

UPDATED ECONOMIC VIABILITY STUDY IN RELATION TO AFFORDABLE HOUSING

PREPARED ON BEHALF OF
ROSSENDALE BOROUGH COUNCIL

by



12 JUNE 2017

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1.0 INTRODUCTION

- 1.01 We provided Rossendale Borough Council ("*the Council*") with an Economic Viability Study ("*the original report*") dated February 2016 to support the Council's preparation of a Site Allocations and Development Management Policies Development Plan Document ("*the DPD*").
- 1.02 The Council has since decided to withdraw the DPD to pursue a new Borough-wide Local Plan which will update the existing Core Strategy policies and allocate development sites. As a result a number of new Evidence Base studies have been commissioned, namely:
- Strategic Housing Market Assessment (including the OAN)
 - Green Belt Review
 - Playing Pitch Strategy
 - Strategic Flood Risk Assessment
 - Gypsy and Traveller Assessment
 - Green Corridors Study
 - Retail, Town Centre, Leisure and Tourism Study
 - Update of the Strategic Housing Land Assessment (SHLA)
- 1.03 As a result of updating the Core Strategy the Council has requested an update on the viability of Affordable Housing in the borough. The following report will provide a review of the key appraisal assumptions used in the original report, and assess any necessary changes to account for current property market conditions. Following this we will provide an updated set of results with a specific focus on the level of Affordable Housing that can be viably supported by new housing development within the Borough.

2.0 FINANCIAL APPRAISAL TESTING INPUTS

2.01 This section of the report provides a brief summary of the testing inputs that have been adopted and changes to the inputs used in the original testing to account for current property market conditions.

2.02 Construction Costs

The construction costs adopted within the original report were prepared by White Young Green Quantity Surveyors ("WYG"). These costs were prepared in August 2015, and within the intervening period BCIS construction costs have increased by around 13.4%.

2.03 To account for this we have instructed WYG to undertake an updated assessment of construction costs. A report containing their methodology and costs is contained at **Appendix 1**. These costs are based on current building regulation requirements and are inclusive of substructures, super structures, all external works, incoming services and drainage, preliminaries, fees and a contingency.

2.04 The costs are exclusive of any additional costs that may be associated with the optional National Technical Standards, and hence our testing does not include any of the requirements.

2.05 Revenues

Table 2.1 below provides a summary of the revenues used in the original testing.

Zone	Areas	Sales Value per sq.m	Sales Value per sq.ft
1	Bacup, Stacksteads and Weir	£1,722	£160
2	Whitworth and less affluent portions of Rawtenstall	£1,884	£175
3	Crawshawbooth, Northern Rawtenstall, and portions of Helmshore and Haslingden	£2,045	£190
4	Affluent parts of Rawtenstall, Haslingden and Helmshore, and Edenfield	£2,260	£210

Table 2.1 – Residential Sales Prices Adopted in the Original Testing

2.06 We have updated our evidence base to account for sales at new build developments within the Borough since the start of 2015. This has included analysis of sales (contained at **Appendix 2**) at the following developments:

- Wainhomes Pennine View development located in Bacup
- Taylor Wimpey's Dale Moor View development located in Rawtenstall
- Persimmon Homes Healey Walk development located in Whitworth

2.07 This analysis shows that the average sales prices for new build development in different areas of Rossendale are at similar levels to those identified in our initial evidence base. As such we are satisfied that the values and zones adopted in the original report and shown in Table 2.1 above are reasonable for the purpose of our updated testing.

2.08 Affordable Housing

The following values have been adopted:-

- Affordable Rent 45% of market value
- Social Rent 45% of market value
- Intermediate 75% of market value

2.09 These have not changed from our original assessment.

2.10 Residential Land Values

Table 2.2 provides a summary of the residential land values adopted in the original testing.

	Previously Developed		Greenfield	
	(£/net ha)	(£/net acre)	(£/net ha)	(£/net acre)
Zone 1	370,000	150,000	370,000	150,000
Zone 2	618,000	250,000	370,000	150,000
Zone 3	865,000	350,000	435,000	200,000
Zone 4	990,000	400,000	618,000	250,000

Table 2.2 - Residential Land Value Assumptions adopted in the Original Testing

2.11 Given the evidence available and with reference to recent work we have undertaken in the wider Lancashire area, we are satisfied that the residential land values adopted within the original testing remain reasonable for the updated economic viability assessment.

2.12 Acquisition Costs

We have adopted acquisition costs of 1% of purchase price for agent's fees and legal fees at 0.8% as per the original testing. We have also assumed payment of stamp duty in accordance with HMRC thresholds and rates. This is in line with normal market practice and rates.

2.13 Timing of Land Acquisition

Our site appraisals assume that the land is acquired on day 1 of the development programme and hence the purchase carries finance costs from the outset. For most of the small allocations considered this would be usual practice. However, it should be noted that for the larger residential developments above 50 units it would be unusual for a developer to acquire the entirety of such large sites from day 1. A large development site would normally be the subject of a phased acquisition programme, with the land only being drawn down by the developer as required. As a result, land acquisition costs are more likely to be phased over the development period and so the cost of finance would be reduced with a corresponding increase in the amount of development surplus and viability of the development.

2.14 Development Programme

In our experience we anticipate that a developer would seek to construct and sell around 30-40 dwellings per annum, although in this instance we note that sales may be slower within lower value parts of the Borough.

2.15 For the purpose of the assessments we have assumed an average sales rate for each site of between 0.5 and 2 per month in lower value locations, and between 1 and 2.5 per month in higher value locations, depending on the size of the development, with the first sales taking place 5 months after a start on site.

- 2.16 Given that the largest development that we propose to test comprises 150 dwellings, we consider that this size of development is too small for developers to 'double up' with multiple house builders building out at the same time with multiple sales outlets, which may increase sales rates in certain instances. We have therefore assumed that this form of development will be developed by a single house builder.
- 2.17 Table 2.3 illustrates the overall development programmes that we have assumed. These remain unchanged from our original assessment.

No Units	Lower Value Area Sales Rate	Higher Value Area Sales Rate	Lower Value Area Development Programme (Months)	Higher Value Area Development Programme (Months)
10	0.5/month	1/month	20	10
25	1/month	1.5/month	25	17
50	1/month	2/month	50	25
75	1.5/month	2.5/month	50	30
100	2/month	2.5/month	50	40

Table 2.3 - Residential Development Programme

- 2.18 S106/S278 and Other Planning Requirements
In undertaking our testing we have incorporated an amount of £1,000 per dwelling as an allowance to reflect the need for additional highway works such as new access arrangements, junction improvements and footpaths, or other site specific S.106 requirements. This remains unchanged from our original assessment.
- 2.19 Sales and Marketing Costs
Disposal costs, including sales and marketing expenses, have been assumed at a rate of 3.5% of the Gross Development Value of the market housing. This is in line with typical development industry rates for housing development. We have included an allowance of £500 per unit for the costs associated with the transfer of the affordable units to a registered provider. This remains unchanged from our original assessment.
- 2.20 Finance
A finance rate of 7% has been applied uniformly across all forms of residential development. This remains unchanged from our original assessment.
- 2.21 Developers Profit
A profit level based on 15% of GDV (inclusive of overheads) has been applied for the smaller housing schemes of 25 units or less. For all other sites a developer's return (inclusive of overheads) of 20% of GDV has been adopted. This remains unchanged from our original assessment.
- 2.22 Form of Development
The development typologies (sizes, mixes and densities) are considered reasonable and were agreed with the Council at the time of the last Report. The gross to net assumptions are also considered reasonable and are based recent new build developments in the Borough. Therefore we have used the same form of development to assess the amount of affordable housing that can be supported within the Borough.

3.0 VIABILITY RESULTS AND POLICY IMPACTS

- 3.01 This section sets out the results and findings from the updated viability assessments undertaken for the residential generic sites.
- 3.02 In each case the results tables are presented to show the scheme reference and the number of dwellings. The 'Development Surplus' is then assessed alongside the proposed policy options, namely Affordable Housing requirements using the differing tenure mixes. The columns relating to the policy options show the cost per sq.m reduction to the development surplus as a result of adopting that policy requirement.
- 3.03 For ease of reference and presentation the table cells have been coloured to demonstrate development viability. Where development is not viable the cells are shaded red. For these developments to proceed either the land owner or the developer will need to be more flexible in relation to their required returns.
- 3.04 The development surplus and the policy impact per sq.m have in all cases been rounded to the nearest £ per sq.m, which in some cases results in a slight variance in the policy impact cost.
- 3.05 In a number of cases cells are shaded grey which indicates that affordable housing has not been tested at this level as based on the results of testing at lower thresholds it has already been determined that this would be unviable.
- 3.06 As identified earlier within the Report, the different value zones referenced below refer to the different value areas within the Borough, which are identified within the Report above. The relevant tables relating to each zone are:

Zone 1 – Bacup, Stacksteads and Weir

Tables 3.1 – 3.2

Zone 2 – Whitworth and less affluent portions of Rawtenstall

Tables 3.3 – 3.4

Zone 3 - Crawshawbooth, Northern Rawtenstall, and portions of Helmshore and Haslingden

Tables 3.5 – 3.6

Zone 4 - Affluent parts of Rawtenstall, Haslingden and Helmshore, and Edenfield

Tables 3.7 – 3.8

Zone 1 Results at 30 dwellings per hectare			Brownfield			Greenfield		
Scheme	No Units	Policy	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)
1	10	Baseline	-£33	-1.89%		£28	1.61%	
		10% affordable homes				-£33	-2.02%	£61
2	25	Baseline	-£55	-3.20%		£4	0.21%	
		10% affordable homes				-£47	-2.88%	£51
3	50	Baseline	-£73	-4.22%		-£19	-1.10%	
		10% affordable homes						
4	75	Baseline	-£64	-3.73%		£8	0.46%	
		10% affordable homes				-£50	-3.01%	£58
5	150	Baseline	-£36	-2.07%		£19	1.08%	
		10% affordable homes				-£24	-1.43%	£42

Table 3.1 – Zone 1 Results at 30 dwellings per hectare

Zone 1 Results at 40 dwellings per hectare			Brownfield		
Scheme	No Units	Policy	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)
1	10	Baseline	£19	1.12%	
		10% affordable homes	-£42	-2.54%	£61
2	25	Baseline	£2	0.10%	
		10% affordable homes	-£49	-2.99%	£51
3	50	Baseline	-£18	-1.06%	
		10% affordable homes			
4	75	Baseline	£3	0.17%	
		10% affordable homes	-£39	-2.36%	£42
5	150	Baseline	£21	1.22%	
		10% affordable homes	-£22	-1.30%	£42

Table 3.2 - Zone 1 Results at 40 dwellings per hectare

Zone 2 Results at 30 dwellings per hectare			Brownfield			Greenfield		
Scheme	No Units	Policy	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)
1	10	Baseline	£7	0.35%		£152	8.06%	
		10% affordable homes	-£60	-3.34%	£66	£85	4.75%	£67
		20% affordable homes				£41	2.34%	£111
		30% affordable homes				£13	0.77%	£139
		40% affordable homes				-£23	-1.43%	£175
2	25	Baseline	-£26	-1.36%		£123	6.55%	
		10% affordable homes				£67	3.74%	£56
		20% affordable homes				£33	1.89%	£90
		30% affordable homes				-£31	-1.86%	£154
		40% affordable homes						
3	50	Baseline	-£53	-2.79%		£40	2.13%	
		10% affordable homes				-£0	-0.01%	£40
		20% affordable homes						
		30% affordable homes						
		40% affordable homes						
4	75	Baseline	-£43	-2.30%		£100	5.31%	
		10% affordable homes				£55	3.01%	£45
		20% affordable homes				£17	0.96%	£83
		30% affordable homes				-£21	-1.24%	£121
		40% affordable homes						
5	150	Baseline	-£15	-0.82%		£126	6.71%	
		10% affordable homes				£80	4.44%	£46
		20% affordable homes				£44	2.50%	£83
		30% affordable homes				£2	0.13%	£124
		40% affordable homes				-£40	-2.46%	£166

Table 3.3 - Zone 2 Results at 30 dwellings per hectare

Zone 2 Results at 40 dwellings per hectare			Brownfield		
Scheme	No Units	Policy	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)
1	10	Baseline	£79	4.22%	
		10% affordable homes	£13	0.73%	£66
		20% affordable homes	-£32	-1.82%	£111
2	25	Baseline	£54	2.84%	
		10% affordable homes	-£2	-0.12%	£56
		20% affordable homes			
3	50	Baseline	£23	1.21%	
		10% affordable homes	-£18	-0.96%	£40
		20% affordable homes			
4	75	Baseline	£45	2.41%	
		10% affordable homes	-£0	-0.01%	£46
		20% affordable homes			
5	150	Baseline	£63	3.34%	
		10% affordable homes	£17	0.93%	£46
		20% affordable homes	-£20	-1.12%	£63

Table 3.4 – Zone 2 Results at 40 dwellings per hectare

Zone 3 Results at 30 dwellings per hectare			Brownfield			Greenfield		
Scheme	No Units	Policy	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)
1	10	Baseline	£42	2.06%		£232	11.37%	
		10% affordable homes	-£30	-1.54%	£72	£160	8.23%	£72
		20% affordable homes				£112	5.94%	£121
		30% affordable homes				£82	4.45%	£151
		40% affordable homes				£43	2.39%	£190
2	25	Baseline	£7	0.34%		£202	9.86%	
		10% affordable homes	-£55	-2.81%	£62	£140	7.15%	£62
		20% affordable homes				£102	5.36%	£100
		30% affordable homes				£31	1.72%	£171
		40% affordable homes				-£28	-1.62%	£230
3	50	Baseline	-£27	-1.34%		£161	7.88%	
		10% affordable homes				£116	5.85%	£46
		20% affordable homes				£56	2.96%	£105
		30% affordable homes				£18	0.99%	£143
		40% affordable homes				-£34	-1.92%	£195
4	75	Baseline	-£18	-0.88%		£171	8.38%	
		10% affordable homes				£120	6.11%	£51
		20% affordable homes				£68	3.57%	£103
		30% affordable homes				£26	1.40%	£146
		40% affordable homes				-£24	-1.40%	£196
5	150	Baseline	£7	0.36%		£199	9.72%	
		10% affordable homes	-£43	-2.21%	£51	£147	7.47%	£52
		20% affordable homes				£106	5.57%	£93
		30% affordable homes				£59	3.24%	£139
		40% affordable homes				£12	0.69%	£187

Table 3.5 - Zone 3 Results at 30 dwellings per hectare

Zone 3 Results at 40 dwellings per hectare			Brownfield		
Scheme	No Units	Policy	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)
1	10	Baseline	£41	6.91%	
		10% affordable homes	£69	3.55%	£72
		20% affordable homes	£21	1.10%	£121
2	25	Baseline	£107	5.23%	
		10% affordable homes	£45	2.31%	£62
		20% affordable homes	£7	0.39%	£100
3	50	Baseline	£71	3.47%	
		10% affordable homes	£25	1.29%	£46
		20% affordable homes	-£34	-1.82%	£105
4	75	Baseline	£94	4.59%	
		10% affordable homes	£43	2.18%	£51
		20% affordable homes	£1	0.03%	£93
5	150	Baseline	£108	5.29%	
		10% affordable homes	£57	2.92%	£51
		20% affordable homes	£17	0.90%	£91

Table 3.6 – Zone 3 results at 40 dwellings per hectare

Zone 4 Results at 30 dwellings per hectare			Brownfield			Greenfield		
Scheme	No Units	Policy	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)
1	10	Baseline	£165	7.28%		£356	15.74%	
		10% affordable homes	£85	3.94%	£80	£276	12.82%	£80
		20% affordable homes	£31	1.50%	£133	£222	10.69%	£133
		30% affordable homes				£189	9.32%	£166
		40% affordable homes				£146	7.42%	£210
2	25	Baseline	£218	9.65%		£318	14.05%	
		10% affordable homes	£56	2.59%	£162	£249	11.52%	£68
		20% affordable homes	£14	0.67%	£204	£208	9.85%	£110
		30% affordable homes				£129	6.47%	£188
		40% affordable homes				£64	3.35%	£254
3	50	Baseline	£78	3.46%		£267	11.80%	
		10% affordable homes	£28	1.27%	£50	£216	9.91%	£50
		20% affordable homes	-£38	-1.83%	£116	£150	7.22%	£116
		30% affordable homes				£109	5.39%	£158
		40% affordable homes				£52	2.67%	£215
4	75	Baseline	£86	3.83%		£276	12.20%	
		10% affordable homes	£30	1.38%	£56	£219	10.09%	£56
		20% affordable homes	-£17	-0.79%	£103	£173	8.21%	£103
		30% affordable homes				£126	6.20%	£150
		40% affordable homes				£60	3.10%	£216
5	150	Baseline	£109	4.81%		£389	17.22%	
		10% affordable homes	£53	2.42%	£56	£246	11.31%	£143
		20% affordable homes	£8	0.39%	£100	£201	9.54%	£188
		30% affordable homes				£149	7.36%	£240
		40% affordable homes				£97	4.99%	£292

Table 3.7 – Zone 4 results at 30 dwellings per hectare

Zone 4 Results at 40 dwellings per hectare			Brownfield		
Scheme	No Units	Policy	Surplus (per sq.m)	Surplus % GDV	Policy Impact (per sq.m)
1	10	Baseline	£357	15.81%	
		10% affordable homes	£278	12.90%	£80
		20% affordable homes	£224	10.77%	£133
2	25	Baseline	£236	10.42%	
		10% affordable homes	£167	7.73%	£68
		20% affordable homes	£126	5.96%	£110
3	50	Baseline	£188	8.30%	
		10% affordable homes	£137	6.29%	£50
		20% affordable homes	£71	3.42%	£116
4	75	Baseline	£209	9.26%	
		10% affordable homes	£153	7.04%	£56
		20% affordable homes	£106	5.05%	£103
5	150	Baseline	£220	9.75%	
		10% affordable homes	£164	7.56%	£56
		20% affordable homes	£120	5.71%	£100

Table 3.8 – Zone 4 results at 40 dwellings per hectare

3.07 **Zone 1 Conclusions**

3.08 Tables 3.1 and 3.2 contain the results of the viability testing for Zone 1 which broadly covers the areas of Bacup, Stacksteads and Weir.

3.09 Baseline Position

At 30 dwellings per hectare the results relating to the housing schemes tested in Zone 1 at the baseline position i.e. no affordable housing shows in all cases for previously developed land that development is unviable and makes a loss. Losses range from £33 to £73 per sq.m. In relation to greenfield result all but one scheme was viable. The one scheme where development was unviable is Scheme 3 with a deficit of £19 per sq.m. The other four schemes are all viable with surpluses ranging from £2 to £21 per sq.m. However, for all four viable schemes the surpluses are equivalent to between 0.21% and 1.61% of GDV which indicates that these schemes are only marginally viable.

3.10 We have only tested previously developed land at 40 dwellings per hectare, with greenfield sites tending to be less dense in character. At 40 dwellings per hectare viability improves for brownfield sites, with all but one of the schemes viable. Surpluses range £2 to £21 per sq.m. However, for all four viable schemes the surpluses are equivalent to between 0.10% and 1.22% of GDV which indicates that these schemes are marginally viable. The one scheme where development was unviable is Scheme 3 with a deficit of £18 per sq.m.

3.11 Development in Zone 1 shows a mixture of viability. Development on brownfield development is unviable at 30ph. Viability improves at 40 dwellings per hectare and on greenfield sites, albeit all viable schemes are only marginally so.

3.12 Affordable Housing

Given that the majority of sites are unviable and those that are viable are only marginally so, no further testing has been undertaken to include affordable homes. These forms of development in this area are unlikely to be able to support any requirements for affordable homes.

3.13 **Zone 2 Conclusions**

3.14 Tables 3.3 and 3.4 contain the results of the viability testing for development in Zone 2 which broadly covers the areas of Whitworth, Britannia, Inner Rawtenstall, Newchurch and Waterfoot.

3.15 Baseline Position

At 30 dwellings per hectare on brownfield sites the results relating to the housing schemes tested in Zone 2 at the baseline position show only Scheme 1 is viable. Scheme 1 has a surplus of £7 per sq.m, this equates to 0.35% of GDV. This indicates that this development is marginal and hence relatively small increases in costs or reductions in revenues could make the schemes unviable. For the other four schemes tested losses range from £15 to £53 per sq.m.

3.16 Viability improves on greenfield sites with all schemes at 30 dwellings per hectare viable at the baseline position. The surpluses for these schemes range from £40 to £152 per sq.m.

- 3.17 At 40 dwellings per hectare viability improves on previously developed land, with all schemes viable. Surpluses range £23 to £79 per sq.m. However, for all schemes the surpluses are equivalent to between 1.12% and 4.22% of GDV which indicates that these schemes are marginally viable.
- 3.18 Affordable Housing
Given that all development on previously developed land at 30 dwellings per hectare was unviable or marginally viable no further testing has been undertaken to include affordable homes.
- 3.19 On greenfield sites all schemes are unviable with the inclusion of 40% affordable housing. The smaller development of 10 units at Scheme 1 and the largest development of 150 units at Scheme 5 can support 30% affordable housing. However both schemes are marginally viable at this level with surpluses of 0.13% and 0.77% of GDV. All other schemes are unviable at this level of affordable housing. Scheme 2 and Scheme 4 are able to support 20% affordable housing, but only marginally with surpluses of 1.86% and 0.96% of GDV. Scheme 3 is not viable supporting any level of affordable housing.
- 3.20 At 40 dwellings per hectare the inclusion of 20% affordable housing makes all schemes unviable on previously developed land. Schemes 2, 3 and 4 are also unviable with a 10% allocation of affordable housing. The smaller development of 10 units at Scheme 1 and the largest development of 150 units at Scheme 5 can support 10% affordable housing. However both schemes are marginally viable at this level with surpluses equivalent to 0.73% and 0.93% of GDV.
- 3.21 **Zone 3 Conclusions**
- 3.22 Tables 3.5 and 3.6 contain the results of the viability testing for development in Zone 3 which broadly covers the areas of Crawshawbooth, Haslingden, Outer Rawtenstall and New Hall Hey.
- 3.23 Baseline Position
At 30 dwellings per hectare the results relating to the housing schemes tested in Zone 3 at the baseline position shows a mixed level of viability. Schemes 1, 2 and 5 are viable with surpluses ranging £7 to £42 per sq.m, equating to a range of 0.36% to 2.06% of GDV. This indicates that this development is marginal and hence relatively small increases in costs or reductions in revenues could make the schemes unviable. Schemes 3 and 4 are unviable with deficits of -£27 to -£18 per sq.m.
- 3.24 Viability improves on greenfield sites with all schemes at 30 dwellings per hectare viable at the baseline position. The surpluses for these schemes range from £161 to £232 per sq.m. All developments at the base position have a development surplus of greater than 5% of the GDV.
- 3.25 At 40 dwellings per hectare viability improves on previously developed land, with all schemes viable. Surpluses range £41 to £108 per sq.m.
- 3.26 Affordable Housing
Given that all development on previously developed land at 30 dwellings per hectare was unviable or marginally viable no further testing has been undertaken to include affordable homes.

- 3.27 In relation the greenfield test the smaller development of 10 units at Scheme 1 and the largest development of 150 units at Scheme 5 can support 40% affordable housing. However both schemes are marginally viable at this level with surpluses of 2.39% and 0.69% of GDV. Schemes 2, 3 and 4 can all support 30% affordable housing, albeit in all three cases this is marginal with development surpluses ranging from 0.99% to 1.72% of GDV.
- 3.28 At 40 dwellings per hectare the inclusion of 20% affordable housing on previously developed land leads to a reduction in the development surplus of between £93 per sq.m and £121 per sq.m. All schemes with the exception of Scheme 3 remain viable however schemes 1, 2 and 5 move from being viable with a development surplus greater than 5% of GDV to more marginally viable with surpluses equivalent to between 0.39% and 1.10% of GDV. All schemes are viable at 10% provision however the results for all schemes are more marginal with surpluses less than 5% of GDV.
- 3.29 **Zone 4 Conclusions**
- 3.30 Tables 3.7 and 3.8 contain the results of the viability testing for development in Zone 4 which broadly covers the areas of Helmshore, Edenfield and affluent areas around Haslingden and Rawtenstall.
- 3.31 **Baseline Results**
At 30 dwellings per hectare on previously developed land all schemes are viable in zone 4. Surpluses range from £78 to £218 per sq.m.
- 3.32 Viability improves on greenfield sites with all schemes at 30 dwellings per hectare viable at the baseline position. The surpluses for these schemes range from £267 to £389 per sq.m. All developments at the base position have a development surplus of greater than 5% of the GDV.
- 3.33 At 40 dwellings per hectare viability improves on previously developed land, with all schemes viable. Surpluses range £188 to £357 per sq.m. All developments at the base position have a development surplus of greater than 5% of the GDV.
- 3.34 **Affordable Housing**
The policy requirement to include 20% affordable housing on brownfield developments results in a reduction to the base surplus. At 30 dwellings per hectare the reduction in development surplus for previously developed sites is in the range of £100 per sq.m to £204 per sq.m. Schemes 1, 2 and 5 are able to support the inclusion of 20% affordable houses whilst scheme 3 and 4 become unviable. The other results on this basis have development surpluses equivalent to between 0.39% and 1.50% of GDV indicating that although viable development on this basis is more marginal. Testing was also carried out to model the impact of 10% affordable housing, which all schemes are able to support although some of the results are more marginal. The range of surpluses is equivalent to between 1.27% and 3.94% of GDV.
- 3.35 On greenfield sites the inclusion of 40% affordable housing leads to a reduction in the development surplus of between £210 per sq.m and £292 per sq.m. All schemes within this zone are viable with the inclusion of 40% affordable housing although the surpluses are generally less than 5% of GDV indicating a more marginal form of development.

- 3.36 At 40 dwellings per hectare the inclusion of 20% affordable housing on previously developed land leads to a reduction in the development surplus of between £100 per sq.m and £133 per sq.m. All of the schemes remain viable with four of the five schemes remaining viable with surpluses greater than 5% of GDV.

4.0 CONCLUSIONS

- 4.01 We have been instructed to provide an update focusing on the levels of affordable housing than can be supported in Rossendale following on from our Economic Viability Study dated February 2016.
- 4.02 This report has initially provided a brief summary of the testing inputs that have been used for the purpose of assessing viability, highlighting any changes to inputs adopted in the initial testing. The only change made to our testing inputs has been in regard to construction costs. The costs used in the initial testing were prepared in August 2015, and within the intervening period according to the Tender Price Index BCIS construction costs have increased by around 13.4%. As such, WYG have prepared an updated set of construction costs for April 2017. Aside from this, all of the initial testing inputs are considered to be reasonable for the purpose of assessing the level of affordable housing that can be supported in the Borough at the present time.
- 4.03 In Section 3 of the report we have provided the updated results of our testing. Table 4.1 below provides a summary of the results in regard to the different levels of affordable housing that can be viably supported in different zones and for different development scenarios in the Borough.

Value Zone	Area	Net Sales Prices per sq.ft	Level of Affordable Housing that can be Supported		
			Brownfield @ 30 dph	Brownfield @ 40 dph	Greenfield @ 30 dph
Zone 1	Bacup, Stacksteads and Weir	£160	0%	0%	0%
Zone 2	Whitworth and less affluent portions of Rawtenstall	£175	0%	0%	20%
Zone 3	Crawshawbooth, Northern Rawtenstall, and portions of Helmshore and Haslingden	£190	0%	10%	30%
Zone 4	Affluent parts of Rawtenstall, Haslingden and Helmshore, and Edenfield	£210	10%	20%	40%

Table 4.1 – Summary of Level of Affordable Housing that can be supported

- 4.04 The testing indicates that in Zone 1 due to the limited revenues that are received there is a limited prospect of developments being able to support an affordable housing provision.
- 4.05 In Zone 2 viability improves, and whilst brownfield sites will struggle to support an affordable housing provision we consider that greenfield sites will be able to provide an onsite provision of up to 20%.
- 4.06 In terms of Zone 3, viability improves further. If we assume that higher density development is provided on brownfield Sites (as is often the case), based on the results of our testing we consider that an onsite provision of up to 10% can be supported and in some cases it may be possible to 20% although results become very marginal. We consider that an onsite provision of 30% can be supported on greenfield sites.
- 4.07 Viability improves in Zone 4, and we consider that brownfield developments can support 10% affordable housing provision at 30 dwelling per hectare and up to 20% at higher densities. For greenfield sites the results it may be possible to achieve up to 40% affordable housing provision.

APPENDIX 1

WYG BUILD COST REPORT



**ROSSENDALE COUNCIL
CIL ECONOMIC VIABILITY APPRAISAL - TYPICAL COSTS FOR RESIDENTIAL - HOUSES**

Summary for density 30 dwellings per hectare (Low Sales rates)

06 April 2017

GREEN FIELD SITE - Intermediate quality				
	Total Cost	Av Cost per dwelling	Av cost per m2	Sales rate and Construction period
Scheme 1 10 dwellings	£ 1,235,434	£ 123,543	£ 1,210	n/a/m 8 months
Scheme 2 25 dwellings	£ 3,010,657	£ 120,426	£ 1,228	1/m 29 months
Scheme 3 50 dwellings	£ 5,846,543	£ 116,931	£ 1,172	1.5/m 37 months
Scheme 4 75 dwellings	£ 8,638,268	£ 115,177	£ 1,161	2/m 42 months
Scheme 5 100 dwellings	£ 11,208,606	£ 112,086	£ 1,130	2/m 54 months
BROWN FIELD SITE - Intermediate quality				
	Total Cost	Av Cost per dwelling	Av cost per m2	Sales rate and Construction period
Scheme 1 10 dwellings	£ 1,299,837	£ 129,984	£ 1,273	n/a/m 8 months
Scheme 2 25 dwellings	£ 3,167,108	£ 126,684	£ 1,292	1/m 29 months
Scheme 3 50 dwellings	£ 6,153,699	£ 123,074	£ 1,233	1.5/m 37 months
Scheme 4 75 dwellings	£ 9,113,423	£ 121,512	£ 1,225	2/m 42 months
Scheme 5 100 dwellings	£ 11,820,522	£ 118,205	£ 1,192	2/m 54 months

Note: construction periods are based on the Sales Rates stated with and include a lead in to first sale of 4 months. Scheme 1 of 10 dwellings is too small to be constructed to a sales rate and is assumed to have a period based on optimum construction time.

Assumptions

Floor areas as provided

Site areas derived from densities required

Fees - variable depending on project size

Contingencies - 5% throughout

No abnormal development costs

VAT excluded from all costs

Contractor's profit excluded

No allowance for Code for Sustainable Homes compliance

See notes and specification details attached



**ROSSENDALE COUNCIL
CIL VIABILITY APPRAISAL - TYPICAL COSTS FOR RESIDENTIAL - HOUSES**

Summary for density 40 dwellings per hectare (Low Sales rates)

06 April 2017

GREEN FIELD SITE - Intermediate quality				
	Total Cost	Av Cost per dwelling	Av cost per m2	Sales rate and Construction period
Scheme 1 10 dwellings	£ 1,217,075	£ 121,708	£ 1,192	n/a/m 8 months
Scheme 2 25 dwellings	£ 2,961,679	£ 118,467	£ 1,208	1/m 29 months
Scheme 3 50 dwellings	£ 5,751,740	£ 115,035	£ 1,153	1.5/m 37 months
Scheme 4 75 dwellings	£ 8,403,878	£ 112,052	£ 1,130	2/m 42 months
Scheme 5 100 dwellings	£ 10,997,713	£ 109,977	£ 1,109	2/m 54 months
BROWN FIELD SITE - Intermediate quality				
	Total Cost	Av Cost per dwelling	Av cost per m2	Sales rate and Construction period
Scheme 1 10 dwellings	£ 1,277,103	£ 127,710	£ 1,251	n/a/m 8 months
Scheme 2 25 dwellings	£ 3,107,306	£ 124,292	£ 1,268	1/m 29 months
Scheme 3 50 dwellings	£ 6,037,355	£ 120,747	£ 1,210	1.5/m 37 months
Scheme 4 75 dwellings	£ 8,824,141	£ 117,655	£ 1,186	2/m 42 months
Scheme 5 100 dwellings	£ 11,561,664	£ 115,617	£ 1,165	2/m 54 months

Note: construction periods are based on the Sales Rates stated with and include a lead in to first sale of 4 months. Scheme 1 of 10 dwellings is too small to be constructed to a sales rate and is assumed to have a period based on optimum construction time.

Assumptions

Floor areas as provided

Site areas derived from densities required

White goods

Floor finishes

Sundries

VAT excluded from all costs

Contractor's profit excluded

No allowance for Code for Sustainable Homes compliance

See notes and specification details attached

APPENDIX 2

UPDATED SALES REVENUES EVIDENCE

Dale More View - Taylor Wimpey

No	Street	Town	Postcode	Price Paid	Date	sq.ft	Price (psf)	Type
14	CLOGGER CLOSE	RAWTENSTALL	BB4 6SB	£289,995	31/07/2015	1227	£236	D
15	CLOGGER CLOSE	RAWTENSTALL	BB4 6SB	£289,995	07/08/2015	1227	£236	D
16	CLOGGER CLOSE	RAWTENSTALL	BB4 6SB	£195,995	26/06/2015	1089	£180	T
17	CLOGGER CLOSE	RAWTENSTALL	BB4 6SB	£205,995	26/06/2015	1089	£189	T
18	CLOGGER CLOSE	RAWTENSTALL	BB4 6SB	£315,895	26/06/2015	1346	£235	D
19	CLOGGER CLOSE	RAWTENSTALL	BB4 6SB	£280,895	27/11/2015	1099	£256	D
42	WARD WAY	RAWTENSTALL	BB4 6SP	£268,995	30/11/2016	1251	£215	D
45	WARD WAY	RAWTENSTALL	BB4 6SP	£224,995	04/11/2016	914	£246	D
46	WARD WAY	RAWTENSTALL	BB4 6SP	£281,995	14/10/2016	1251	£225	D
47	WARD WAY	RAWTENSTALL	BB4 6SP	£281,995	26/08/2016	1251	£225	D
48	WARD WAY	RAWTENSTALL	BB4 6SP	£264,995	26/08/2016	1099	£241	D
49	WARD WAY	RAWTENSTALL	BB4 6SP	£281,995	12/08/2016	1251	£225	D
50	WARD WAY	RAWTENSTALL	BB4 6SP	£264,995	30/09/2016	1159	£229	D
51	WARD WAY	RAWTENSTALL	BB4 6SP	£264,995	12/08/2016	1099	£241	D
52	WARD WAY	RAWTENSTALL	BB4 6SP	£264,995	19/08/2016	1159	£229	D
53	WARD WAY	RAWTENSTALL	BB4 6SP	£285,895	27/05/2016	1240	£231	D
54	WARD WAY	RAWTENSTALL	BB4 6SP	£281,995	16/09/2016	1159	£243	D
56	WARD WAY	RAWTENSTALL	BB4 6SP	£199,995	15/07/2016	1251	£160	T
58	WARD WAY	RAWTENSTALL	BB4 6SP	£198,995	01/07/2016	1099	£181	T
60	WARD WAY	RAWTENSTALL	BB4 6SP	£201,995	01/07/2016	1216	£166	T
61	WARD WAY	RAWTENSTALL	BB4 6SP	£312,995	08/04/2016	1346	£233	D
62	WARD WAY	RAWTENSTALL	BB4 6SP	£281,995	13/10/2016	1251	£225	D
64	WARD WAY	RAWTENSTALL	BB4 6SP	£264,995	09/06/2016	1159	£229	D
66	WARD WAY	RAWTENSTALL	BB4 6SP	£264,995	10/06/2016	1099	£241	D
68	WARD WAY	RAWTENSTALL	BB4 6SP	£279,995	29/04/2016	1099	£255	D
70	WARD WAY	RAWTENSTALL	BB4 6SP	£265,895	08/07/2016	1159	£229	D
72	WARD WAY	RAWTENSTALL	BB4 6SP	£279,995	18/03/2016	1249	£224	D
74	WARD WAY	RAWTENSTALL	BB4 6SP	£254,995	18/03/2016	1249	£204	D
76	WARD WAY	RAWTENSTALL	BB4 6SP	£276,995	21/03/2016	1251	£221	D
78	WARD WAY	RAWTENSTALL	BB4 6SP	£222,995	22/01/2016	914	£244	D
14	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£164,995	27/03/2015	745	£221	S
16	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£164,995	24/04/2015	745	£221	S
30	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£275,995	11/12/2015	1251	£221	D
32	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£245,995	26/02/2016	1099	£224	D
34	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£249,995	26/02/2016	1099	£227	D
36	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£259,995	18/02/2016	1159	£224	D
38	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£227,895	20/11/2015	914	£249	D
4	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£162,995	26/03/2015	745	£219	T
44	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£195,000	31/03/2016	866	£225	S
8	SHOEMAKER GARDENS	RAWTENSTALL	BB4 6SR	£162,995	26/03/2015	745	£219	T
1	COBBLER CLOSE	RAWTENSTALL	BB4 6SS	£274,995	24/04/2015	1099	£250	D
2	COBBLER CLOSE	RAWTENSTALL	BB4 6SS	£265,995	19/06/2015	1159	£230	D
3	COBBLER CLOSE	RAWTENSTALL	BB4 6SS	£325,895	27/03/2015	1346	£242	D
4	COBBLER CLOSE	RAWTENSTALL	BB4 6SS	£204,995	26/06/2015	1089	£188	T
5	COBBLER CLOSE	RAWTENSTALL	BB4 6SS	£195,995	26/06/2015	1089	£180	T
6	COBBLER CLOSE	RAWTENSTALL	BB4 6SS	£274,995	24/04/2015	1251	£220	D
7	COBBLER CLOSE	RAWTENSTALL	BB4 6SS	£259,995	10/04/2015	1159	£224	D
8	COBBLER CLOSE	RAWTENSTALL	BB4 6SS	£259,995	22/05/2015	1227	£212	D

£223

Healey Walk - Persimmon

No	Street	Town	Postcode	Price Paid	Date	sq.ft	Price (psf)	Type
10	ORAMA AVENUE	WHITWORTH	OL12 8ED	£209,995	19/02/2016	1222	£172	D
16	ORAMA AVENUE	WHITWORTH	OL12 8ED	£155,796	29/05/2015	1012	£154	S
20	ORAMA AVENUE	WHITWORTH	OL12 8ED	£160,000	06/02/2015	1012	£158	S
21	ORAMA AVENUE	WHITWORTH	OL12 8ED	£119,995	18/12/2015	739	£162	S
28	ORAMA AVENUE	WHITWORTH	OL12 8ED	£179,995	20/03/2015	999	£180	D
32	ORAMA AVENUE	WHITWORTH	OL12 8ED	£164,995	26/03/2015	1222	£135	S
12	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£209,995	06/05/2016	1154	£182	D
14	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£204,995	26/02/2016	1096	£187	D
16	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£144,995	26/02/2016	932	£156	S
18	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£144,995	26/02/2016	932	£156	S
22	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£204,995	04/04/2016	1096	£187	D
24	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£221,995	27/06/2016	1257	£177	D
25	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£184,995	26/08/2016	969	£191	D
27	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£179,995	26/08/2016	969	£186	D
41	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£146,995	25/08/2016	932	£158	S
43	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£146,995	02/09/2016	932	£158	S
45	SPINNERS DRIVE	WHITWORTH	OL12 8ES	£169,995	30/06/2016	870	£195	D
10	THOR DRIVE	WHITWORTH	OL12 8EU	£141,995	08/05/2015	932	£152	S
14	THOR DRIVE	WHITWORTH	OL12 8EU	£122,850	20/08/2015	739	£166	S
16	THOR DRIVE	WHITWORTH	OL12 8EU	£122,850	28/08/2015	739	£166	S
17	THOR DRIVE	WHITWORTH	OL12 8EU	£146,995	30/06/2015	932	£158	S
18	THOR DRIVE	WHITWORTH	OL12 8EU	£239,995	19/06/2015	1535	£156	D
19	THOR DRIVE	WHITWORTH	OL12 8EU	£129,995	26/06/2015	739	£176	S
21	THOR DRIVE	WHITWORTH	OL12 8EU	£129,995	25/06/2015	739	£176	S
22	THOR DRIVE	WHITWORTH	OL12 8EU	£194,995	26/06/2015	1096	£178	D
23	THOR DRIVE	WHITWORTH	OL12 8EU	£173,995	26/06/2015	969	£180	D
25	THOR DRIVE	WHITWORTH	OL12 8EU	£174,995	29/09/2015	969	£181	D
9	THOR DRIVE	WHITWORTH	OL12 8EU	£164,995	30/10/2015	870	£190	D
							£170	

Penine View - Wainhomes

No	Street	Town	Postcode	Price Paid	Date	sq.ft	Price (psf)	Type
27	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£186,950	04/12/2015	1076	£174	D
29	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£186,950	26/02/2016	1076	£174	D
33	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£199,950	18/09/2015	1270	£157	D
35	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£184,950	26/06/2015	1076	£172	D
37	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£144,950	25/06/2015	893	£162	D
39	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£199,950	26/06/2015	1270	£157	D
41	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£144,950	10/08/2015	818	£177	D
47	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£177,950	18/12/2015	1098	£162	D
49	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£154,950	17/12/2015	893	£173	D
50	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£236,950	30/11/2016	1410	£168	D
51	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£154,950	29/01/2016	893	£173	D
53	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£174,950	04/12/2015	990	£177	D
54	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£154,950	11/11/2016	893	£173	D
55	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£154,950	04/12/2015	893	£173	D
57	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£154,950	18/03/2016	893	£173	D
63	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£179,950	25/08/2016	1098	£164	D
65	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£186,950	20/10/2016	1076	£174	D
67	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£214,950	07/10/2016	1249	£172	D
69	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£214,950	17/10/2016	1249	£172	D
73	COCKERELL DRIVE	BRITANNIA	OL13 9SG	£149,950	09/09/2016	818	£183	D
5	VARLEY CLOSE	BRITANNIA	OL13 9SH	£169,950	10/04/2015	1249	£136	S
6	VARLEY CLOSE	BRITANNIA	OL13 9SH	£174,950	03/07/2015	1098	£159	D
							£169	