult for developers to incorporate this form of housing unless it can be sufficiently different from the existing housing stock such that it creates it own 'demand'.

It is also important in understanding the local housing market to look at house price change. The graph below shows how prices have moved over the three year period 2001 – 2004.



The graph shows that most locations have seen a very healthy growth in prices with most postcode sectors seeing prices grow in excess of 60%. There would appear to be some 're-balancing' in the market with the areas with the highest absolute prices (notably West Rawtenstall and Edenfield) seeing relatively low growth and higher growth in prices being experienced in Bacup (OL13 8 and OL13 0). For this reason, it will be important to monitor the market to ensure that the viability of sites accounted for in the assessment of urban capacity.

5.1.3 Key Points from the Interviews

Interviewees stressed a clear market division between east and west. The settlements to the east side are generally seen as being less desirable (with Bacup being seen as a problem area by several interviews, in particular the Pennine Road local authority estate area). However, the division is compounded by differences in accessibility. Rawtenstall and Haslingden markets are much more readily accessed from Greater Manchester and Bury for example. Bacup and Stacksteads (and Waterfoot to a lesser extent) are significantly more isolated. The main route through the Rossendale valley is very congested during the rush hours and getting from the east side to Manchester and the main centres of employment is very difficult. This is a real bottleneck. One developer stated that the main obstacle in improving the housing market at Bacup is not the image of the location, but in its lack of accessibility (both the Manchester and Rochdale areas). Edenfield and Helmshore are the best locations in the Borough with very high demand for land and housing.

Whilst price growth in Rossendale has been strong over the past few years, it cannot be said to be a well developed market. The historic lack of interest from amongst the larger house builders suggests that the area still has some way to go before it will attract in high levels of competition for sites. The supply side is dominated by small to medium sized developers, who operate not only speculatively in housing, but also as investors and contractors in the wider building industry. These developers have tended to be choosy in the sites they take on, focusing on smaller and more profitable sites where they can.

As the market has improved over the past few years, land prices have risen, and increased interest from larger developers in sites has been in evidence. However, the market is now cooling fast and there is concern about the economics of development on the eastern side of Rossendale. Nevertheless, it should be said that the demand for new homes generally is strong which is in part a response to price rises in the second hand stock and the fact that a First-Time-Buyer terraced homes costs now around £80,000.

Although some developers complained that they could not get permission for some sites, most stated that there is currently sufficient land available in the Borough, with one warning that the Planning Department should be very careful about releasing any more greenfield land – as there is "currently sufficient (uncontaminated) brownfield land around".

Large urban potential opportunities do not appear to have been readily seized on by local developers. It is interesting to note that the Ilex Mill has been developed by a specialist regeneration company from outside the area. The local developers appear however keen to take on more modest regeneration and conversion schemes. A full summary record is given of the interviews in Appendix C.

5.2 Spreadsheet Analysis

5.2.1 The Site Sampling Process

As the number of sites identified in the survey work was very high, a process of sampling was required. The sampling process was based on the preliminary work on sub markets. On this basis, no sites in postcode sectors BB4 8 (North Rawtenstall and Crawshawbooth), BB4 4 (Helmshore), BB4 6 (West Rawtenstall and east Haslingden) and BL0 0 (Edenfield) were considered for further analysis. For the purpose of the study, we have assumed that sites coming forward in these locations will be economically viable unless they have exceptional development costs; these cannot be forseen without bespoke ground survey work.

The sample selected therefore covers areas where there is less certainty about the economics of development viability. The focus of the sampling work has therefore been on locations such as Haslingden, Waterfoot, Bacup, Britannia, Whitworth and Shawforth. However in sampling we have also been concerned to reflect as far as possible the portfolio of sites identified as potential sources of urban capacity in Tapping the Potential. The spreadsheets for these sites are included in Appendix D. The sites are listed in the table below.

Table 5.2 Sites Subject to Market Appraisal

Site Identification	Site Address	Main Settlement(s)	Postcode Sector
15	Hud Rake	Haslingden	BB4 5
21	Bell Street	Haslingden	BB4 5
31	Manchester Road	South Haslingden	BB4 6
78 and 79	Lawson Street	Goodshaw	BB4 8
93	Leach and Sons Scrap metal yard	Rakefoot	BB4 8
124	Isle of Man Garage	Water	BB4 9
146	New Road	Newchurch	BB4 9
170	Garden Cottage	Wallbank	OL12 8
175	Market Street Chapel	Whitworth	OL12 8
190	Oak Street	Shawforth	OL12 8
196	Former Norweb Power Station	Hareholme	BB4 7
199	Waterfoot Bus Terminus	Waterfoot	BB4 7
254	Newchurch Road	Newchurch	OL13 0
283	Land at Bacup Leisure Centre	Bacup	OL13 8
311	Warren Drive	Britannia	OL13 9
452	Former Whitworth Civic Building	Facit	OL12 8

5.2.2 Role of the Spreadsheet Analysis

The assessment of economic viability set out in the NWRA guidance follows closely the approach a developer would take to the acquisition of a housing development site. The approach is based on examining the relationship between the selling prices for houses and the cost of developing them. The analysis works around the principle of 'residual' valuation and this is described in more detail in Appendix B.

A viability spreadsheet has been worked up for each site in the sample. The spreadsheets follow those set out in the NWRA guidance. They have four sections: input variables including prices, costs and development mix; the development appraisal including an estimation of the residual for the site under the assumptions made about mix and density; base development information including site size and postcode sector in which the site is located; finally there is a 'Conclusion on viability'. This sets out whether the site looks viable and where necessary, the conditions under which it may or may not come forward. There is a much fuller explanation of the details of the spreadsheets included in Appendix G. Appendix H includes an overview of the principles involved in assessing economic viability.

5.2.3 Main Findings from the Spreadsheet Analysis

For many areas of the Borough, there are no foreseen problems with the commercial viability of sites. Locations such as Edenfield, north and west Rawtenstall and outside of the centre of Haslingden are expected to provide good land values where sites will come forward. Elsewhere the picture is more mixed, in Haslingden Town Centre the residual land value is very low, unless densities can be increased up to over 100dph. However there are no established markets for developments at this density i.e. flats in Haslingden.

To the east of the Borough in Whitworth and Shawforth although development economics are not too favourable, lower density (30dph) schemes should come forward on sites over 0.25ha. Within Bacup and Britannia, the east of Bacup is identified as being a weak market area. A sustained development programme in this location only appears viable through the impetus of the Housing Market Renewal Programme. Feedback from developers also indicated that development in this location had been 'stop-start' in the past.

In the Irwell Valley Corridor, Waterfoot and Stacksteads demand is considered to be driven by local households, who are unlikely to have significant purchasing power. Development should not be discounted here as the value of alternative uses are likely to be low. The timing of new development on these locations will depend very much on how policy operates elsewhere in the Borough. If there are large land allocations elsewhere then sites here are likely to be the last to be realised. Again much depends on the scale of sites, with sites over 0.25ha able to create their 'own markets'. The individual spreadsheets are included in Appendix F.

5.3 Conclusions from the Housing Market Discounting Process

The market discounting process may remove a significant amount of potential, particularly on small sites, nevertheless leaves in a substantial number of sites on the basis of mix and location.

A key question relates to whether a general continued improvement in the housing market, or, the Housing Market Renewal Interventions, might bring more urban housing potential forward.

Housing Market Renewal funding takes on added importance, particularly with respect to land assembly and strategic planning for new development areas. It is critical to the Borough to have a well informed view of the economics of the development and in particular to find out more about the relationship between the scale of a site, development mix and location. Ideally, the Borough will commission a more detailed study focusing on sites which are at marginal market locations, where a more strategic plan might make them certain to provide housing in the future. This type of study would allow the Authority to balance the needs for assessing urban potential alongside the requirements to renew and regenerate older areas of housing stock.

6. Constrained Potential

6.1 Introduction

The discounting process described in Chapters 4 and 5 was used to identify all the sites to be carried forward to constitute the "constrained potential". These sites are those which it is considered are likely to come forward between 2004 and 2019. An assessment of yield was then made to estimate how many dwellings might be provided on each site, and when they are likely to come forward.

6.2 Assessing Likely Yield

The number of dwellings likely to be developed on sites was assessed in two ways. On larger sites and those where it was considered there was some flexibility in terms of the type of housing scheme that might be appropriate, urban design templates were applied as provided in the NWRA guidance. In these cases the most suitable template having regard to the site and its surroundings was used, and a resultant dwelling capacity established. An assessment was made to suggest higher density development in locations identified as being sustainable e.g. within 800m of a bus route with a frequency of at least 1 service per hour and in proximity to a town centre and other services and facilities would result in a higher density development e.g. 50+ dwellings per hectare. Areas of homogenous low density development on the periphery of settlements and remote from services and facilities would have a lower density template applied.

On other sites, usually small in area and constrained significantly by the character and density of adjoining housing, a judgement was made as to the type and number of dwellings which it was felt would be compatible with the surrounding area and would be viable in terms of likely demand.

The study has not used fixed density multipliers across all sites. Each opportunity has been assessed individually taking into account particular circumstances taking into account site specific assessments. Therefore the final yield is informed by a complex number of variables, including sustainability considerations, location, area characteristics, market suitability for different dwelling types, discussions with developers and land owners, area characteristics, planning history and knowledge of pre-application discussions.

6.3 Deciding When Sites Will Come Forward

To bring all of the assessment criteria together in a manageable way, the combined effects of factors influencing the development of opportunities have been represented by placing sites within time bands of up to 2009, mid 2009 to 2014 and mid 2014 to 2019. This is used to show how quickly the site theoretically could be developed, taking into account constraints. However it is not supposed to show when they will actually be built or provide an assessment of annual build rates.

The following assumptions were used when deciding when sites might come forward.

- Previously developed/brownfield sites are likely to be developed in advance of greenfield sites;
- Sites currently in employment use have been identified and subsequently all discounted until the Council have an opportunity to complete their Employment Land Study;
- Sites in weaker areas of housing market demand will come forward in the latter period; and
- If sites are constrained by environmental factors then a judgement is needed of when the constraint is likely to be removed.

6.4 Overall Results

From the original list of 455 sites equating to approximately 203ha of land, a total of 375 sites were discounted. The principle reasons for discounting arose from reviewing previously identified urban potential sites which now have the benefit of a residential planning consent or were already developed. Other reasons for discounting included sites previously identified as having potential being outside of the existing urban boundary. A number of sites were also discounted due to the topography of the site making development unviable. Finally the results of the market viability appraisal were applied to identify a final list of 79 sites which along with the potential identified from past trends makes up the constrained potential in the Borough.

The identified potential is analysed below, in terms firstly of its location and secondly the various sources of supply.

6.5 Locations of Potential

The geographical spread of sites is, as would be expected, focused mainly on the large urban areas of Bacup / Rockcliffe, Rawtenstall, Haslingden and Waterfoot. These locations account for approximately 50% of the 79 constrained sites. A summary of the locations of capacity at a ward level are provided in Table 6.1.

The market viability of development to the east of the Borough need not necessarily be a constraining factor, although capacity may not come forward until towards the end of the plan period. The role of the HMRI will play a significant part in revitalising this area and as such discounted potential should be kept under review.

Table 6.1 Location of Potential

Ward	Unconstrained Sites (No.)	Constrained Sites (No.)	Constrained Potential (Dwellings)
Cribden	24	4	30
Eden	24	4	25
Facit and Shawforth	25	6	57
Goodshaw	25	4*	32
Greenfield	21	3	27
Greensclough	54	11	97
Hareholme	37	2	44
Healy and Whitworth	28	5	24
Helmshore	21	6	8
Irwell	27	7	32
Longholme	33	7	60
Stacksteads	39	4	21
Whitewell	64	9	90
Worsley	33	7	75
Totals	**455**	**79**	**650**

*site 78/79 identified as a single site.

6.6 Sources of Potential

6.6.1 Previously Developed Vacant Derelict Land and Buildings

In surveying the Borough a total of 147 “unconstrained” sites were identified with 34 sites including in the final list of constrained sites. This constitutes the largest source of supply within the study and supports the claims made by those attending the developers conference that there are high levels of brownfield land within the Borough. Within this classification the sites assessed vary significantly and their ability to come forward for housing development is often constrained by market viability considerations. This constraint is exacerbated if there are abnormal costs associated with development e.g. reclamation of contaminated land. This source of supply also includes the identification of unused land at Rossendale Hospital. There are no known plans for the redevelopment of this site however in light of there being unused buildings on site it was considered appropriate to at least identify the hospital site in the assessment.

6.6.2 Intensification of Existing Housing Areas

As identified in the North West Guide, intensification is used to describe residential development within existing residential areas. It includes the development of redundant garage courts, large gardens and backland. For the purposes of this study, under-used or ‘de-graded’ areas of whiteland within existing residential areas were also included in this category. One of the principal sources of supply comes from existing residential garages. One of the key characteristics of the Borough are the groupings of mainly timber garages. Although these areas are protected through policy H.2 of the Local Plan there is evidence from the survey work that opportunities do existing for their redevelopment. Sites where opportunities exist for alternative parking provision have been retained.

6.6.3 Redevelopment of Existing Housing

The opportunity for identifying capacity from this source is considered to be limited, what opportunities do exist for redevelopment would most likely result in a net loss of housing rather than an increase. Nevertheless this source of capacity should be monitored as the HMRI evolves and progresses.

6.6.4 Redevelopment of Car Parks

Opportunities for the redevelopment of car parks is limited within the Borough. Assessments of potential sites were limited to visual surveys with only one site considered to have capacity. It is understood that the Borough Council do not have an analysis of car parking provision, however were one to be produced then a more analytical assessment of capacity from this source could be made.

6.6.5 Conversion of Commercial Buildings

There does appear to be an opportunity for the conversion of commercial buildings to make a significant contribution to housing capacity across the Borough. The recent conversion of Ilex Mill to 93 apartments demonstrates that such projects can be considered positively by the market. A review of past trend indicates that between 1998 and 2004, a total of 271 units were created through this source of capacity, this equates to 45 per annum. In survey capacity across the Borough three sites were identified as having the capacity to bring forward 38 units. Some of these sites are in outlining areas where the market would seek to promote redevelopment rather than conversion. Many of the sites considered are or were formerly in use for employment. As such this source of supply should be reconsidered in light of an employment land study in order to develop a consistent approach to identifying capacity from this source.

6.6.6 Vacant Land Not Previously Developed

This category relates to ‘white land’ identified on the Local Plan. A total of 32 sites within this category which were originally identified through a desk based assessment of the Borough. A resultant total of seven sites were considered to have potential to bring forward a total of 47 units over the plan period. Adopting the protocols set out in 6.3, it is recommended that sites within this source of capacity are not considered until existing brownfield sites have been developed first.

6.6.7 Land Currently in Employment Use

This is a sensitive source of capacity and for the purposes of the final report it may be necessary not to place any of the sites within the category in the public domain. Sites have been identified primarily through discussions with Local Authority Officers to try and identify existing operations which are either seeking relocation or are unable to operate within the context of modern requirements. In light of this such sources of potential are considered worthy of identification and ongoing monitoring. Again this source of capacity can be reviewed during the preparation of an employment land review of the Borough. However a total of 32 sites were identified of which 12 are considered to have potential for redevelopment. In light of the above only 4 sites have been identified at this stage as having potential providing a yield of 45 dwellings. This particular source of capacity can be easily reviewed and update once the employment land survey has been completed.

6.6.8 Sports Pitches and Other Open Spaces

The review of these sources of capacity are purposefully pessimistic. Although it is considered that there is potential within the Borough from this source of capacity it is likely to be limited, constrained by the topography of the Borough which constrains the number of flat sites appropriate for sports and recreation. It is considered inappropriate to include such sites until the completion of the Rossendale Open Space Audit.

6.6.9 Unidentified Sources of Supply

A single site has been identified which does not fall into the established categories of supply. In most cases this is due to sites identified as being vacant from the original desk top survey now being developed. There have also been circumstances where it has not been possible to fully view the site, or to confirm whether a building was in-use or vacant.

Table 6.3 Assessment of Potential By Source

Source of Supply	Number of Unconstrained Sites	Number of Constrained Sites	Potential
Previously Developed Vacant and Derelict Land and Buildings (non Housing)	147	34	332
Intensification of existing areas housing areas	60	13	68
Redevelopment of existing housing	2	0	0
Redevelopment of Car Parks	6	1	1
Conversion of Commercial Buildings	19	3	38
Review of other existing allocations in plans	0	0	0
Vacant Land not Previously Developed	32	7	47
Land currently in employment use	32	4	45
Allotments	0	0	0
School Playing Fields	0	0	0
Sports Pitches	7	0	0
Other Open Spaces	107	14	93
Unknown Classification	43[1]	3	26
Sub Total	**455**	**79**	**650**

[1] Unknown classification refers to sites which have been identified through desk based studies which are either subsequently identified as being developed or could fall within more than one category.

6.6.10 Living over the Shop and Sub-division of Existing Houses

It is reasonable to expect that a certain amount of housing might come forward within the study period from the conversion of space above retail premises into flats. The identification of the above categories is notoriously difficult to assess using the traditional methods adopted through this study. In light of this an assessment has been made of past trends from the Borough Councils 2004 Housing Monitor. The results of this review are set out in Table 6.2.

Table 6.2 Past Trends

Source of Capacity	Planning Consents Identified	Proposed Annual Rate
Living over the Shop	Two consents from 2002 for one unit each.	2 units per annum
Sub-division of existing houses	Seven previous consents identified between 2000 and 2003, with a net increase of 7 units.	2 units per annum

6.7 Summary: the Constrained Potential

Assessing the above sources of supply it is concluded that **79** sites have potential to come forward for residential development. In applying the design templates to each of the sites where possible it is considered that there is potential for a yield of **650** dwellings between 2004-2019.

To this needs to be added potential likely to arise from sources assessed on the basis of past trends, namely subdivision of existing housing and flats over shops. The annual average rate of completions from LOTS and subdivisions is estimated at 4 dwellings per year, hence an additional potential of **60** dwellings over the next 15 years.

In total therefore the constrained potential for the Borough as a whole amounts to **710** dwellings 2004-2019. Pending the completion of the Employment Land Review it is likely that there may be scope for the provision of further units pending the identification that there is sufficient employment land in the Borough. It is considered inappropriate at this stage to specifically identify those sites which provide this capacity.

6.8 Timescales for Development

As identified within the North West Guide, it is clear that not all of the constrained potential will come forward at the same time. As a result a judgement has been made to determine the timescales for which each site will come forward.

Table 6.4 Timescale for Capacity to Come Forward

Source	Years 1-5	Years 5-10	Years 10-15
Site Specific Potential	115	306	229
LoTS	10	10	10
Sub-Division of Existing Residential Properties	10	10	10
Totals	**135**	**326**	**249**

The results are skewed towards the middle and end of the study period. This latter period includes some of the larger sites considered to have the greatest level of constraint and likely to require a longer lead in time for reclamation and development works. The primary constraint to the short term development of sites arises from the market viability of sites especially to the east of the Borough. In this area the market has historically a ‘start-stop’ approach in implementing planning consents for residential development. The consideration of this study is that the HMRI will facilitate a change of fortune for this area resulting in sites identified in Bacup and Britannia becoming more attractive to the market towards the end of the plan period.

7. Conclusions

7.1 Main Findings

Entec has undertaken a comprehensive assessment of urban potential on behalf of Rossendale Borough Council. The initial survey work identified a total of 455 sites within the Borough as the "unconstrained potential". This level of unconstrained potential has been subject to a series of assessments and tests

An assessment of this unconstrained potential has been undertaken to determine both the developability and market viability of the sites. This assessment has been carried out by applying a clear methodology, using survey work and research, past experience in preparing such studies, and the knowledge and assistance of Council Officers, and key stakeholders such as developers and agents.

This assessment has led to the identification of the "constrained" urban housing potential, a total of 79 sites which it is estimated have potential for development to provide an additional 650 dwelling units. Based on assessing past trend data a further 60 dwellings may be brought forward through flats over shops and the sub-division of existing houses. The resultant total potential for the period 2004 to 2019, excluding potential from employment sites is **710**. In summary this level of potential over the timescales is considered to be a pessimistic forecast with potential for a much higher yield pending the results of the employment land review, open space study, and benefits arising from the Rawtenstall Area Action Plan and HMR in Bacup, Britannia and Stacksteads. The emerging LDF also provides a new opportunity to provide a new policy framework for development in the Borough to help balance residential development between the Boroughs east-west axis which along with the HMR may open up the east of Borough to sustainable patterns of development.

The level of identified potential is theoretical; it represents an estimated level of supply after discounting factors have been applied. Apart from the theoretical estimation, there is also the uncertainty which increases over time. It is recommended that the Borough Council monitor the results of this study on an annual basis and update it on bi-annual basis to ensure that the emerging and adopted LDF are informed by up to date survey work and results.

Appendix A
Identification of the Unconstrained Sites

15 Pages

Appendix B
Identification of Sites with Planning Permission

5 Pages

Appendix C
Constrained Potential and Timescales for Development

3 Pages

Appendix D
Constrained Potential Site Plans

80 Pages

Appendix E
Record of Interviews with Agents and Developers

5 Pages

We are most grateful to the following individuals for helping us with the study:

Jennifer Bailey, Property Administrator, B & E Boys Ltd, developers based Waterfoot;

Dave Howarth, Director, Swinbrook Homes, developers based Cheadle Hulme;

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Mark Fletcher, Branch Manager, Entwistle Green, estate agents based in Rawtenstall;

Andrew Derbyshire, McDermott Developments, developers based in Burnley;

Trevor Ashwood, Hurstwood Group, developers based in Rawtenstall;

Jonathan Conway, Hurstwood Group, developers based in Rawtenstall.

The Housing Market (Overview)

There is a distinct division in demand for housing to the east side of the Borough and that in the west. The settlements to the east side are generally seen as being less desirable (with Bacup being seen as a problem area by several interviews – and in particular the Pennine Road local authority estate area). The east side is seen as being closely associated with industrial decline. Haslingden and Rawtenstall are more desirable areas on account of their housing stock (although the centre of Haslingden is not so sought after – Haslingden is 'a mixture'; you don't 'want to be in the centre', according to one agent) and primarily since they are well served by the M66 and A56 which takes people relatively easily to Manchester. It is between ½ hour and ¾ hour to travel to Manchester by car.

The market is split on an east-west dimension because of accessibility and in particular, the problem of the main route via the Rossendale valley – through Stacksteads the main road is very congested during the rush hours and getting from the east side to Manchester and the main centres of employment is very difficult. This is a real bottleneck. Households generally aspire to move from east to west as their housing wealth increases.

Edenfield and Helmshore are the primary locations, although Crawshawbooth and Weir are seen as being desirable rural locations. Edenfield is seen as more closely associated with the (buoyant) Ramsbottom housing market area. Whitworth is not really seen by agents and developers as being part of the Rossendale 'market' – it 'belongs' more to the Rochdale area.

Recent Changes in the Housing Market

The market has been strong over the past 2-3 years with strong prices in most settlements. Up until around April 2004, prices had increased and the demand for properties outweighed supply – up until then there were two buyers for every one property up for sale. There were 'cracks' beginning to appear in the market last Easter (this was the 'top of the market'). The general view is that whilst the market will cool off over the next 12 months, there will be a differential demand with people still wanting housing to the west side of the Borough, even in a different housing market climate. New development in (more difficult) locations such as Bacup may stutter – developers will have to take more realistic prices for homes. Traditionally it has been the case in Bacup that developments have started in good housing market conditions, a few homes have been sold, and then the undeveloped land has been sold on to another investor or developer. One developer stated that "it will be 5 to 10 years before the east side of the

Borough really starts to take off (as a result of market renewal initiatives) – and this will depend also on infrastructure improvements".

There will not be a housing market crash over the next few months – prices, whilst currently being too high, will not wreck the market. However, one agent reported that many buyers in Rossendale were trying to be 'cheeky' and to get 'too much for their money' and vendors were not shifting. The media are however currently talking down the market with the result that there are fewer properties coming up for sale.

The Local Economy and Social Infrastructure

Whilst this is not a buoyant area, there is considerable local economic activity. This might best be described as a kind of 'residual textile economy' with carpet and other woven manufactured goods being important, alongside some shoe manufacturing and related industry.

There is seen to be sufficient primary and secondary school provision and most parents can get their children into a reasonably good school – the Rawtenstall and Bacup Grammar School is sought after. However, there are locations where additional housing needs to be built to ensure that schools can be kept going.

It is highly desirable that the East Lancashire Railway be converted to a functioning commuter route to help the local economy and market (it is currently a tourist steam route).

Bus routes throughout the Borough are seen to be adequate.

Profile of Demand

The demand for owner occupation remains high in the Borough. Much of the demand at the lower end of the market has however (over the past 2-3 years) been from investors. This has in some cases been from investors who have purchased between 5 and 10 homes per development. The returns for the small 'Buy-to-'Let' investor who needs to borrow a significant proportion of the purchase price, are now in many locations too low (Bacup is an exception where homes can be purchased for under £50,000). Rawtenstall presents more of a problem to the Buy-to-Let investor; according to one agent, the cheapest property in the town is currently £83,000.

There is significant demand from outside Rossendale, particularly from Manchester. One developer stated that the profile of demand for new homes had shifted over the past 5 years: 5 years ago, around 80% of buyers came from Rossendale, now it is only around 60% (the difference being made up by buyers from Manchester and Bury).

There are some development companies who develop for investment – example 1 and 2 flats letting at £55-£85 per week.

Affordability

F-T-Bs have found it more difficult to get into the market recently. The older terraced housing has doubled in price over the last three years. This housing is largely in good condition following grant improvements during the 1980s. This housing (in Rossendale) has (often) cellars and attics with rooflights giving considerable living space. However, this form of housing doesn't have gardens and usually has street parking. As a consequence (despite the fact that the older housing is larger), there is high demand for new town homes with a garden and off street parking.

An affordable housing policy (in new developments) should be looked at in areas such as Edenfield and Helmshore.

What New Housing is Most Needed?

Most needed is more affordable housing for the family. There is sufficient housing for the F-T-B who can purchase from the older second hand Victorian stock. Housing is most needed at a step above this (families for the first time). This is larger town housing or semi-detached homes with 2-3 bedrooms with parking and somewhere for the children to play. Ideally this will (currently) be priced at between £120,000 and £150,000.

There is a significant demand for new homes over and above second hand dwellings, according to one agent.

Some agents thought that Rossendale does not need any more apartments – once it had none – now it "has loads".

Dwelling Prices

New homes are being sold as follows:

4 bed detached	£245,000 (Bacup, Boys Ltd)
4 bed detached mews	£150,000 to £160,000 (Burnley site, Swinbrook Homes)
2 beds	£120,000 - £130,000 (Bacup, Boys Ltd)

Prices per square foot range from £200 (Helmshore) through £180 (Rawtenstall), through £170,000 (Haslingden), through to £110 (Bacup).

Prices of homes on new estates do not 'step up logically'. There is a premium for semi detached and detached homes. New town houses do not have such a (relative) premium over older terraces.

Profile of Housing Supply (Who Develops Housing in Rossendale)

New housing is developed in large measure by two companies – B & E Boys Limited, who have traditionally been based (and have developed) towards the east side of the Borough (Bacup and Waterfoot in particular) and Hurstwoods, who have developed in Rawtenstall and Haslingden, towards the west side of the Borough. McDermott's are also an important player on the supply side, as are Rose and Halshaw. There is competition between these companies for sites, although there is a general feeling that (historically) there have been enough sites coming forward 'to go around'.

Rossendale is not a market where the national volume house builders have an important role. Redrow have some involvement, but generally developers from the South and Midlands have steered clear of this part of Lancashire, largely due to lack of local knowledge and a fear that they could be caught out in a rapidly changing market. The local developers feel that they know best how to 'work the valleys', where local knowledge about construction costs and selling prices is paramount.

One of the major local firms looks to develop sites with a minimal potential of 16 homes.

The main developers in Rossendale will not take on small sites (1-2 homes) as this means re-deploying labour from larger schemes. Nevertheless, there are plenty of smaller contractors and speculative builders who will take the work on.

The Land Market

Land is held by the main local developers in Rossendale and this makes it difficult for smaller builders to acquire land. The main local developers however have a very good idea of local land values and have backed off where a national developer is seen to be paying too much.

One developer reported that he thought the Borough Council is trying to pursue a policy of deflecting housing from the better areas (Whitworth quoted as an example) to areas such as Bacup – company was told “there is enough housing in Whitworth already”.

However, small companies will not be shoehorned into locations where they do not want to go. There are enough small sites to go around at the current time.

Developers generally do not feel that the Housing Market Renewal initiatives will provide many additional opportunities. There is a feeling that much of the investment will be spent on environmental improvements.

Urban Housing Potential

Redundant textile and cotton mills provide perhaps the most interesting and significant source of additional source of supply.

A flagship scheme is the Ilex Mill, sited centrally in Rawtenstall and being developed by the PJ Livesey Group. This is a high profile project with 92 apartments (mainly 1 and 2 bedrooms) being developed on five storeys. There is good parking provision (1 lot per flat with 2 places for 3 bed and penthouse apartments). So far around 70 apartments have been sold. These are at prices ranging from £150,000 to £180,000 for a 2 bed unit. They appear to be high spec. For many years the building sat undeveloped. A key factor were the conditions placed by English Heritage on the renovation. It is believed that eventually the whole mill was sold to the current developer for £1.

The Ilex Mill development has sold well (close to asking prices) so far, but the last few units are not going so well. The strategy now is to hold prices at the same level, but to provide extras to entice buyers. The apartments have been bought by investors, retirees and a small proportion of F-T-Bs. There are two children in the entire development!

There is considerable potential for further mill conversions in Rossendale (there is plenty of square footage! – some mills could be developed along the main valleys running north from the main Rossendale valley). However, the general consensus of the interviewees and those traditionally developing and operating in Rossendale is that these will not come forward easily – developers are not looking to ‘take them on’! Small schemes (e.g. old vicarages and redundant banks (!) between (typically) 5 to 10 apartments will continue to be developed, but not larger schemes which are seen to be too risky. One agent reported that he thought that the Ilex development was now a non-starter for investors needing to borrow to finance purchases as rents of only around £500 to £600 were being achieved (although it could ‘work’ for cash buyers). Nevertheless, one developer stated that they owned a large mill site and would bring it forward if they could obtain planning permission.

There is significant demand from developers for smaller conversion schemes.

LOTS schemes have been carried out in the Borough, albeit on a small scale.

A11 Data on Development Economics

Land values:

“Land values for a site in typical town in Rossendale is around £500,000 per acre. Towns in the west however command a premium.”

“A 1.25 hectare development in the Haslingden area sold for £900,000 at PPG3 (40 dph) density.”

“£35,000 per dwelling plot is a rough aggregate price for the Borough.”

Development costs

These work out as around £60/ft2. Then however you need to add planning fees, land acquisition fees, architect fees, NHBC guarantee costs and financing costs. A 20% margin also needs to be deducted from the land bid.

“A rough build cost per dwelling is £58,000 (which includes all costs – footings through to landscaping”)

“Construction costs have risen by 50% in the last 5 years”.

Comments on Specific Sites

One developer stated that he thought that the Borough Council should be very careful in releasing greenfield sites, as “there is sufficient brownfield land around”.

Site32: There is an access problem here. To bring the site forward will depend on the acquisition of a ransom strip.

Site 31: Car park forecourt. A site with potential although viability affected by having to stabilise land.

Site 34: Should be retained as a sports field.

Site 232: Unlikely to come forward – depends on other land coming forward.

Site 99: This site is heavily ‘treed’ – unlikely to provide a good and viable development area.

Rossendale Hospital: This should be looked at as a potential site.

The land around the Hurstwood offices may be developed as part of a larger scheme involving the current Asda site.

Appendix F
Market Viability Spreadsheets

16 Pages

Appendix G
Explanation of Spreadsheets

2 Pages

The spreadsheet contains four main sections:

(a) Input variables;

(b) Development appraisal;

(c) Development information; and

(d) Commercial viability assessment.

The main section 'Input variables' provides what is considered to be an appropriate development mix. This is informed by discussions with developers and agents and by the site surveys themselves. A view on appropriate density for each site is informed by the local plan and the location and nature of the site itself. The Input variables section includes assumed selling prices for the units. These are based on H.M. Land Registry postcode sector data. They reflect average mix adjusted mean selling prices; they are not bespoke to a site, but are intended to provide guide selling prices. This section also includes base build costs sourced from the RICS Building Cost Information Service. These costs reflect tender prices which have been adjusted by a location factor that relates to Rossendale.

The second section, 'Development appraisal' calculates a guideline residual development value that the scheme and site is likely to generate. The calculation is based on the approach a developer might take to site acquisition, where factors such as disposal fees, profit margins and land finance costs would be added to the equation to provide the residual value. The residual value is calculated on a pro-rata price per hectare so that a view can be formed on the robustness of the scheme and site. It is important to emphasise that the residual value is not a site valuation. Furthermore, it is important to emphasise that 'residual value' is not necessarily the same thing as 'land value'. Residual value is the value left once all non-land costs (development costs) have been subtracted from the gross development value.

Section 3, 'Development information' contains the site size, the relevant postcode sector, the assumed appropriate density and whether affordable housing is likely to be appropriate to the scheme and site. It is important to note that the site size is not always the same as that shown in Section 2. The figure given in Section 2 is the assumed net developable area, whereas the figure given in Section 3 reflects gross area. Although there is a box for an affordable housing element to be included in a scheme, we have assumed that in the case of these sites in Rossendale, this will not be appropriate either because of site size, or because of the general availability of lower cost housing in a particular neighbourhood. Section 3 also includes a comment on the level of market attraction of the site.

Section 4 provides a commentary on the commercial viability of sites. This is a commentary on whether the site 'stacks up' at the assumed density, mix, selling prices and development costs. The key issue here is whether the site and scheme assumed provides sufficient residual value in line with local benchmark values. It is important to emphasise that a different density, mix or affordable housing policy might change the conclusion on the viability of a site significantly.

The spreadsheet analysis, it should be stressed is not a perfect 'science'. It is based on the best available secondary sources of data but the site 'residuals' in no way constitute site valuations. The process of assessing urban potential has to rely on a sound practical method based on extrapolating case study sites and we follow here the principles adopted in the NWRA manual.

It should also be stated that site viability depends not only on location but also upon development mix. All the sites for which spreadsheets are provided have development mixes based on site surveys which established what might be most appropriate in planning terms for the neighbourhood or locality.

Appendix H
Principles in Assessing Economic Viability

2 Pages

The assessment of economic viability set out in the NWRA guidance follows closely the approach a developer would take to the acquisition of a housing development site. The approach is based on examining the relationship between the selling prices for houses and the cost of developing them. Broadly, sites are acquired on the basis of a simple formula:

R = HP – DC

Where 'R' = the site Residual; HP = House prices (revenue for the site) and DC = Development costs (total cost of developing the site).

From a developer's (and property industry) perspective the 'Residual' is often regarded as being tantamount to land value and in practice there is normally a very close relationship in many land deals.

From a planning perspective however, there is an important distinction to be drawn between 'site residual value' and 'land value'. The Residual site value is the value that results when all non-land costs (building costs) along with normal operating profits have been subtracted from the total site revenue (sales of all homes). The residual value is potentially divisible in three ways: in part to the land owner ('land value'), in part to the developer (who can drive a particularly good deal with the land owner and make some additional profit) and third to the public sector (normally local authorities) who usually require some form of planning gain from the grant of planning permission.

The principles behind this thinking are shown in the diagram below (Figure B1). In considering the economic viability of a site, it will be normal to allow the developer some normal level of profit along with his development costs. Thereafter, the Residual can be divided between local authority, land owner and developer himself.

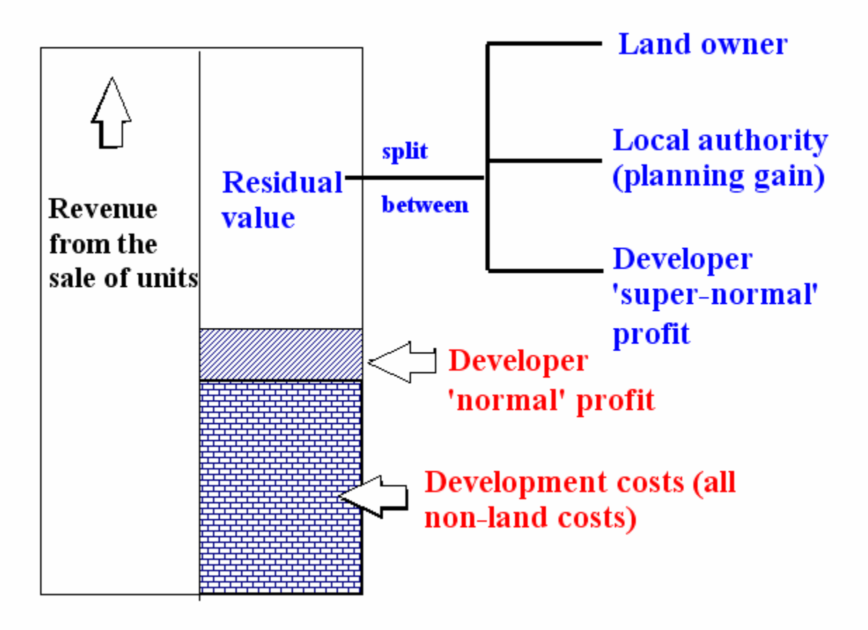

Figure B1

The principles behind the residual process of site value estimation are highly significant where the local authority is trying to implement an affordable housing policy. Whilst this may not currently be a significant issue in Rossendale, the potential impact of affordable housing on the economic viability of housing development in the future needs to be considered particularly where different land uses compete for the same site.

Appendix I
References

1 Page

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