

NORTHERN PENINSULA HOUSING MARKET AREA PARTNERSHIP

**A Strategic Housing Viability Assessment Study
Part 1: Report**

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Final Draft: 10th October 2008

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EXECUTIVE SUMMARY

Study Context

1. UWE was commissioned by Northern Peninsula Housing Market Area Partnership in October 2007 to produce financial appraisals on forty-seven sites in the Northern Peninsula. The purpose of the appraisals was to assess their residual land value [RLV] and their potential to deliver affordable housing and other planning requirements [e.g. open space, transport provision] by way of planning obligations that are typically called S106 obligations.
2. The findings from these viability studies are intended to inform and influence future planning policies and in particular underpin the production of a new strategy, protocol or framework that governs the five Partner Authorities' future approaches to securing affordable housing provided by private developers through the use of planning obligations.
3. This viability study was conducted in tandem with the Strategic Housing Market Assessment. Interestingly, that study identified much higher housing needs assessment than the current policies. This study suggests that more could be sought without compromising viability.

Viability Testing

4. At the core of this study is development economics and in particular subjecting housing [and other] sites to the rigours of market assessment prior to plan making. The imperative of viability is a market concept. Plan making is now required to take development economics and viability much more into account: PPS3 Housing [November 2006] and its predecessor [PPG3, Housing (March 2000)]; Circular 05/2005 on Planning Obligations; and Planning Obligations, Practice Guidance [July 2006] all place much greater emphasis on the assessment of viability.
5. Additionally, funding changes in supporting the provision of affordable housing through the Housing Corporation has placed greater reliance on the ability and capacity of private developers to deliver affordable housing through planning obligations and as a consequence has further highlighted the significance of development viability *per se*.
6. Study sites were selected so as to reflect the range of conditions found in the sub-housing markets, covering such factors as location [i.e. town and village centre, coastal and rural, suburban, edge town and village, and remoter rural]; development conditions [i.e. green field, brown field]; planning status [i.e. allocated, unallocated, rural exceptions].

7. To facilitate modelling, we determined a series of standard housing costs and market price levels, with variations being made to reflect sub-markets and specific site requirements.

Affordable Housing Quotas: Options for Testing

8. Given the different affordable housing policy positions of the Partners and in attempting to provide evidence on a comparable basis, we subjected the study sites to a wide range of affordable housing quotas ranging from zero through to 100% quota requirements.
9. For the large sites: we have applied percentage affordable housing quotas – from 0% through to 100%, with a tenure split to test the impact of delivering either HomeBuy or social rented homes on the back of market housing.
10. For the small sites: we have applied a unit-based affordable housing requirement – here we progressively replace the market homes with increasing amounts of affordable homes.
11. For both site sizes, we have also tested them with a 100% affordable housing requirement. This test is important for rural exception sites; for example, greenfield sites located in the Exmoor National Park are treated as rural exceptions.

Key Assumptions including Developers Profit

12. Local market conditions showed that house prices across the Northern Peninsula Market Area varied considerably and these were reflected in the new build prices applied in the modelling to reflect specification and design quality.
13. Comparative land values were considered, showing the existence of wide regional variations as well as differences according to land uses – agricultural, industrial and warehousing, employment [B1] as well as housing.
14. The modelling also required us to specify a number of other important development assumptions relating to pace and phasing of development; weighting of finance charges; and fees and other costs typically triggered by residential development.
15. As part of our modelling approach we included a standard charge to cover a mix of requirements that might arise from development that will be paid by housing developers. For consistency and modelling purposes, we assumed a standardized planning obligation charge of £5,000 per dwelling and a CIL of £10,000 per dwelling on all sites.
16. Critically, in all our appraisals we set the developers rate of profit at 25% on costs [i.e. equivalent to 20% of gross development value].

Residual Land Value [RLV]

17. Financial appraisals were generated for wide range of the affordable housing options for the forty-seven study sites using specially prepared spreadsheets. The appraisals use the residual land valuation method. The RLV is by definition a residual. It is the sum of money available to buy the land needed for the development to proceed. It is a derived sum based on the final development value, an accurate estimate of building costs and a sum of money to meet the developers target rate of profit.
18. The RLV is the maximum budget available to the housing developer to buy the land. Developers will want to minimise the price they actually pay for land; landowners obviously try to maximise the price they want to receive. The landowner and the developer are the only ones to know the offer prices; we can compare these with transactions based data from The Land Registry. The results of the valuation are commonly expressed in £ per hectare.
19. For a proposed development to pass the test of viability, it is necessary for the land value for housing to exceed the land value from a valid alternative use [i.e. requiring planning permission]. For virgin land or a green field site, where its current use is agricultural, its land value will be typically low. In the Northern Peninsula Market Area, many sites have been in other land uses [typically as a factory, garage, hotel, nursing home], their land values will have an existing [e.g. employment] or alternative [retail/leisure] use value. It is these values that have been used to test the sites' viability.
20. Efficient market hypothesis contends that markets ought to reflect all the relevant costs and values, so that a developer's land bid offer price reflects in a clear and true way the costs of providing affordable housing and other planning requirements. However, because of imperfect knowledge, landowners' price expectations may be higher than the offer prices being made by developers.
21. In the context of affordable housing requirements *a priori*, these requirements will lead to lower land values. As a general principle there is an inverse relationship between the level of affordable housing and land values; as the requirements for the former increase the latter decrease. It is also important to record how the cost of mitigating a planning objection or CIL contributions affect the RLV, and whether the RLV is abnormally low or appears to be negative.

Results of Financial Appraisals

22. The appraisals showed that with NO requirement for affordable and key worker housing, the forty-seven study sites deliver a baseline residual land value approaching **£2.27m per hectare**. This figure is in line with the Valuation Office Agency data as at January 2008 [VOA, July 2008]. The figure of **£1.91m** per hectare for large sites lies in the range of £1.9m to £2.4m per hectare for Barnstaple and

Truro respectively. The figure of **£2.54m** per hectare for small sites is the range of £2.2m and £2.85m per hectare for Barnstaple and Truro respectively [see Table A].

23. These baseline figures indicate that the appraisals neither underestimate nor over-estimate developers' profitability.
24. If increasing amounts of affordable housing are sought, the residual land value is reduced and in some cases substantially. See Tables 6.1a to 6.1e for figures on a site-by-site basis.

Table A: Residual Land Values [£m/hectare] by Partner District Councils & Exmoor National Park Authority

Residual Land Values: Baseline [Market Values]	North Cornwall District Council	North Devon District Council	Torrige District Council	West Somerset Council	Exmoor National Park Authority	Totals
Overall Average	£2.35m [10 sites]	£2.43m [11 sites]	£1.95m [11 sites]	£2.11m [10 sites]	£2.82m [5 sites]	£2.27m [47 sites]
Large¹ Sites' Average	£2.31m [8 sites]	£1.69m [5 sites]	£1.44m [5 sites]	£2.17m [4 sites]	Not Applicable	£1.91m [22 sites]
Small Sites' Average	£2.4m [2 sites]	£3.04m [6 sites]	£2.37m [6 sites]	£2.07m [6 sites]	£2.82m [5 sites]	£2.54m [25 sites]

¹ We used the site size threshold as set out in PPS3 Housing; so large equates to sites 5,000m² or more; small sites have areas below 5,000m².

25. Figures in Table B reveal an undulating landscape of land values, with the highest values being recorded in Coastal Higher Value [CHV] settlements and in the main coastal and market towns [i.e. CLV and SMT] and lower values in the more remoter and rural areas [i.e. DRA and EDF].

Table B: Residual Land Values [£m/hectare] by Sub-Housing Market Areas, Northern Peninsula

Sub-Housing Market Areas ²	Coastal Higher Value [CHV]	Coastal Lower Value [CLV]	Small Market Town [SMT]	Dispersed Rural Area [DRA]	Exmoor & Downland Fringe [EDF]	Taw & Torridge Town & Rural Fringe [TRF]	Northern Peninsula
Average RLV	£2.78m	£2.63m	£2.16m	£1.95m	£2.31m	£2.12m	£2.27m

26. The baseline RLV figure for the TRF sub-housing market area is the lowest of the urban markets; this is partly explained by lower house prices combined with the need for providing proportionately higher amounts of on-site open space [which lowers the available development area], which reflect the type of sites studied and the disproportionate impact of site at Larkbear.
27. The baseline RLV figure for the EDF sub-housing market area is one of the highest; this is explained by the constrained sites and higher development densities on two of the sites. Of course, the latter figure also reflects the latent high land values that are so closely associated with areas that have a strict presumption against development.
28. If increasing amounts of affordable housing are sought, the baseline RLV is reduced and in many cases substantially so. The rate at which the baseline RLV is reduced varies considerably.

² These are the sub-market designations identified by Housing Vision [May 2008] *Strategic Housing Market Assessment study*

29. In practice, the threshold of viability is not fixed. Viability will depend on the value from existing uses or any valid alternative. We have shown that in and around the Northern Peninsula Housing Market Area land values for employment [B1] were around £500,000 per hectare; for industrial and warehousing £375,000 per hectare; and for agricultural land use around £14,000 per hectare.

Indicative Affordable Housing Quota

30. In practice, **the threshold of viability is not fixed**. Viability will depend on the value of existing uses or any valid alternative. In Section 5, we show that in and around the Northern Peninsula Housing Market Area land values for employment [B1] are around £500,000 per hectare; for industrial and warehousing £375,000 per hectare; and for agricultural land use around £14,000 per hectare.
31. Changes in market circumstances, from demand or the supply sides of the market, or other assumptions that change the parameters of the modelling [e.g. density; standard charges for planning obligations or CIL], will not only alter the housing RLVs but also the alternative use values that are used to test viability. In this regard, the results of the viability testing are simply snapshots.
32. Larger Sites: as expected we found that baseline RLVs are substantially reduced as the affordable housing requirement quota is increased, which compromises their ultimate housing viability. We compared housing use values against the sites' alternative use values to assess viability. For three Partner District Councils of North Cornwall, North Devon and Torridge we found that a **45% affordable housing quota** is favourable and viable; and a **40% affordable** housing quota is favourable and viable for larger sites in West Somerset.
33. These policy thresholds should be interpreted as being indicative. This means that authorities will need to monitor the wider market, on a systematic basis, and reflect the up-to-date site viability findings in interpreting policy in site-by-site negotiation with applicants.
34. Smaller Sites: the test for smaller sites, which is prescribed by PPS3 Housing [November 2006], demands that the minimum threshold can only be reduced if shown to be viable. We did the same comparison of housing use values against alternative use values as for the larger sites and we found that the RLVs are quickly reduced as the volume of affordable housing is raised, which was not unexpected. Where market housing is permitted, we find that viability disappears when the market housing content falls below 5 dwellings in North Cornwall, North Devon and Torridge; for West Somerset this threshold is reached when the market housing content falls below 7 dwellings.
35. Given uncertainties in the housing market, and in an attempt to build-in flexibility and retain incentives for developers, we believe it to be realistic and practicable to operate just above these thresholds. Accordingly, we recommend that for **smaller sites** an indicative

threshold of **6 market housing** units is adopted in North Cornwall, North Devon and Torridge; and that an indicative threshold of **8 market housing units is adopted in West Somerset**.

36. The affordable housing policy position of Exmoor National Park Authority is different from the other four Partner Authorities. Given its very strong presumption against market housing, particularly on greenfield sites, all such sites are treated as rural exception sites requiring 100% affordable housing. For brownfield site, the affordable policy is effectively set at 50% where for every one market home is matched with an affordable or low-cost home.
37. We found that all five sites to be unviable. It is clear that the Park Authority's extant affordable housing policies are onerous though that is their intention. The involvement of particular housing agencies and groups and the waiving of other planning requirements [i.e. planning obligation and CIL contributions] are a necessary pre-condition of developing four out of the five sites that we tested.

Conclusions

38. There are a number of implications of the viability testing, these include:
- As the policy thresholds are indicative, and as a matter of good practice, housing site proposals should be assessed on a case-by-case basis.
 - The viability study is a snapshot. To achieve consistency and a better understanding, there is a need to conduct further detailed site viability testing.
 - A system of monitoring the impact of affordable housing policies be conducted on a regular basis so that evidence from completed housing [and other] developments can inform practice across the Partnership Area as well as the conduct of policy in each authority.
 - A stronger or clearer link needs to be forged between Strategic Housing land Availability Assessments and the conduct of future Strategic Housing Viability Assessments, so that sites that form part of authorities Local Development Frameworks land supply are subjected to the SHVA process to determine and inform the indicative levels of affordable housing provision that can be expected from sites that pass future tests of viability.
 - As the threshold of viability is a fixed one, authorities in association with applicants should seek to explore the scope of increasing the provision of affordable housing where possible by raising the proportions [i.e. quotas] and lowering the minimum threshold for

the number of market homes on sites. For example, monitoring outturn housing densities on a systematic basis will inform whether national, regional and local policy objectives are being achieved. *A priori*, housing viability is improved with higher densities, and in turn the capacity to deliver affordable housing is also raised.

- Though we have made recommendations regarding affordable housing quotas and thresholds, we are not in a position to draw similar policy recommendations for the six sub-housing market areas. Though we found some differences between them, the number of study sites in many cases was just too small to be reliable.
- Equally, there was scant difference in viability between greenfield and brownfield sites. Indeed, we did not expect any, since any additional costs arising from the brownfield sites should result in a lower land bid, if markets are efficient. It follows, therefore, that site's status, being brownfield, does not warrant a differential [i.e. a lower] affordable housing policy quota as is the case in North Devon.

Next Steps

39. To facilitate a better understanding of housing viability, particularly in conditions of market change as well as understanding the financial impacts or consequences of policy options, a series of training events be programmed to induct staff in both the principles and the practice of conducting viability studies. These should aim to:
 - Strengthen understanding of the role and importance of viability and how it affects the delivery of authorities' planning, housing and other key policy objectives. For example, mitigating the costs of development impacts arising from development may involve a number of different departments and thus personnel.
 - Recognise the impact and consequences of changes in policy objectives on markets and on viability in particular.
 - Embrace viability as one of several tools of assessment [i.e. alongside design, access and other planning benchmarks] that are used to inform decision-making.
 - Recognise that viability assessments should be conducted regularly, involve monitoring and be systematic in their practice.
 - Co-ordinate links between Partner Authorities in order to pool knowledge, evidence and capability.

1 NORTHERN PENINSULA HOUSING VIABILITY ASSESSMENT STUDY

Preamble

- 1.1 A small team of academic researchers at UWE, comprising Stephen Walker, Jane Galloway and Danny Myers, was commissioned by Northern Peninsula Housing Market Assessment Partnership in October 2007 to produce financial appraisals on forty-seven residential development sites in the Northern Peninsula which comprises four different Councils of North Cornwall, North Devon, Torridge and West Somerset and the Exmoor National Park Authority.
- 1.2 The purpose of the appraisals was to assess the value and potential of these forty-seven sites to deliver affordable housing, open space and transport provision by way of planning obligations [typically called S106 obligations]. The findings from these viability studies are intended to inform and influence future planning policies and in particular underpin the production of a new strategy, protocol or frameworks that governs the Partnership's future approach towards securing affordable housing, typically through the use of planning obligations.

Brief for this study

- 1.3 At the core of this study is development economics and in particular subjecting housing [and other] sites to the rigours of market assessment prior to plan making. The imperative of viability is a market concept. However, it is only recently that plan making is now required to take development economics and viability much more into account: PPS3 Housing [November 2006] and its predecessor [PPG3, Housing (March 2000)]; Circular 05/2005 on Planning Obligations; and Planning Obligations, Practice Guidance [July 2006] all place much greater emphasis on the assessment of viability.
- 1.4 Additionally, funding changes in supporting the provision of affordable housing through the Housing Corporation has placed greater reliance on the ability and capacity of private developers to deliver affordable housing through planning obligations and as a consequence has further highlighted the significance of development viability *per se*.
- 1.5 The Partners wanted the appraisals to be “ground clearing” in testing the impact of alternative affordable housing quota options in a variety of market development situations. The study sites were carefully selected so as to reflect different

geographical locations – town and village centre, suburban, edge town and village, and remoter rural; development conditions – green field, brown field; site attributes; allocated and unallocated housing sites.

- 1.6 Importantly, this range of attributes would also enable more general conclusions to be drawn about the viability implications locally for policy formulation.
- 1.7 This approach to viability also needed to be able to model additional sites and make comparisons as required. The approach in testing viability involves a standard valuation method – Residual [Land] Valuation – which has been tailored to reflect local circumstances in terms of prices and costs. The modelling, with some training, can be conducted by the Partners personnel; in any case, it is skill that should be seen to complement their other work on planning and design assessments.

University of the West of England [UWE]

- 1.8 A small team of researchers comprising Jane Galloway, Danny Myers and Stephen Walker are presently employed in the Department of Property and Communities at UWE at Bristol. Our approach throughout this study has involved the preparation of financial appraisals to test viability. In the last few years team members have been involved in planning obligations and property development economic studies for national government and for local planning authorities. Their focus has been to improve practice and to raise awareness of viability and how viability is affected by different planning and affordable housing requirements.

Structure of this report

- 1.9 The rest of the report covers the following:
 - Section 2: Individual Sites for Housing Development. This Section simply describes the sites' attributes and some of the key assumptions made.
 - Section 3: Affordable Housing and Other Planning Obligations and Developer Contributions. This Section focuses on the approach towards affordable housing and other planning obligations that might affect the study sites' development and hence viability.

- Section 4: Modelling Housing Viability: This Section sets out the methodology adopted in conducting viability and in testing the impact of a range of affordable housing quota options. We also describe in some detail our approach towards developers' profits.
- Section 5: Assumptions of Viability Analysis. This Section explains those costs and values used in the viability analysis and the range of other variables and parameters set in our modelling of viability, including finance, pace of development and information on comparative land values.
- Section 6: Results of Viability Analysis. This Section presents the results of the viability where baseline land values are set against land values affected by affordable housing quotas.
- Section 7: Conclusions and Implications of Results.

2 INDIVIDUAL SITES FOR HOUSING DEVELOPMENT

Preamble

- 2.1 A total of forty-seven sites were identified by the Partners of the Northern Peninsula Housing Market Assessment Partnership [NPHMAP] for study. This Section specifically considers the main characteristics of the individual sites for housing, and the principal assumptions made about proposed development for the purposes of generating financial appraisals and for testing for viability.
- 2.2 As already stated in paragraph 1.5, the choice of study sites reflect different geographical locations, site attributes and conditions that exist within the Partnership Area. The task of selecting sites had begun before the Housing Market Assessment had concluded its studies in identifying sub-housing markets and as a result this subsequently led to an uneven distribution of study sites. In reviewing this situation, it was decided to include two more sites that are located in the Taw and Torridge Towns and Rural Fringe, which provide a better focus on larger settlements that offer more sustainable outcomes.
- 2.3 All the individual sites were subject to site visits and appraisals by the UWE team.

Current Data and Information

- 2.4 Planning status of the sites were not always clear, however for a number of sites planning applications have been submitted and determined, although in some cases only in outline. In several instances, development is either underway or will do so in the near future, confirming that extant planning requirements [including affordable housing contribution] has not rendered the developments unviable. And for some sites, there is no presumption in favour in the future of any type of development. Other information regarding costs and profits has been secured from developers, agents, the local Councils, the National Park Authority and Housing Associations.
- 2.5 This information has been taken into account in formulating development assumptions for individual sites and for shaping our modelling approach.

Individual Sites for Housing Development

- 2.6 Basic data on the forty-seven sites identified by the five Partner Authorities [North Cornwall, North Devon, Torrington and West Somerset Councils and Exmoor National Park Authority] are set out in Tables 2.1a, 2.1b, 2.1c, 2.1d, 2.1d and 2.1e overleaf.
- 2.7 Whilst several sites are allocated for residential development, many are not whilst others are the subject of planning objections from local residents. The sites provide a good mix of development situations: town centre, suburban, brownfield and greenfield, coastal and market towns, and village/hamlet locations, as well as being geographically spread across the Northern Peninsula Housing Market Area that mirrors different planning and development pressures and opportunities.

Table 2.1a Individual Site Details – NORTH CORNWALL DISTRICT COUNCIL

Site Number	Site Name	Site Type	Site Area [hectares]	Planning Status
1	Land off Green Lane, Boscastle	Greenfield, small Coastal village, Coastal Lower Value [CLV]	0.72ha	A flat pasture site that is an allocated site for education in Adopted Local Plan; it is no longer required for education. It has a potential capacity of 25 homes on a site which is surrounded by other housing and community amenities.
2	Land west of A389 and south of the Trenant Industrial Estate, Wadebridge	Greenfield, Market town	4.642ha	This site lies outside the town's development boundary and is currently used as pasture/grazing land. Though there are some access issues, the site's capacity is estimated to be between 139 and 186 homes, inclusive of a proportion of affordable homes [viewed to be around 50%!]
3	St. Petrocs Meadow, Padstow	Greenfield, small Coastal village, Coastal Higher Value [HLV]	1.891ha	This is currently used for grazing and lies outside the village's development boundary. It constitutes a rural exception site if a proposal for development comes forward. Its estimated capacity is thought to be between 56 and 75 homes.
4	Site south of Tavistock Road, Launceston	Greenfield, Small Market Town [SMT]	3.405ha	This site [LAU15] is contiguous to LAU16 which has a combined area of nearly 16ha. The site is currently used for grazing. With appropriate infrastructure provision, the site has an estimated capacity of between 102 and 136 homes to be built out over the plan period, including a high proportion of affordable homes.
5	Site off Rhind Street, Bodmin	Brownfield, Small Market Town [SMT]	0.5ha	This was a hospital site that has been cleared. An earlier planning application was refused because no affordable homes were provided. With appropriate infrastructure provision, the site has an estimated capacity of between 14 and 19 homes,

				including a proportion of affordable homes. Subsequently, permission has subsequently been granted to construct 37 homes on the site.
6	Land west of Granville Road, Padstow	Greenfield, small Coastal village, Coastal Higher Value [CHV]	3.225ha	This is currently used for grazing and lies outside the village's development boundary. It constitutes a rural exception site if a proposal for development comes forward. Its estimated capacity is thought to be between 96 and 129 homes.
7	Site south of Stratton Road [A39], Bude	Greenfield, Coastal Market town, Coastal Lower Value [CLV]	6.284ha	This site [BUD3] is contiguous to BUD6 which has a combined area of nearly 27ha. The site is currently used for grazing. The site lies outside the town's development boundary. With appropriate infrastructure provision, the site has an estimated capacity of between 188 and 251 homes to be built out over the plan period, including a high proportion of affordable homes.
8	Tredizzick Close, Rock/Tredizzick	Brownfield, small Coastal village, Coastal Higher Value [CHV]	0.38ha	This is a site that comprises 8 NCDC homes and adjoining backland. It has an estimated capacity of 13 homes
9	Land at Brooklands Farm, Port Gaverne	Greenfield, small Coastal village, Dispersed Rural Area [DRA]	0.27ha	The site is located within the AONB; it slopes and there are access constraints. Its estimated capacity is 9 homes.
10	Land south of Inns Park, Camelford	Greenfield, Small Market Town [SMT]	1.314ha	This is an unallocated site within the town's development boundary; an adjacent plot [to the west] is currently under development by Wain Homes; another plot to its east has been completed. Its estimated capacity is between 39 and 52 homes. Subsequently, Wain Homes has gained permission for 62 homes.

Table 2.1b Individual Site Details – NORTH DEVON DISTRICT COUNCIL

Site Number	Site Name	Site Type	Site Area [hectares]	Planning Status
11	Robins Garage, Ilfracombe	Brownfield, Coastal town, Coastal Lower Value [CLV]	0.02ha	Previous employment site; redundant buildings used for scrap storage. Planning permission to construct 14, 2bed flats with no provision of affordable housing; Armada Homes South West Limited is the developer.
12	Park View, Barnstaple	Brownfield, Town, Towns & Rural Fringe [TTTRF]	0.133ha	This is a town centre site currently being redeveloped. It was a residential home and is now providing 10 homes, but with no affordable units.
13	Weirside Way, Barnstaple	Greenfield [with some redundant barns], Town, Towns & Rural Fringe [TTTRF]	0.47ha	This suburban windfall site lies within the town's development boundary; it is situated adjacent to a County Wildlife Site.
14	St. Johns Lane, Barnstaple	Greenfield, Town, Towns & Rural Fringe [TTTRF]	0.167ha	Planning permission to build 6 units with no provision of affordable homes; site currently being developed by Raleigh Homes in this suburban location
15	St. Joseph's Nursing Home site, Barnstaple	Greenfield/Brownfield, Town, Towns & Rural Fringe [TTTRF]	1.32ha	This is an allocated site in Adopted Local Plan [BAR1L].The site comprises a cleared nursing home and adjacent Greenfield land; planning application for 32 homes, with 19 market houses and 13 apartment providing affordable homes.
16	Mole Valley Farmers, South Molton	Brownfield, rural Market town, Small Market Town [SMT]	0.569ha	This is an allocated site in Adopted Local Plan [SMO1b], comprising vacant land and buildings some partly used by Mole Valley Farmers who have relocated to Pathfields Business Park. The site has planning permission for 35 dwellings with 25%

				affordable homes [and low cost ownership]; 9 affordable units and 4 low cost ownership units. S106 agreement remains unsigned in respect of other planning requirements.
17	Baggy View, Down End, Croyde	Brownfield, small Coastal village, Coastal Higher Value [CHV]	0.12ha	This is a windfall site located in an AONB and heritage coast; planning application for demolition of single home and development of 5 flats; at appeal.
18	Joey's Field, Bishop Nympton	Greenfield, small Village, Exmoor & Downland Fringe [EDF]	0.256ha	This is an allocated site in Adopted Local Plan [BNY1]. Currently in agricultural use but outline planning application for 5 dwellings [with a resolution to approve, 25/10/2006]
19	Lower Poole Farm, North Molton	Greenfield, small Rural village, Dispersed Rural Area [DRA]	1.15ha	This is an allocated site in Adopted Local Plan [NMO1]. The site has two planning permissions [Phases I and II] which in total comprise 34 new homes and 3 barn conversions, with provision for affordable homes [26% of total] & a contribution of £52,000 in lieu of on-site contribution for the 3 barn conversions.
20	Brooke Road, Witheridge, near Tiverton	Greenfield, larger Rural village, Dispersed Rural Area [DRA]	1.786ha	This is an allocated site in the Adopted Local Plan [WIT1a]. It is presently under construction by Devonshire Homes, building 48 homes, with 17 being affordable units [i.e. 35%]. A S106 agreement has also secured contributions towards an array of community facilities and services.
21	Land at Larkbear Plantation, Sticklepath, Barnstaple	Greenfield, Town, Towns & Rural Fringe [TTTRF]	59ha	This is one of several sites that had been identified as being a potential "planned urban extension". There is no presumption in favour or against development presently. In discussion with local planning officers, we have assumed that the site has an overall capacity of 2200 homes, with close to one-third of land remaining open space, and will be built out over 15 years. There are several on-site constraints [small hamlet of Lake] is adjacent to a County Wildlife Site & Larkbear Plantation Tree Preservation Order.

Table 2.1c Individual Site Details – TORRIDGE DISTRICT COUNCIL

Site Number	Site Name	Site Type	Site Area [hectares]	Planning Status
22	Former factory site, off Barfield Road, Dolton	Brownfield, small Rural village, Dispersed Rural Area [DRA]	0.2ha	Previous employment site; which has been built out to provide 11 homes with no provision for affordable housing since this requirement post dates original consents. This [windfall] site has been built out in phases, and the site is the final phase of what was a larger scheme.
23	Former stove centre, Exeter Road, Winkleigh	Brownfield, small Rural village, Dispersed Rural Area [DRA]	0.05ha	This is an employment site that is presently redundant and used for local car parking. No planning application, but it has potential for redevelopment of this [windfall] site in the centre of the village providing 5 homes with no provision of affordable units given its size/capacity threshold.
24	Land on Station Road, Halwill Junction	Greenfield, small Rural village, Dispersed Rural Area [DRA]	0.3ha	This [windfall] site is an undeveloped plot adjacent to a light industrial plot on its south side and Victorian housing to its north. The site has no extant permissions of any kind. Its potential capacity has been estimated as 13 units.
25	Beechville, Shebbear	Brownfield, small Rural village, Dispersed Rural Area [DRA]	0.13ha	A garage site which is currently being completed, providing 5 homes but no affordable units since it falls below the size/capacity threshold.
26	Land rear of Homeland, North Road, Bradworthy	Greenfield, small Rural village, Dispersed Rural Area [DRA]	0.35ha	This flat [windfall] site has potential to provide 15 homes, though access might be a major constraint. The site has no extant permissions of any kind to date.

27	Land south of Juries Lane, Torrington	Greenfield, Market town, Dispersed Rural Area [DRA]	2.4ha	This is well-located, allocated site in the Adopted Local Plan [GT1] with a net development area of 1.9ha [i.e. 75%]. It is presently being developed with consent to build 66 homes, but only 5% of the total [i.e. 3 units] will be affordable. Taylor Wimpey is the developer.
28	North of Meadow View, Holsworthy	Greenfield, Small Market Town [SMT]	1.2ha	This is a well-located that is in easy reach of local amenities and services. It is an allocated site in Adopted Local Plan [HOL10]; it is currently pasture land, though comprises former showground, now partly built out. This part of the site has potential capacity of 46 units on 75% of the developable area [i.e. 0.95ha].
29	Mill Road, Bradworthy	Greenfield, small Rural village, Dispersed Rural Area [DRA]	0.11ha	This flat site that was once a garden is currently being developed; 2 units are already completed and there a plans for 2 others; no affordable homes are being provided since the site falls below size/capacity threshold.
30	Land at Kynochs, adjacent to Torrington Street, East the Water [Bideford].	Brownfield, Coastal town, Town & Rural Fringe [TTTRF]	6ha	The site comprises vacant, under-used and industrial activities which will need to be relocated. It has potential capacity of 288 homes on the 6ha site [i.e. equivalent to 66% net development area]. Lapsed outline planning permission for housing, but the site is in the floodzone and is contaminated.
31	Heathfield, East the Water [Bideford]	Greenfield, Coastal town, Town & Rural Fringe [TTTRF]	1.8ha	This site is located on the urban fringe with some access constraints. Its potential capacity is estimated to be 70 homes.
32	Venn, Mines Road, East the Water [Bideford]	Brownfield/Greenfield, Coastal Town, Town & Rural Fringe [TTTRF]	1.53ha	This is an urban fringe site, comprising a residential use and a paddock use. The site adjoins recently developed housing estates, and existing access onto the site are present. The site's topography limits its development potential, however on appeal

				planning permission has been granted to MacLean Homes [South West] Limited to provide 64 dwellings, of which 30% will be affordable homes that will be split 75% social rented and 25% HomeBuy [shared-ownership].
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Table 2.1d Individual Site Details – WEST SOMERSET COUNCIL

Site Number	Site Name	Site Type	Site Area [hectares]	Planning Status
33	Land at Seaward Way, Minehead	Greenfield, Coastal town, Coastal Lower Value [CLV]	2.15ha	Part of the site is allocated for housing [i.e. 1.2ha] which is being proposed as part of a larger mixed-use scheme with private and public sector agencies. This undeveloped land, which is liable to flooding, is estimated to have the capacity of 169 homes on 2.15ha site, of which 49 homes will be affordable units.
34	Land at rear of St. Andrew's Road, Stogursey	Greenfield [as rear gardens], rural Village, Dispersed Rural Area [DRA]	0.5ha	This windfall site lies within a Conservation Area and Ancient Monument; there may also be access constraints. Its capacity is estimated to be 15 homes, but this may be further limited given its particular siting and situation.
35	Land adjoining Brendon Road, Watchett	Greenfield, coastal Town, Coastal Lower Value [CLV]	1.0ha	This sloping site located at the town centre's edge lies within the development boundary, adjacent to an existing paper mill. Its capacity is estimated at 30 homes given constraints on design due to the sloping site.
36	Bridge Farm, Williton	Brownfield, coastal Town, Coastal Lower Value [CLV]	0.7ha	This windfall site is currently being used as a car park [for WSC] as well as a number of derelict/empty buildings. The lies within the settlement's development boundary, but its ultimate development may be constrained by its proximity to a stream and listed Church. Its estimated capacity is 10 new

				homes, plus conversion of existing listed structures.
37	Brushford Garage, [B3222] Brushford	Brownfield, small rural Village, Exmoor & Downland Fringe [EDF]	0.18ha	This site lies within the village's development boundary, which is currently operating as a garage and petrol station/store. Adjacent to the site is estate housing [bungalows and terraced] and recently refurbished hotel and apartments. Its estimated capacity is 7 homes, though some commercial element may need to be provided on the site. Additionally, potential contamination issues arise.
38	Former Telephone Exchange, Parkhouse Road, Minehead	Brownfield, coastal town, Coastal Lower Value [CLV]	0.32ha	This windfall site lies in a suburban location, within the town's development boundary – it is just beyond the edge of the town centre, adjacent to 1920s detached villas. Its most recent use has been as a Motor Museum, though there are some signs that BT continue to use some of the site. Depending upon the impact of flooding and decontamination issues, its estimated capacity is 15 homes.
39	The Caravan Club, Hopcott Road, Minehead	Brownfield, coastal town, Coastal Lower Value [CLV]	3.4ha	Formerly a quarry, this site lies within the town's development boundary but is close to the boundary of ENP. Its topography and issues to do with its former use may limit its capacity which is estimated to be 100 homes.
40	Land at rear of Church View, Church Lane, Carhampton	Greenfield/Brownfield, rural Village, Coastal Lower Value [CLV]	0.45ha	This windfall site lies with the village's development boundary and is currently being used for grazing and contains derelict/abandoned buildings occupy the site. The site is close to the church and its churchyard, and there appears to be few access constraints. Given its rural location, its estimated capacity is 30 homes.
41	Land adjacent to Titholes, Lower Street,	Greenfield/brownfield, rural Village, Coastal Lower Value [CLV]	0.15ha	This site lies across the village's settlement boundary and is currently used for grazing and is occupied by two abandoned farm buildings/sties. Its estimated capacity is 6 homes; whilst part of the site may be judged to be categorized as a rural

	Withycombe			exception.
42	Grimes Farm, Crowcombe	Brownfield/Greenfield, small rural Village, Dispersed Rural Area [DRA]	0.4ha	This site lies within the village's settlement boundary. Though a windfall site, it is well located being within close proximity to cricket/tennis courts and playing fields as well as local primary school and pub and post office/shops. An earlier planning application for 14 homes was refused in 2007 and was subject of an appeal on 1 st May 2008. A current application has been submitted for 9 homes.

Table 2.1e Individual Site Details – EXMOOR NATIONAL PARK AUTHORITY

Site Number	Site Name	Site Type	Site Area [hectares]	Planning Status
43	Land adjacent Farm Grove, Ash Lane, Winsford	Greenfield, Exmoor & Downland Fringe [EDF]	0.05ha	There is no development boundary to Winsford, so the site is an [rural] exception site. It is located on Ash Lane. Its topography restricts development potential, as the land falls sharply away to a valley to the North. The eastern and southern part of the site has the best potential for development. The landowner owns the adjoining land and has expressed in interest in getting the best value from developing the land for housing or employment; the former is more likely though this must meet affordable housing policy.
44	Doverhay central car park, Porlock	Brownfield, Exmoor & Downland Fringe [EDF]	0.2ha	This site is owned by West Somerset Council. It was previously used as a petrol station and is currently a car park. The site has over 40 spaces for cars and 2 for coaches. There is a small terrace of 3 houses and building providing public conveniences that front onto Minehead Road and facing Englands Road.. The flat site is surrounded by houses and retail outlets that occupy both sides of the Minehead Road running through the centre of Porlock. Whilst retaining car parking provision, there is potential to build over the site providing two-storey apartments.
45	Land south of Barns Close, Dulverton	Greenfield, Exmoor & Downland Fringe [EDF]	0.97ha	The land comprises three adjoining fields that could be built out over the next 15 years' plan period in three phases that can be accessed via Barns Close. The present site is

				accessed directly from Barns Close, and lies outside Dulverton’s development boundary, and as such will be a rural exception site. The site has potential for use as an employment site as well as for affordable housing. Land immediately situated south of the site, behind the high hedgerow, falls away towards the flood zone and is likely to remain open land.
46	The former Prideaux garage site, Lee Road, between Cross mead and Belle Vue Road, Lynton.	Brownfield, Exmoor & Downland Fringe [EDF]	0.1ha	This site comprises two small industrial units and a car park. Given the availability of other local employment sites in Lynton, the site could be developed exclusively for housing use as this would make the best use of the site and its location in a predominantly residential neighbourhood.
47	Northcliff Hotel, North Walk, Lynton	Brownfield, Exmoor & Downland Fringe [EDF]	0.075ha	The building on the site is currently operating as a hotel. It has been on the market for sale with estate agents Webbers for more than a year at a price around £0.885m. A developer has been in discussion with the planning authority with proposals to provide 11 apartments; but this does not conform to affordable housing policy or to acceptable space design standards. This scheme has subsequently been found to be unviable by the developers.

2.8 Though the Partner Authorities seek to promote a high standard of space and urban design, market and location factors will ultimately affect the character and design standard for particular sites. This means that site size and build-ability will influence building costs and specific planning designations impact on materials [e.g. conservation designations] and massing [e.g. Area of Outstanding Natural Beauty] that is permitted. In some cases, these factors may raise costs but also could justify a house price premium. Further comments on these matters will be covered later.

- 2.9 Twenty-two of the forty-seven sites involve redevelopment of previously developed land [i.e. brownfield land] which if developed would provide 33% of their estimated capacity [of 742 homes] excluding the large site at Larkbear [North Devon]; this proportion falls to 16% of the total [of 4,491 homes] if this large Greenfield site is included.

Development Assumptions

- 2.10 To carry out financial modelling of the forty-seven sites a number of assumptions and parameters had to be set and agreed. Consideration was given to local [housing] market conditions and the current planning and development context and activity which were used to inform and to generate model “development types”. Additionally, this appraisal approach will allow the Partner Districts to continue to conduct appraisals for other sites and to make comparisons.
- 2.11 The main factors and attributes that have shaped the development types include:
- Specification and design
 - Density
 - Site location
- 2.12 Our approach is based upon a housing typology comprising three categories – town and village centre, other village/edge and remoter/dispersed rural.
- 2.13 In terms of densities, this has been informed by emerging Regional Spatial Strategy [RSS] for the South West, which declares that housing developments should exceed 30 dwellings per hectare [dph] in all areas and averages should exceed 40dph over the plan period. While In the strategically significant towns, and planned urban extensions, new housing should achieve densities of at least 50dph.

Table 2.2 Development Types and Densities

Development Type	Generic Attributes	Generic Density
Town and Village Centre Sites	High development density: with a high proportion of apartments [60%] in blocks comprising three to five storey developments and remaining terraced and linked houses. Very limited on-site open space but with on-site car parking.	Minimum 55 units per hectare
Other Edge Town and Village Sites	Medium development density: majority are two and three storey development, including linked and terraced houses, with no more than 20% apartments. On-site car parking and open space provision.	Minimum 45 units per hectare
Remoter/Dispersed Rural Sites	Lower development density: all two and three storey development, no more than 10% apartments. Limited on-site open space, but full provision for on-site car parking.	Minimum 35 units per hectare

- 2.14 Reflecting the development types and information on current applications as well as applications on sites nearby or adjacent to the forty-seven study sites, three densities were applied [see Table 2.2 above]. In reviewing local development conventions, we noticed that in previous years average site densities seldom broke through 30 units per hectare, particularly in the principal settlements. We also took into account more recent guidance that seeks higher density thresholds [see RSS, 2008] that are much more in accordance with the sentiments of PPS3 in terms of making best use of land. As a result, we have applied higher densities which do not reflect extant practice. In our view, the modelling should include realistic assumptions and the density factor is an important one which not only affects a site's capacity but strongly influences its gross development value and ultimately its residual land value. Where departures to the density thresholds have been made, these reflect the special circumstances associated with these particular sites [e.g. conservation area status; area of high development pressure].
- 2.15 Tables 2.3a, 2.3b, 2.3c, 2.3d and 2.3e present the housing capacity for each of the forty-seven study sites given the generic housing densities as set out in Table 2.2. For the North Cornwall study sites, all sites provide on-site open space [developed at 85% of gross site area], except the very smallest sites that are typically 5,000m² or lower. For the North Devon study sites, only 3 larger sites are assumed to provide on-site open space provision. For the Torridge study sites, only 4 larger sites are assumed to provide on-site open space provision, in one case [at Larkbear Plantation] one-third of the site is set aside for this use. For the West Somerset study sites, only 3 larger sites are assumed to provide on-site open space. For the Exmoor National Park study sites, only the Dulverton site provides on-site open space.

Table 2.3a Housing capacities – NORTH CORNWALL DISTRICT COUNCIL

Site Number	Site Name	Gross Site Area [m²]	Housing Capacity	Density [Dwellings per Hectare]	Net Development Area
1	Land off Green Lane, Boscastle	7,200	25	35	100%
2	Land west of A389 and south of the Trenant Industrial Estate, Wadebridge	46,420	217	55	85%
3	St. Petrocs Meadow, Padstow	18,910	72	45	85%
4	Site south of Tavistock Road, Launceston	34,050	130	45	85%
5	Site off Rhind Street, Bodmin	5,000	19	45	100%
6	Land west of Granville Road, Padstow	32,250	151	55	85%
7	Site south of Stratton Road [A39], Bude	62,840	294	55	85%
8	Tredizzick Close, Rock/Tredizzick	3,800	13	35	100%
9	Land at Brooklands Farm, Port Gaverne	2,700	9	35	100%
10	Land south of Inns Park, Camelford	13,140	50	45	85%

Table 2.3b Housing capacities – NORTH DEVON DISTRICT COUNCIL

Site Number	Site Name	Gross Site Area [m²]	Housing Capacity	Density [Dwellings per Hectare]	Net Development Area
11	Robins Garage, Ilfracombe	200	16	800	100%
12	Park View, Barnstaple	1330	10	55	100%
13	Weirside Way, Barnstaple	4700	16	35	100%
14	St. Johns Lane, Barnstaple	1670	6	45	100%
15	St. Joseph's Nursing Home site, Barnstaple	13,200	50	45	85%
16	Mole Valley Farmers, South Molton	5,690	35	55	100%
17	Baggy View, Down End, Croyde	1,200	4	35	100%
18	Joey's Field, Bishop Nympton	2,560	5	25	100%
19	Lower Poole Farm, North Molton	11,500	34	35	85%
20	Brooke Road, Witheridge, near Tiverton	17,860	48	35	85%
21	Land at Larkbear Plantation, Sticklepath, Barnstaple	590,000	2200	55	68%

Table 2.3c Housing capacities – TORRIDGE DISTRICT COUNCIL

Site Number	Site Name	Gross Site Area [m²]	Housing Capacity	Density [Dwellings per Hectare]	Net Development Area
22	Former factory site, off Barfield Road, Dolton	200	11	550	100%
23	Former stove centre, Exeter Road, Winkleigh	500	5	100	100%
24	Land on Station Road, Halwill Junction	3,000	14	45	100%
25	Beechville, Shebbear	1,300	5	35	100%
26	Land rear of Homeland, North Road, Bradworthy	3,500	16	45	100%
27	Land south of Juries Lane, Torrington	24,000	66	35	75%
28	North of Meadow View, Holsworthy	12,000	50	55	75%
29	Mill Road, Bradworthy	1,100	4	35	100%
30	Land at Kynochs, adjacent to Torrington Street, East the Water [Bideford].	60,000	285	72	66%
31	Heathfield, East the Water [Bideford]	18,000	70	55	85%
32	Venn, Mines Road, East the Water [Bideford]	15,300	64	55	75%

Table 2.3d Housing capacities – WEST SOMERSET COUNCIL

Site Number	Site Name	Gross Site Area [m²]	Housing Capacity	Density [Dwellings per Hectare]	Net Development Area
33	Land at Seaward Way, Minehead	21,500	169	100	85%
34	Land at rear of St. Andrew's Road, Stogursey	5,000	18	35	100%
35	Land adjoining Brendon Road, Watchett	10,000	35	35	85%
36	Bridge Farm, Williton	7,000	18	25	100%
37	Brushford Garage, [B3222] Brushford	1,800	8	45	100%
38	Former Telephone Exchange, Parkhouse Road, Minehead	3,200	18	55	100%
39	The Caravan Club, Hopcott Road, Minehead	34,000	130	45	85%
40	Land at rear of Church View, Church Lane, Carhampton	4,500	20	35	100%
41	Land adjacent to Titholes, Lower Street, Withycombe	1,500	6	35	100%
42	Grimes Farm, Crowcombe	4,000	14	35	100%

Table 2.3e Housing capacities – EXMOOR NATIONAL PARK AUTHORITY

Site Number	Site Name	Gross Site Area [m²]	Housing Capacity	Density [Dwellings per Hectare]	Net Development Area
43	Land adjacent Farm Grove, Ash Lane, Winsford	500	4	140	60%
44	Central Car Park, Doverhay, Porlock	2,000	11	55	100%
45	Land south of Barns Close, Dulverton	9,700	20	35	60%
46	The former Prideaux garage site, Lee Road, Lynton	1000	6	60	100%
47	Northcliff Hotel, North Walk, Lynton	750	10	135	100%

2.16 If the forty-seven sites are built out to their capacity, they will generate 4,492 housing units. The overall average density across the forty-seven sites is 40 dwellings per hectare; of the Councils, West Somerset records the highest [47.4] and in Exmoor National Park [36.4] and North Devon the lowest [37.4] [see Table 2.4 below].

Table 2.4 Gross Density across the Study Sites

	Gross Housing Capacity	Gross Site Area [hectares]	Average Gross Density [Dwellings per Hectare]
North Cornwall DC	985	22.631	43.5
North Devon DC	2,430	64.991	37.4
Torridge DC	588	13.89	42.3
West Somerset Council	438	9.25	47.4
Exmoor National Park Authority	51	1.40	36.4
Total	4492	112.162	40.05

- 2.17 Excluding the 2200 units at Larkbear, of the remaining 2272 units, the vast majority [79%] would be built on three sub-housing market areas of Coastal Lower Value sites [35%], Small Market Town sites [22%] and Town and Rural Fringe sites [22%]. The remainder would be built in three other sub-housing market areas of Dispersed Rural Area [11%], Coastal Higher Value sites [7.7%] and Exmoor and Downland Fringe [3%]. As such, the majority of the housing capacity of study sites is located in the main settlements comprising the Northern Peninsula area, which draw on the competitive advantage of established towns and larger village centres with their local employment base[RPS,2007], infrastructure and provision of community facilities. These sites offer opportunities for regeneration, provide new housing as well as raise environmental quality in these settlements whilst minimising encroachment in designated areas where there is a strong presumption against development [e.g. AONB; the National Park; conservation areas].
- 2.18 Having set out the specific development attributes of the study sites, the next section covers matters relating to affordable housing provision [and other planning requirements] and the current policies and those being sought [i.e. prospective policies] by the Partners of the Northern Peninsula Housing Market Area.

3 AFFORDABLE HOUSING AND OTHER PLANNING OBLIGATIONS AND DEVELOPER CONTRIBUTIONS

Preamble

- 3.1 This Section focuses on the assumptions agreed and parameters set to test the viability of a range of affordable housing and key worker provision for the forty-seven individual sites, including assumptions regarding other planning obligations and developer contributions.

Affordable housing assumptions

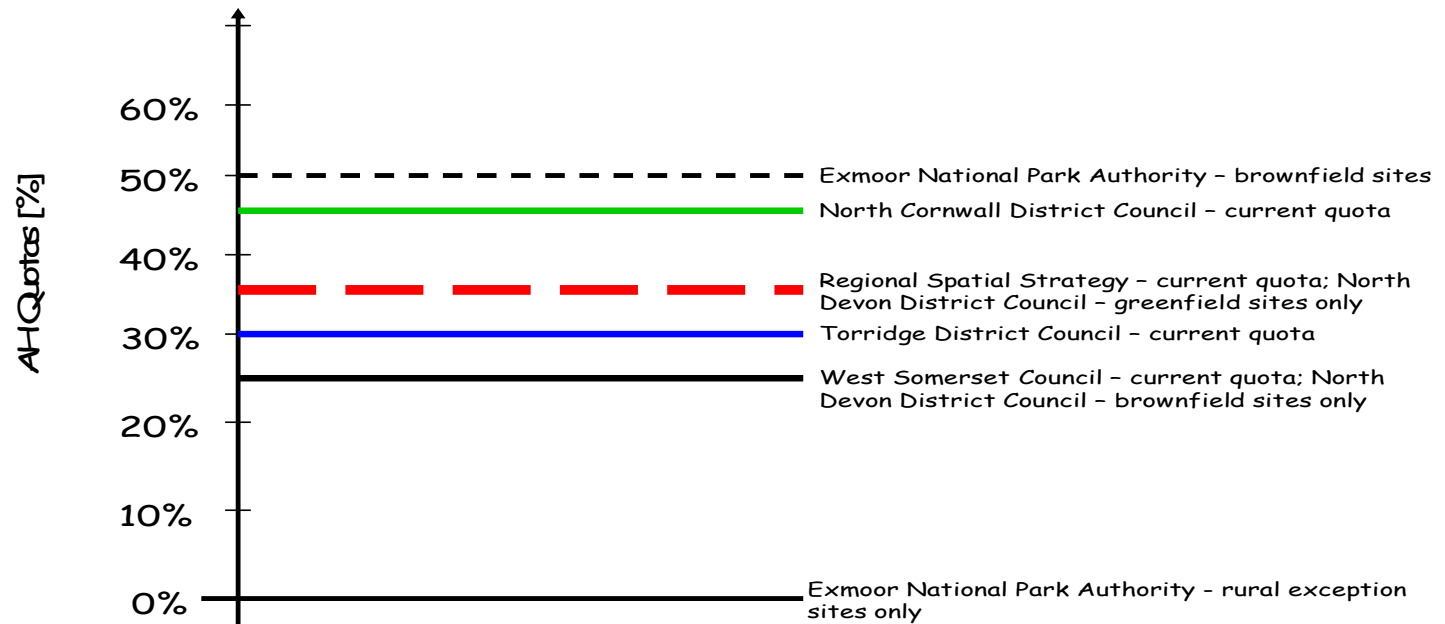
- 3.2 Appraisals were prepared for a specific number of development scenarios/iterations which reflect varying proportions of affordable housing [social rented and shared ownership housing].

Affordable housing policy and quotas

- 3.3 We conducted a review of the affordable housing policies in the four Councils and the Exmoor National Park. Specifically, we sought to find out the percentages of affordable housing required and the thresholds above which the requirements are triggered; whether the tenure mix of the affordable housing is specified; how the affordable housing should be spread through the development; and when it should be released during the construction of the development. Figure 1 presents the various affordable housing quotas and Appendix 1 summarises the evidence.
- 3.4 We found that the Partners do not operate common affordable housing policies. PPS3 – Housing [DCLG, 2006] does not prescribe a specific or minimum proportion of affordable housing that planning authorities seek, but that local circumstances and viability tests should ultimately determine what is practical and sustainable.

3.5 In summary form, Figure 1 displays current or aspirant affordable housing quotas as expressed in the Partners' plans, policy and strategy documents, including the South West Regional Spatial Strategy.

Figure 1 Affordable Housing Quota Policies in Northern Peninsula Housing Market Area Partnership



See Appendix 1 for details

- 3.6 As can be seen from Figure 1, the South West region's RSS encourages planning authorities to seek a minimum affordable housing quota of 35%. Where local need merits it and that such quotas do not compromise viability, the RSS urges planning authorities to seek higher proportions of affordable housing.
- 3.7 West Somerset has an adopted policy of seeking a 25% affordable housing quota, though local evidence indicates that on some sites developers have been willing to deliver quotas of between 25% and 35%.
- 3.8 North Cornwall District Council has more recently adopted a 45% affordable housing quota, though evidence from local planning and housing officers indicated that up until the new policy [February 2008] developers have been able to deliver between 30% and 35% affordable housing. The policy is tailored to local market conditions, with explicit requirements set for those areas experiencing severe housing affordability problems.
- 3.9 Neither Torridge nor North Devon specifies a particular affordable housing quota. For Torridge District Council, since 2004, they have sought to secure a 40% affordable housing quota [with a tenure split of 75% Social Rented and 25% Shared Ownership], which is based on the District's 2004 Housing Needs Survey which recommended
- “if the local plan were to be reviewed now we believe the overall target should be 40%,....provided it is delivered at a cost below the cheapest entry level costs in the general housing market”.*
- 3.10 According to a Senior Planning Officer in Torridge District, a recently built out site [application 1/0647/2007] delivered a 35% affordable housing quota; whilst another strategic housing site delivered a 30% affordable housing quota. This situation is mirrored in North Devon District Council according to a Senior Planning Officer, where requirements are 35% on Greenfield sites and are 25% on brownfield sites.
- 3.11 However, in a joint approach between Torridge and North Devon District Councils, there was a proposal to seek a much higher affordable housing quota [i.e. 70%], but this has subsequently been withdrawn.
- 3.12 For the Exmoor National Park Authority, there is a very strong presumption against market housing, particularly on greenfield sites, treating all such sites as rural exceptions; with brownfield sites a 50% affordable housing quota is required on sites whose capacity is two or more dwelling units.

- 3.13 The housing needs assessment carried out by [Housing Vision (2008) for the Northern Peninsula indicates the following levels of affordable housing :
- North Cornwall District Council: **80%** of total units on sites will be sought with a split in tenure for 67% Social Rented [SR] and 33% HomeBuy [HB];
 - North Devon District Council: **84%** of total units on sites will be sought with a split in tenure for 75% SR and 25% HB;
 - Torrridge District Council: **88%** of total units in sites will be sought with a split in tenure for 67% SR and 33% HB; and
 - West Somerset Council: **87%** of total units on sites will be sought with a split in tenure for 67% SR and 33% HB.
- 3.14 In practice, housing authorities will be unable to deliver this quotient of affordable housing, through the planning system. Authorities will have to meet the assessed housing needs through other routes and sources other than through private housing developers. The Strategic Housing Market Assessment sets out such options for Partners.
- 3.15 PPS3 prescribes a minimum site threshold and capacity where the affordable housing quota should not apply, however it gives discretion to authorities to demonstrate that an affordable housing quota might apply so long as it does not prejudice these sites' viability. We will seek to model the impact of applying relevant affordable housing quotas below the critical threshold/capacity and in particular on such sites in rural locations, including rural exception sites.
- 3.16 Given the different affordable housing policy positions of the Partners and in attempting to provide evidence on a comparable basis, where relevant we subjected the study sites to a wide range of affordable housing quotas ranging from zero through to 100% quota requirements.
- 3.17 For the large sites: we have applied percentage affordable housing quotas – from 0% through to 100%, with a tenure split to test the impact of delivering either HomeBuy or social rented homes on the back of market housing.
- 3.18 For the small sites: we have applied a unit-based affordable housing requirement – here we progressively replace the market homes with increasing amounts of affordable homes.

- 3.19 For both site sizes, we have also tested them with a 100% affordable housing requirement; this is important for sites where development is only likely to be permitted if they are rural exception sites. For example, this is particularly relevant for greenfield sites located in the Exmoor National Park.

Affordable Housing Prices and Equivalent Rent levels

- 3.20 On instruction from the Partner Authorities, we have assumed that **no social housing grant**³ will be available to support the transfer and acquisition of affordable housing through their delivery by S106 agreements from the private housing developers to housing associations [i.e. Registered Social Landlords].
- 3.21 Advice and information was sought and received from a number of Housing Associations actively owning and investing in the Partnership's housing market area [e.g. West Somerset Housing; Sanctuary Housing Group] regarding the terms on which housing is transferred from private housing developers to ensure that these homes are affordable [in terms of Circular 6/98 and PPS3].
- 3.22 Where affordable housing policy quotas apply, housing development will comprise four tenures:
- Open Market Prices for Sale: 100% prices;
 - HomeBuy Shared Ownership: these are traded at 70% of Lower Quartile new build market entry house prices [see Housing Vision, 2008];
 - Social Rented Housing: these are traded at affordable rents levels that are then capitalized at a yield of 6.25%pa.
 - Private Market Housing: these are traded at Local Housing Allowance rates⁴ that are then capitalized at a yield of 6.25% pa.

³ Only under particular circumstances do The Housing Corporation support the cross-subsidisation of S106 affordable housing schemes by grant funds available to housing associations [i.e. Registered Social Landlords].

⁴ These are the lowest values allowed under housing allowances applicable in the area of the National Park [covered by North Devon and West Somerset]

- 3.23 For each of the tenures in the four Partner Districts, weekly rents are displayed in Tables 3.1a; housing prices are displayed in Table 3.1b; and house prices per m² are displayed in Table 3.1c., which are based on the two standardised homes of 65m² and 85m².
- 3.24 For example, in North Cornwall District a social rented home with a standard weekly rent of £75 for a 2 bedroom home, has an equivalent house price of £62,400 if capitalized at a 6.25% yield.

Table 3.1a: Housing rents by Tenure, weekly rents [£]

Northern Peninsula Housing Market Area	Weekly Rents - Actuals or Equivalents [£]	Size ⁵ [m ²]	Open Market Prices Equivalent Weekly Rents based on 6.25%pa yield [£]	Homebuy Equivalent Weekly Rents based on 6.25%pa yield [£]	Social Rents: Weekly Rents [£]
North Cornwall District Council	Houses	85	261.25	114.6	75.00
	Apartments	65	200.00	113.8	65.00
North Devon District Council	Houses	85	261.25	133.9	75.00
	Apartments	65	200.00	113.8	65.00
Torrige District Council	Houses	85	261.25	126.0	75.00
	Apartments	65	200.00	113.8	65.00
West Somerset Council	Houses	85	261.25	122.5	75.00
	Apartments	65	200.00	113.8	65.00

- 3.25 The same home purchased under a HomeBuy scheme has an equivalent weekly rent of £114.6, which if capitalized at a yield of 6.25%pa, has a capital value of £91,700.

⁵ These are standardized sizes for the two house types used in the modelling. Both are acceptable as living spaces under Housing Corporation rules. These are typically sized homes built by private developers for affordable housing.

Table 3.1b: House Prices by Tenure, equivalents [£]

Northern Peninsula Housing Market Area	House Prices - Actuals or Equivalents [£]	Size [m ²]	Open Market Price [£]	Homebuy 70% of Lower Quartile Market Entry Price [£]	Social Renting Equivalent Capital Value based on 6.25%pa yield [£]
North Cornwall District Council	Houses	85	209000	91700	62400
	Apartments	65	160000	91000	54080
North Devon District Council	Houses	85	209000	107100	62400
	Apartments	65	160000	91000	54080
Torrige District Council	Houses	85	209000	100800	62400
	Apartments	65	160000	91000	54080
West Somerset Council	Houses	85	209000	98000	62400
	Apartments	65	160000	91000	54080

- 3.26 Comparing the capital values in Table 3.1b, the social rented homes are generally 50% of market entry house prices in the four Partner Districts and typically around 70% below Open Market Prices. It was no surprise to learn that housing developers much prefer the HomeBuy shared ownership option over the provision of Social Rented Homes.

Table 3.1c: Housing Prices by Tenure [£/m²]

Northern Peninsula Housing Market Area	House Prices - Actuals or Equivalents [£/m ²]	Size [m ²]	Open Market Price [£/m ²]	Homebuy [£/m ²]	Social Renting [£/m ²]
North Cornwall District Council	Houses	85	2445.00	1078.82	734.12
	Apartments	65	2445.00	1400.00	832.00
North Devon District Council	Houses	85	2445.00	1260.00	734.12
	Apartments	65	2445.00	1400.00	832.00
Torrige District Council	Houses	85	2445.00	1185.88	734.12
	Apartments	65	2445.00	1400.00	832.00
West Somerset Council	Houses	85	2445.00	1152.94	734.12
	Apartments	65	2445.00	1400.00	832.00

- 3.27 In modelling viability, we will use the house prices per m² as input variables as displayed in Tables 3.1c, though these will be modified according to the sites' locations according to the sub-housing market areas as prescribed by Housing Vision.
- 3.28 In respect of the modelling of the five sites located in Exmoor National Park, where appropriate we also used the current weekly Local Housing Allowance rates for two and three bedroom homes: £125.77 and £150 per week respectively.

Other Planning Obligations and Developer Contributions

- 3.29 Most authorities seek or require that housing [and other] developments mitigate impacts on the local area and economy. With the exception of affordable housing, the basis of these planning requirements are triggered by the needs arising from proposed development and whether there is adequate provision and capacity in the local area regarding social and community services. The sort of requirements can include:
- Transport covering for example parking, cycle ways and footpaths, bus services
 - School places in nursery, primary and secondary schools
 - Libraries and other leisure provision
 - Open space and children's play areas and equipment
 - Health and social personal services – e.g. doctors' surgeries, health centres, community and village halls
 - Public Art provision.
- 3.30 It was not feasible to estimate the contributions arising from the development on each of the study sites. However, as part of our modelling approach we have included a standard charge to cover a mix of requirements that might be paid by housing developers in the future.
- 3.31 Based on limited local information and drawing on evidence from other authorities, we have applied a standard planning obligation contribution of **£5,000** per unit on all sites.
- 3.32 We recognize that Partner Authorities' present approaches to their use of planning obligations are under review as part of the emerging Local Development Frameworks and in the light of an emerging infrastructure charging mechanism [i.e. Community Infrastructure Levy].
- 3.33 We are also conscious that these standard contributions, in total, could potentially generate quite large lump sums from each site.

- 3.34 One might argue that regarding other planning obligations to be funded by private housing developers, we are being over-optimistic or indeed opportunistic. However, our view is that we are being risk averse as these additional costs are reflected in a lower outturn land bid; they do not affect the target rate of profit sought by the private housing developer as this is a fixed input determined by the developer.
- 3.35 The Government intends to introduce a Community Infrastructure Levy [CIL] [see DCLG, 2008] for which authorities will undertake extensive local assessments of future infrastructure requirements arising off-site from development, which will be in addition to on-site contributions secured through planning obligations. In advance of such a levy being introduced, and in discussion with Partner Districts, we have applied a standard dwelling levy of **£10,000** per unit on all sites including rural exception sites.
- 3.36 And, clearly, in recognizing that there may be a need to make such additional [i.e. planning obligation and CIL] contributions we are ensuring that a “truer” or “fuller” cost of development is being covered; such costs will ultimately become amortised⁶ in local land values in the same way that abnormal costs and costs tied to remediation impact on land value.

⁶ This means that all costs have been taken into account in determining the land value; with higher costs, the land value will be reduced and vice versa.

4 MODELLING HOUSING VIABILITY

Preamble

- 4.1 The principal purpose of this study is to conduct viability analysis in order to test the impact of a range of affordable housing quota options.
- 4.2 The basis of our calculations proceeds from the recognition that developers are profit led and our studies assume a market rate of return that is similar to that cited in Barker [2003 and 2004] and used in common valuation packages.
- 4.3 We recognise that for too long viability has not been sufficiently taken into account regarding affordable housing and planning requirements and that this might have frustrated the implementation of development projects in the past. However, with the emergence of new guidance [i.e. PPS3 Housing [2006]; Circular 05/2005 on Planning Obligations; Planning Obligations - Practice Guidance, July 2006; and Community Infrastructure Levy, January 2008] there is an impetus and a new imperative for a wide range of stakeholders, as well as those directly related to the planning/development decision making [i.e. Council officers, elected Members, other third parties], to become more aware and understand better the consequences of imposing or seeking planning policies and requirements.
- 4.4 Consequently, employing some kind of development appraisal where a site's development potential can be assessed prior to plan making will serve to inform a procedure which until very recently has been largely the domain of private housing developers.
- 4.5 In pursuit of transparency, our approach does not only provide the requisite financial information and other evidence on which to base decisions regarding viability, but in the proceeding Sections we will explain the underlying principles [i.e. methodology] and assumptions made in carrying out the viability testing. This is important because it will allow the Partner District Councils to draw on the study's findings to inform emerging policies as well as underpin future monitoring and review.

What is meant by viability?

- 4.6 A proposed development project is viable if, in principle, it generates a target profit rate of return for development to proceed.
- 4.7 Our understanding of **viability** can be seen from two perspectives:
- i. For the developer, we can measure the value of profit as a capital sum [i.e. as an absolute sum], or as the relative margin of profit as a % of costs or of gross development value. The relative rate of profit is more relevant since it allows the developer to compare on an equivalent basis the relative returns of other possible investment projects, some of which may not be in property development.
 - ii. For the landowner, the comparison [and therefore their viability test] is focused on whether the land bid price in some future use [e.g. perhaps a known use which is permitted by planning] is higher than the land's current value use or other uses [for which planning is also required].

Viability: financial or economic?

- 4.8 Well, viability is also sometimes prefaced with either “financial” or “economic”. This can lead to some confusion.
- 4.9 In using the term financial or finance it is generally seen [at least by Economists] to relate to a narrow set of factors or variables under consideration that directly affect the demand side [in revenue terms] and/or supply side [in cost terms]; the operative word being “direct”.
- 4.10 The term economic is a wider concept that normally includes both those costs and revenues that directly and indirectly arises from a project or activity. As such their scope is often prescribed by the nature of the project [e.g. the building of a road] or a programme [e.g. decommissioning of power stations] or a scheme [e.g. the training of unemployed workers] that is under scrutiny.
- 4.11 For the purposes of this study the term viability refers to *financial viability*.

Modelling Viability

- 4.12 In essence, development appraisal models are relatively simple⁷. The basic framework for development appraisal involves conducting a residual [land] valuation. This can be expressed in the form of a formula:

$$\mathbf{GDV - (BC + P) = RLV}$$

Where:

GDV = Gross Development Value

BC = Building Costs, including fees and interest

P = Profits [normal profits]

RLV = Residual Land Value

- 4.13 For our purposes, this basic equation can be re-arranged in three ways, as follows:

[1] **GDV - (BC + P) = RLV** Here the Land Value is a residual. This is the maximum amount that can be offered by the developer assuming a minimum target rate of profit.

[2] **GDV - (BC + RLV) = P** Here the Land Value is known. The Profit is a residual in this equation.

[3] **(BC + P + RLV) = GDV** Here the GDV is made up of the three main “cost” elements which explicitly include the developer’s profit.

- 4.14 From these different equations we can identify critical values:

- Equation 1: for those who are seeking to sell or buy land;
- Equation 2: the amount of profit that might be achieved by the developer having bought the land; and
- Equation 3: this reveals the three basic “costs” that make up the GDV.

⁷ The procedures for the conduct of and the purpose of a valuation of this kind is set out in a manual known as "The Red Book" which is prepared and published by the RICS, the professional body of chartered surveyors. See RICS (2008) *RICS Appraisal and Valuation Standards* [The Red Book], 6th Edition.

- 4.15 The basic framework for conducting the modelling uses Microsoft Excel spreadsheets; these have been designed and created by Professor Stephen Walker specifically to conduct Residual Land Valuation [and Profit Assessments] of a site's development potential.
- 4.16 For each site, detailed outputs from the financial modelling will be made available in a separate document to the main report. Additionally, the spreadsheets will be made available for use by the Partner District Councils. These models embrace standard RICS valuation procedures as set out in its "Red Book".

Profits of Developers

- 4.17 Profit is a factor input determined by the developer. It reflects the developers' opportunity costs of capital. Developers rarely like to reveal this quotient. We know that the CBI⁸ has stated that business must make between 12% and 18% profits to standstill. Economists would interpret this to be a business's normal profit rate. One would expect that the "hurdle" rate for developers would be higher, given that development attracts a risk premium over and above general business risk and involves the production of such "lumpy goods". Compared to commercial development, risks are higher for the speculative private housing developer.
- 4.18 Given their sensitivity we think it vital that we declare our position and the way we came to set an appropriate developers rate of profit used in viability testing. From an academic perspective actual profits are often described as "confidential" and therefore not for open and public discussion. The academic literature, therefore, resorts to assumptions and one well-tried assumption in the property sector is the 33%:33%:33% of value [i.e. gross development value] rule where profit is assumed to be one third alongside land costs and build costs.
- 4.19 Profits also are a function of the property cycle, where profits can be squeezed in a falling market and rise at an increasing rate in a rising market. Empirical evidence attests to this cyclical behaviour in that the Barker Report [2003] cites the average rate of profit [%] based on a ratio of trading profits to turnover for the main house builders in the UK in Table 4.1 below.

⁸ See CBI website at <http://www.cbi.org.uk>

Table 4.1a: Developers Profits

Year	Profits as a % of turnover	Profit as a % of Costs [Equivalence]	Position in the property cycle
1989/90	23%	30%	Peak
1992/93	10%	11%	Falling market; point of inflection
1994/95	13%	15%	Slow recovering market
2000/01	15%	18%	A rising market
2002/03	16%	19%	A continuing rising market
2007 March [Bovis Homes]	23%	30%	Possibly top of the market; mergers and acquisition activity attests to a possible tighter market in the future

Source: Barker Review, Interim Report – Analysis, 2003, p.65; with additions from published Company Accounts in 2008.

4.20 Additional data on the profits record of a number of house builders is presented in Table 4.1b. Though these attest to the general picture set out in the Barker Report, it is clear that some developers have seen a decline of their overall rate of profit for a couple of years now.

Table 4.1b: Developers Profits

HOUSE BUILDERS	Output [2007]	Profits	2003	2004	2005	2006	2007
Bellway Plc	7,640	Profit as % of Turnover	17.74%	18.81%	18.15%	17.80%	17.34%
		Profits as a % on Costs	21.57%	23.17%	22.17%	21.65%	20.98%
Barratt Developments Plc	17,150	Profit as % of Turnover	13.30%	14.61%	15.87%	16.10%	14.04%
		Profits as a % on Costs	15.34%	17.12%	18.86%	19.19%	16.34%
Taylor Woodrow Plc	8,300	Profit as % of Turnover	n. a.	n. a.	25.00%	22.02%	n. a.
		Profits as a % on Costs	n. a.	n. a.	33.34%	28.24%	n. a.
Bovis Homes Plc	3,200	Profit as % of Turnover	n. a.	n. a.	24.46%	23.62%	27%
		Profits as a % on Costs	n. a.	n. a.	32.39%	30.92%	36.99%

Source: Adapted from published Company Accounts, 2008; [n. a. = not available]

- 4.21 Another observation that builds on the academic literature is the concept of *normal profit*, where each sector is presented as having an acceptable rate of return that needs to be achieved to keep them interested in staying in that sector or country. Consequently, if house builders are squeezed and find their returns falling much below, say, 20% they might resort to other development or related activities. Economists would explain the transfer of resources to alternative uses [and countries] as an opportunity cost, and in some ways our discussion with locally active commercial developers would suggest that companies see the housing market as potentially less restrictive and more lucrative [i.e. in profit and cash flow terms] and as a means of diversifying and spreading risk, but that they need to retain flexibility as markets change.

- 4.22 A further area of debate relates to the base on which profits is set. In this respect, it is argued that as costs are almost always known or easier to estimate, validate and crucially to control, and therefore is a better base on which to set the developers target rate of profit. Additionally, value is only known when actual [economic] demand is known [or a pre-sale or let has been agreed] which is at the point of sale. Therefore, value is a hypothetical; a guess-estimate based on assessments now of a market which might be some years away in the future. Thus, basing the developers target rate of profit on value is open to substantially higher risks of change and uncertainties.
- 4.23 Our discussions with commercial and housing developers revealed an acceptable profit margin of between 20% and 30% on costs [the latter is equivalent 23% on turnover or value]. In some cases, higher margins might be justified given the range of contingencies and higher risks associated with some sites in Partner Districts. In other cases, developers may purchase land at lower [profit] margins, particularly in competitive situations or perceived rising local markets, but this rarely goes below 15% of turnover [i.e. value]. It is also recognised that though the presence of affordable housing can be seen as potentially reducing the value of market homes, it can also introduce an element of lower risk, as pre-sales to a housing association [or Registered Social Landlord] improve developers' cash flows.
- 4.24 An appropriate rate of profit might lie between 20% and 25%, or even 30% on costs. Ultimately, this depends on a number of factors, including: competition and hence demand; position on the property cycle; setting the rate as a proportion of values or costs. Of course we could also treat this as a variable too, in order to test its impact on the resultant RLV.
- 4.25 Given the academic reasoning and empirical evidence presented above, we feel justified in setting a **target rate of profit of 25% on costs** [i.e. equivalent to 20% of value], which comfortably reflects market sentiments [as at October 2007]

5 ASSUMPTIONS FOR VIABILITY ANALYSIS

Preamble

- 5.1 This Section considers the key price and cost variables and other assumptions required to generate financial appraisals for the individual sites in Northern Peninsula Housing Market Assessment Partnership Area. These include the following matters:
- Price assumptions for financial appraisals
 - Cost assumptions for financial appraisals
 - Assumptions relating to phasing and pace of development

The Housing Market Context in the Northern Peninsula

- 5.2 As with other housing markets, Northern Peninsula has benefited from a sound economic position nationally, with consistent and low mortgage interest rates which have been underpinned by strong economic growth and comparatively low unemployment levels. Though the market has undergone some interest rates adjustments nationally, the general prospects for the future remain uncertain as the supply of mortgage finance for first-time buyers continues to be highly constrained [see HM Treasury, 2008].
- 5.3 The housing market in the Northern Peninsula Housing Market Area is affected by a number of local factors that help to explain market conditions including:
- Absence of a major urban area to act as a sub-regional housing market driver;
 - High demand for housing from in-migration;
 - Imbalance in the housing market in terms of prices, mix and quality;

- An above average propensity of second homes, particularly affecting coastal areas and [pretty] rural villages and holiday home accommodation;
- Low pay, seasonal and part-time employment tied to leisure, hotels and other holiday-related services;
- Sub-regional economy with declining economic sectors and need for structural diversification;
- Complementary economic development, regeneration and heritage townscape strategies supporting the employment and housing markets;
- Strong anti-housing development sentiment stemming from the presence of two National Parks [Exmoor and Dartmoor] and Areas of Outstanding Natural Beauty which constrains and largely diverts development;
- Limited access to rail and motorway network and major air and seaports;
- Absence within the Northern Peninsula of a university or other similar Higher Educational and research institutes.

New Build Developments in the Northern Peninsula Housing Market Area

- 5.4 A key outcome of the above is increased competition between house builders and an increasing concentration on redeveloping non-residential land uses for housing provision. New housing must compete with the extant housing stock not only in terms of the price/rent quality ratio but also in terms of accessibility to community and educational provision, affordability and householders' choices.
- 5.5 Some examples of current housing developments are displayed in Table 5.3 showing locally active house builders and the housing mix and prices that are viable in today's housing market in the Northern Peninsula Housing Market Area.

Table 5.3 A selection of current New Build Developments in the Northern Peninsula Housing Market Area

House Builder [number of units]	Scheme Name	Housing Mix	Price per unit
George Wimpey [93 units]	Land south of Juries Lane, Torrington	2, 3 and 4 bed homes in 2 and 3 storey units	From c. £165k to £260k
Devonshire Homes [48 units]	Witheridge, near Tiverton [first phase completed; second phase close to completion]	2bed Apartments; 3 and 4 bed homes [3 and 4storeys] and bungalows	From c. £175k to £215k
Midas Homes [175] [47 shared ownership; 66 social rented; 58 market]	Broadclose, Bude [close to completion at October 2007]	2bed Apartments; 2 and 3 bed bungalows, semi-detached and 4bed detached homes;	From c. £140k to £210k
Highfield Homes [17 units]	Rydon Fields, Holsworthy [Phase 4 only]	2, 3 and 4 bed homes	From £155k to £250k
Redrow [51 units]	Off Shute Lane, Winkleigh	2, 3 and 4 bed homes	£215k to £270k
Midas Homes [c units]	Indigo, Bideford	2 bed apartments, 3 bed semi-detached and detached homes	From 131k to £160k

Table 5.3: A selection of current New Build Development in the Northern Peninsula Housing Market Area [continued]

Midas Homes [8 units]	The Mews, off Mill Street, Bideford	1 bed apartments	From £110k
Redrow	Rolle Quay, Rolle Street, Barnstaple	2 and 3bed apartments	From 183k to £197k
Crestmore Homes [10 units]	Park View, Barnstaple	1 and 2bed apartments and 3bed penthouses	£155k to £185k
Wain Homes	St Petroc's View, Bodmin	2 and 3bed homes	From 160k to £194k
Wain Homes	Oak Meadow, Hatherleigh	2, 3 and 4bed homes	From 159k to £215k
Wain Homes [62 units]	Moorland View, Camelford	2 bed apartments, 2, 3 and 4 bed homes	£160k to £270k
Newlands Homes [24 units]	Cleave Point, Sticklepath, Barnstaple	2 and 3 bed apartments	£145k to £185k

- 5.6 On the basis of these, and other schemes in Northern Peninsula Housing Market Area leads to a range of new build house prices that vary between £2,190/m² and £3,310/m² with a typical price of [£2,455/m²].
- 5.7 To translate these into prices and rent equivalents that are more readily understood, Table 5.4 shows these for a standard apartment [65m²] and a house [85m²].

Table 5.4: Market Housing⁹: prices: £/m²and weekly rents

Market Housing	Prices [£]	Size [m²]	£/m²	Equivalent Weekly Rent based on 6.25% yield [£]
Houses	209,000	85	2455	261.25
Apartments	160,000	65	2455	200.00

- 5.8 As far as possible we are also attempted to adopt a typology that capture the variety of site, situation and locational attributes of the study sites, their uniqueness and the scale of any proposed development.
- 5.9 In seeking appropriate new build prices for the forty-seven sites that are spread across the Northern Peninsula Housing Market Area and which provide guidance for any future sites, we need to take account of this diversity as far as possible. The typologies that are adopted are qualified by factors relating to complementary and competing uses, proximity and accessibility to community amenities and transport connections, as well as environmental quality. It is also recognized that the provision of affordable and key worker housing is also likely to influence actual sales price too.

⁹ See *Making Sense of Sub-Market Areas in the Northern Peninsula*, May 2008, prepared by Housing Vision, particularly section 4 [pp.31-35].

Table 5.5: Sub-Housing Market Areas in the Northern Peninsula – House Price Category [£/m² and capital value equivalents]

Housing Market Type	Sub-Housing Market Area	House Price Category	£/m ²	Apartment [65m ²]	House [85m ²]	Number of Study Sites in Each Category
Coastal: Higher Value [CHV]	Croyde	Higher	£3,310	£215,150	£281,350	2
	Padstow	Higher	£3,205	£208,325	£272,425	3
Coastal: Lower Value [CLV]	Boscastle/Tintagel	Medium	£2,420	£157,300	£205,700	1
	Bude	Medium	£2,420	£157,300	£205,700	1
	Ifracombe	Higher	£3,310	£215,150	£281,350	2
	Minehead	Medium	£2,640	£171,600	£224,400	8
Deep Rural Areas		Lower	£2,190	£142,350	£186,150	9
Exmoor & Downland & Fringe		Lower	£2,190	£142,350	£186,150	7

Table 5.5 [Continued]						
Housing Market Type	Sub-Housing Market Area	House Price Category	£/m²	Apartment [65m²]	House [85m²]	Number of Study Sites in Each Category
Inland [Small] Market Towns [SMT]	Bodmin	Medium	£2,365	£153,725	£201,025	1
	Holsworthy	Medium	£2,295	£149,175	£195,075	1
	Launceston	Lower	£2,280	£148,200	£193,800	1
	South Molton	Lower	£2,190	£142,350	£186,150	1
	Camelford	Medium	£2,420	£157,300	£205,700	1
	Wadebridge	Higher	£3,205	£208,325	£272,425	1
Taw & Torridge: Towns & Rural Fringe	Barnstaple	Higher	£2,900	£188,500	£246,500	4
	Bideford	Medium	£2,345	£152,425	£199,325	4
6	14	Average	£2,455	£159,575 [rounded to £160,000]	£208,675 [rounded to £209,000]	47

Source: Adapted from *Making Sense of Sub-Market Areas in the Northern Peninsula*, Housing Vision, May 2008.

Price assumptions for financial appraisals

- 5.10 The Gross Development Value [GDV] is based on the notion that if a proposed development is built now, the value of the completed development can be estimated based on comparables of similar developments locally, with some adjustments made to ensure as close a comparison can be made on an equivalent basis. Thus the valuation is a product of current market prices [and of rents too], the content and mix of development, and any relevant adjustments that should be made.
- 5.11 Table 5.4b displays the price/m² modified to accommodate the price levels recorded in the fourteen sub-housing market areas that comprise the Northern Peninsula. These show that house prices range from £2190/m² on sites in places such as South Molton or the remoter rural areas to £3310/m² in the coastal locations such as Croyde and Padstow.
- 5.12 It is important to remember that some planning benefits may add value [as well as costs] to the proposed development because these "add" amenities or facilities and thus "value"; some will alter both the level and distribution of values, particularly when affordable or key-worker housing is provided.
- 5.13 On the basis of the above we apportioned £/m² prices, as set out in Table 5.4 above, to model viability of housing on the forty-seven study sites.
- 5.14 Current urban design advice¹⁰ reasons that the impact of the provision and presence of affordable housing on sales prices can be minimised through appropriate design and specification. Several of the options being modelled exceed the level of affordable housing on schemes built to date in the Northern Peninsula Housing Market Area. On smaller sites this may present a design challenge. To reflect market sentiments, we have made an allowance for adverse impact of a 5% sales price reduction in relation to affordable housing quotas of 40% and above.

¹⁰ See CABE [2006] *Design at a Glance*, June 2006, CABE; see also <http://www.cabe.org.uk/default.aspx?contentitemid=188>.

Cost assumptions for financial appraisals

- 5.15 There are a number of basic development cost elements that are covered in the modelling:
- Building costs
 - Other costs [e.g. abnormal costs, planning obligations, community infrastructure levy]
 - Finance costs and weighting
 - Fees
- 5.16 And additionally, of course, a key “cost” that has already been discussed [see paragraphs 4.17 to 4.25] is the developer's profits.

Building Costs

- 5.17 These can be derived by a Quantity Surveyor or estimated by drawing on industry standard costs and indices. The latter are readily available from Spon's Architects' and Builders' Price Book or Building Cost Information Services [BCIS] the latter is a service provided by the RICS¹¹. Costs per unit, costs per m², and several kinds of cost, project and tender prices can also be accessed. These nationally derived costs are based on tender or actual completed contracts of development; adjustments can be made for building cost inflation and for local costs. Inclusive of these costs are preliminaries [15%], which cover site infrastructure and other normal preparation costs.
- 5.18 We have prepared the viability analysis using a set of base building costs [£/m²] for two generic housing forms in the Northern Peninsula Housing Market Area with three costs levels [see Table 5.6 below]. Normal costs of £900/m², which relate to mean costs, have been used for all the sites except those in the Coastal High Value locations and where site constraints and development within conservation areas justify rates of £1,000/m² and higher, which are closer to the upper quartile threshold

¹¹ Davis, Langdon and Everest (editors) (2008) *Spon's Architects' and Builders' Price Book*, London: E and FN Spon; BCIS (Building Cost Information Service) (2008) *Survey Of Tender Prices; Project Prices*, RICS

for costs. These higher costs relate to higher specification and design standards to reflect market dynamics on centrally-located sites, coastal settlements and on rural sites that may need to take account of their more sensitive locations.

- 5.19 We have not, however, adjusted the build costs for the affordable housing element since all such housing must now meet Sustainable Homes Code Level 3 standards; though these properties may be completed to a lower internal specification. Recent research [Sweett, 2007] estimates that cost of building of such housing might have to rise by around £4,500 per unit to achieve Code Level 3 standard.
- 5.20 Finally, the model has also adjusted these “national” building costs by applying a local cost adjustment factor [BCIS,2008], equivalent to 0.94 for West Somerset Council, 0.95 for North Cornwall District Council, 0.90 for Torridge District Council and 0.97 for North Devon District Council; the equivalent for the South West Region is 0.96.

Other Costs

- 5.21 The modelling of viability can also take into account other costs above the normal. For example, these typically cover remediation costs to cover contamination; special survey costs; and planning obligations/contributions. As far as possible, our viability analysis has taken into account specific site requirements.
- 5.22 We have also included in the appraisals a sum for abnormal costs where appropriate, equivalent to a sum of £1,000 per housing unit. As with other costs, this means that our viability analysis is couched as being quite risk averse [which necessarily benefit developers].

Table 5.6 Building Costs [£/m²] – Market Housing

Site Type and Location	Design Quality		
	Normal [£/m ²]	Good Specification [£/m ²]	Excellent Standard [£/m ²]
Market Housing [MH]			
Town & Rural Fringe	£900	£1,000	£1,200
Coastal High Value	Not Applicable	£1,000	£1,200
Coastal Low Value	£900	£1,000	Not Applicable
Small Market Town	£900	£1,000	Not Applicable
Exmoor & Downland Fringe	£900	£1,000	£1,200
Dispersed Rural Area	£900	£1,000	Not Applicable

Source: Adapted from BCIS, June 2008, p.31

Finance Costs

- 5.23 For modelling viability we have assumed an 8% per annum interest rate for both costs and revenues.
- 5.24 Finance costs are triggered whether the developer funds the development from profits or from borrowed capital or a mix. This is because the finance cost is an opportunity cost: the profits could have been held in an escrow account and have accumulated interest; the finance could have funded alternative development options.

Finance Charge Weighting

- 5.25 In order to make the modelling as realistic as possible, we have attached weights to the finance costs associated with different elements of the development costs as set out in Table 5.7 below. Most models assume that the finance costs associated with building costs accrue on only 50% since the whole sum is not needed at the start, but is drawn down at a rate whose trend line is S-shaped. We have also attached weights to other elements depending upon when they arise so, for example, financing the purchase of the land is assumed to be for the whole period up until the final sale of the development, whilst marketing and professional fees are triggered some time after the start of the development.

Table 5.7: Finance Charge Weighting

Development Cost Items	Weighting Factor
▪ Building Costs [including S106, roads and landscaping]	0.50
▪ Professional Fees	0.75
▪ Marketing	0.75
▪ Planning/survey Fees	1.00
▪ Land Purchase and Acquisition Fees	1.00

Fees

- 5.26 There are a variety of fees that we have included in our modelling. Such fees arise as a result of arranging finance; site finding and purchase, building design and procurement, and on the sale or letting of the completed development. The rates used are set out in Table 5.8 below.

Table 5.8 Fee Rates

Fee Items	Rates
▪ Professional Fees [% of building costs]	8%
▪ Sales Agent Fee [% of total sale value]	1%
▪ Sales Legal Fees [% of total sale value]	1%
▪ Land Acquisition Fees [%]	1%
▪ Marketing [% of total sale value]	0.5%
▪ Stamp Duty [%]	current rates
▪ VAT [%]	ignored

- 5.27 Other fees that are also taken into account are planning fees. These are included as a lump sum cost based upon current planning application charges.

Assumptions relating to phasing and pace of development

- 5.28 As part of our modelling, we made a number of assumptions regarding phasing and the pace of development that take into account the size of sites and site attributes; these are displayed in Table 5.9. Normally, house builders will give greater priority to householders' demand and would model options according to cash flows [including discounting]. Of course, for some sites planning conditions may impose particular restrictions that developers must adhere.

- 5.29 The appraisals have also been prepared assuming that building costs and sales values at a base date of May 2008, with a start on site in June 2008. There is a six months' pre-construction period for all the sites to allow for resolution of minor planning issues and site preparation.

Table 5.9 Market Pace of Development Assumptions

Site Size [number of dwellings]	12 months	24 months	36 months
Town and Fringe	1 to 60	61 to 150	151 to 300
Coastal High Value	1 to 50	51 to 120	121 to 250
Coastal Low Value	1 to 50	51 to 120	121 to 250
Small Market Town	1 to 50	51 to 120	121 to 250
Exmoor & Downland Fringe	1 to 30	31 to 100	101 to 250
Remoter/Dispersed Rural	1 to 30	31 to 100	101 to 250

- 5.30 The above assumptions mean that developments are completed over a period of 1, 2 and 3 years according to development scheme size and type, with the exception of the Larkbear Plantation site which is assumed to be built out over the 15 years' plan period.

Benchmarking Land Values

- 5.31 In advance of conducting the financial appraisals, data on land values sourced from The Valuation Office Agency [VOA] provide a good basis on which to develop an understanding of relative land values between the regions and across different land uses: principally agricultural, industrial and residential land uses.

- 5.32 Figure 5.2 summarises the position in the Northern Peninsula Housing Market Area's land markets based on a range of data tracking regional and sub-regional transactions. The principal data source is *The Property Market Report* [January 2008] which reports on a biannual basis.

Agricultural Land Values

- 5.33 Agricultural land values for the South West region achieved prices of between £6,175 and £16,600 per hectare for equipped land as at January 2008, and unequipped land is around 30% lower [see Table 5.10]. These are the “base” land values in the locality and given permission, any person offering a higher price is likely to trigger exchange to secure landownership. The Valuation Office Agency report that:

“In South West, the lack of supply and the ever growing numbers of potential purchasers continues to fuel prices for all types of land to all purchasers”. [*The Property Market Report*, VOA, July 2008]

Table 5.10: Agricultural Land Values in the South West Region

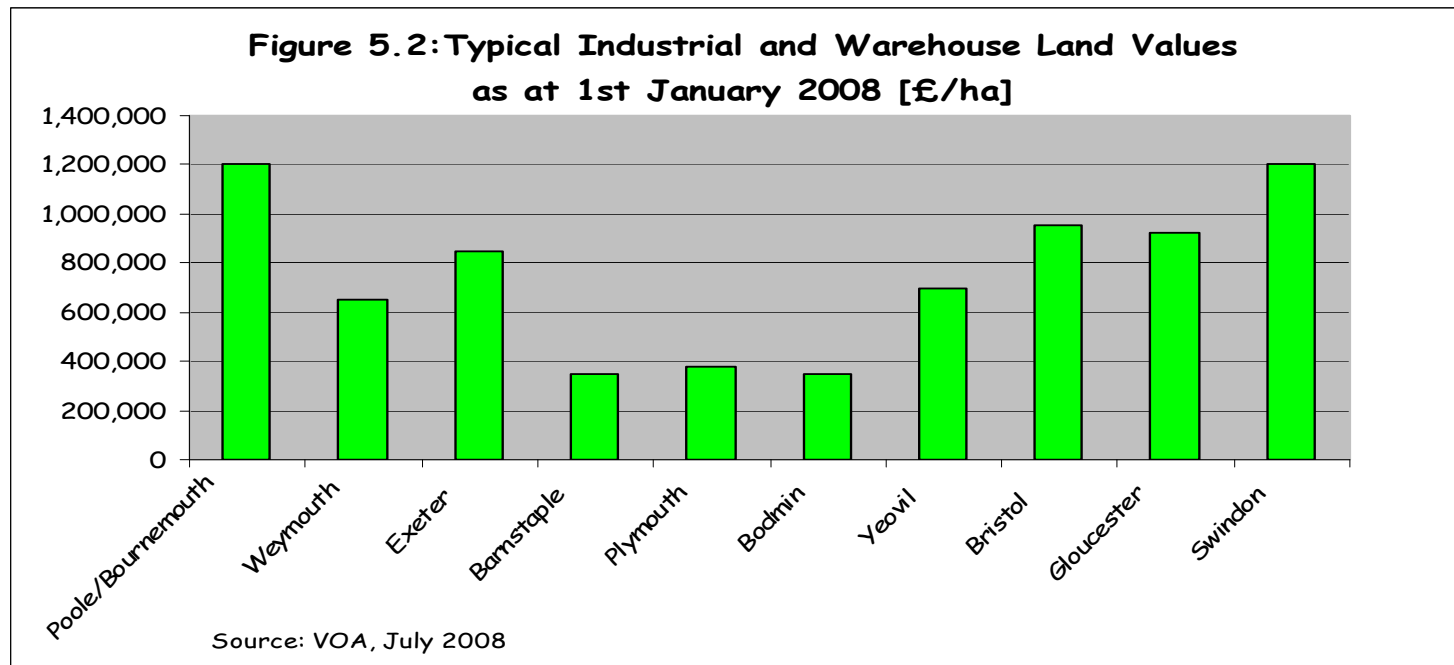
Value of Agricultural Land with Vacant Possession as at 1st January 2008								
South West Region	Arable		Dairy		Mixed		Hill	
	£/acre	£/hectare	£/acre	£/hectare	£/acre	£/hectare	£/acre	£/hectare
Unequipped ¹² Land	4,338	10,715	4,217	10,416	4,189	10,347	1,950	4,817
Equipped Land	6,619	16,349	6,717	16,591	6,444	15,917	2,500	6,175

Source: VOA, July 2008

¹² Equipped land: land serviced with utilities

Industrial Land Values

5.34 Current average industrial land values in the South West region have peaked at £0.6m per hectare. The last time these values were reached was some 18 years ago in Spring 1990. We can be more precise regarding industrial land values at a sub-regional level [see Figure 5.2], where land is being traded at £350,000 per hectare in Barnstaple and Bodmin [at January 2008 prices], which are the lowest of all the South West’s principal settlements. Remoteness and their relatively poorer access to the main transport routes [i.e. road and rail] reinforce these settlements’ competitive disadvantage; Minehead achieves higher industrial land values with its better accessibility to the M5 via Junction 24 at Bridgwater and Junction 25 at Taunton.



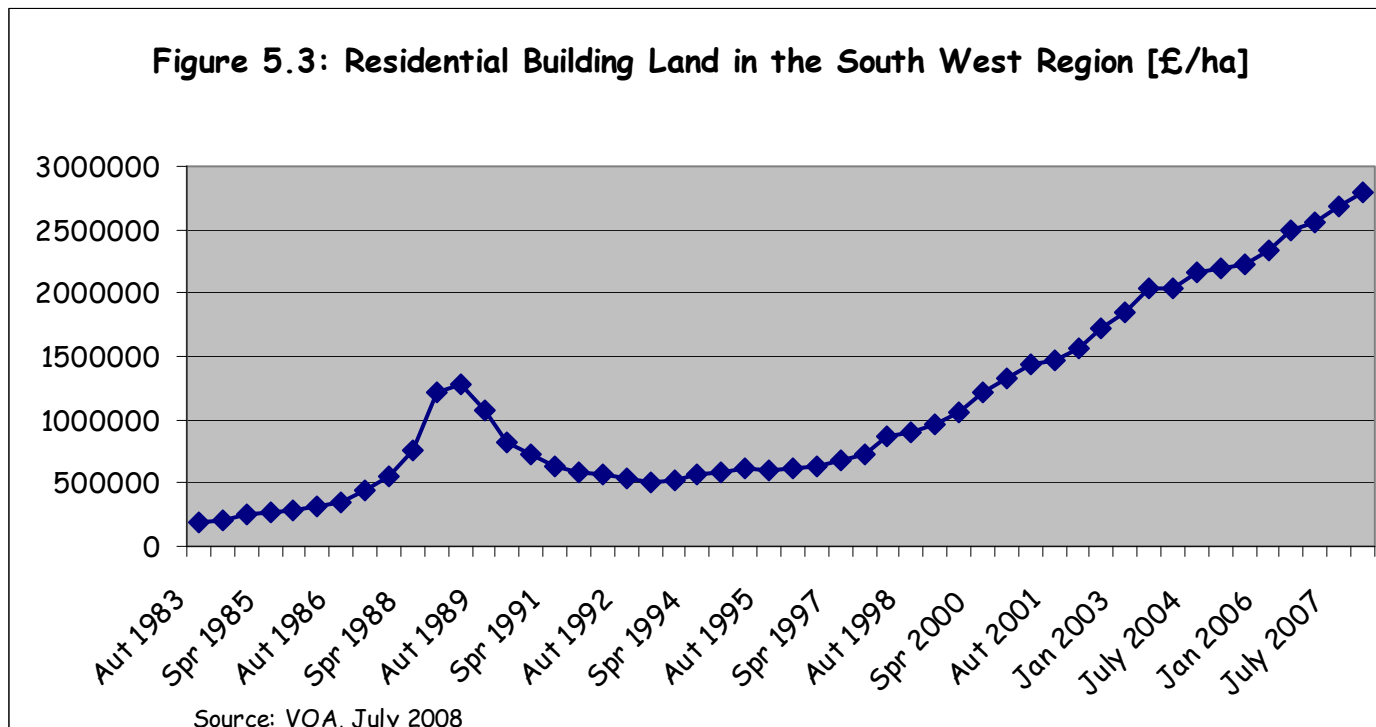
Employment [B1] Land Values

- 5.35 Valuation Office Agency figures for the South West region [as at January 2008] display wide variations in the land value for B1 employment land, ranging between £300,000 and £1.6m per hectare [averaging £880,000]. However, local evidence on the provision of serviced employment land in rural Devon¹³ contends that depending upon location, land values are likely to lie at the bottom end of the region's range, typically being between £300,000 and £500,000 per hectare. With regard to the Northern Peninsula area, the principal settlements of Barnstaple and Bideford are the likely locations to achieve these values; while the more remote and less accessible locations achieve lower values.

Residential Building Land Values

- 5.36 Nationally, there are some sharp differences in regional values of residential bulk land [sites over 2 hectares]: the highest is found in Inner London [£10.14m per hectare] and the lowest is recorded in the Merseyside region [£1.382m per hectare]. Of the English regions [excluding London], South West region records the fourth highest with values of £2.8m per hectare; similar land in the built up areas of existing settlements achieved substantially higher land values. [£3.71m per hectare] reflecting these sites' accessibility to corporate, retail and community amenities and facilities.

¹³ Rural Devon Employment Land Review, Stage 11, Draft Report by King Sturge, February 2008; particularly paragraphs 3.51-3.64



5.37 Indeed, as Figure 5.3 shows, residential building land values remained below £1m per hectare until the Spring of 1999; which then was a nine and a half year peak. They broke the £1m per hectare threshold in the Autumn of 1999. In the next three and a half years, land values rose by over 50% points. By January 2008, average residential building land values had increased to a new high of over £2.8m per hectare [the latest available figures at July 2008], which is close to 300% of Spring 1999 values. Importantly, all the other regions have experienced similar cyclical rises in their residential building land values, and presumably falls in the future in association with severe restrictions to mortgage finance for new home purchasers.

Table 5.10 SOUTH WEST REGION			
At January 2008 Sub-region	Small Sites (sites for less than five houses)	Bulk Land (sites in excess of two hectares)	Sites for flats or maisonettes
	£s per hectare	£s per hectare	£s per hectare
Bournemouth	3,750,000	3,250,000	5,500,000
Weymouth	2,700,000	2,500,000	3,250,000
Exeter	4,000,000	3,000,000	4,000,000
Barnstaple	2,200,000	1,900,000	2,200,000
Plymouth	2,500,000	2,400,000	2,750,000
Truro	2,850,000	2,400,000	3,400,000
Taunton	3,000,000	2,750,000	3,500,000

Source: The Valuation Office Agency, July 2008

As Table 5.10 shows that within the South West Region there are wide variations, with the highest values being recorded in Bournemouth [£3.25m per hectare] and Gloucester [£3.5m per hectare]. Of all the settlements comprising the Northern Peninsula, only Barnstaple is specifically identified in the Valuation Office Agency Report, which shows that bulk residential building land values achieved £1.9m per hectare, which is the lowest of all the South West region's settlements named in the *VOA Property Market Report*. Discussions with the VOA and local agents confirm that its bulk residential land values are judged to be highest [around £2.5m per hectare] in the principal coastal settlements [i.e. Atlantic Highway] and lowest in the more remote rural areas. Smaller sites and those where higher density development is being built [i.e. apartments], the equivalent land values are £300,000 higher at £2.2m per hectare.

- 5.38 The Northern Peninsula's housing land market is currently heavily influenced by tight development boundaries for its main settlements, a clear presumption against development outside village boundaries, particularly in the remoter rural areas and in the National Parks; the latter serves to divert spatially available demand for development which in turn distorts the market balance between land availability and housing requirements. One consequence has been a rising pressure to develop former industrial and employment land for housing; whilst extant planning policies demonstrate a greater emphasis on developing brown field over green field sites.

Summary on Land Value Benchmarks

- 5.39 We can now put into perspective these relative land values for Northern Peninsula Housing Market Assessment Partnership Area and its environs; Figure 5.4 displays these key land value thresholds [see next page]. In testing housing viability, we will compare these with the calculated land values for the forty-seven study sites in terms of different affordable housing quotas.

Figure 5.4: Benchmark Land Values for Northern Peninsula Housing Market Assessment Partnership Area



6 RESULTS OF VIABILITY ANALYSIS

Preamble

- 6.1 This Section presents the results of financial appraisals conducted for assessing the forty-seven study sites' viability.

The Residual Land Value [RLV]

- 6.2 On the basis of the development assumptions set out earlier, we prepared financial appraisals for each of the forty-seven study sites, using specially designed spreadsheets. The appraisals use the residual land valuation method. The RLV is by definition a residual. It is the sum of money available to buy the land needed for the development to proceed. It is a derived sum based on the final development value, an accurate estimate of building costs and a sum of money to meet the developers target rate of profit. This is the budget to buy the land. Developers will want to minimise the price they actually pay for land; landowners obviously try to maximise the price they want to receive. The landowner and the developer are the only ones to know the offer prices; we can compare these with transactions based data from The Land Registry. The results of the valuation are commonly expressed in £ per hectare.
- 6.3 For a proposed development to pass the test of viability, it is necessary for the land value for housing to exceed the land value from a valid alternative use [i.e. requiring planning permission]. For virgin land or a green field site, where its current use is agricultural, its land value will be typically low. In the Northern Peninsula Housing Market Area, several sites are likely to have been in previous uses [e.g. garage site, a factory, a hotel], their land values may have an existing [e.g. employment] or alternative [retail/leisure] use value. In Section 5, we provided comparative land values for alternative uses for the Northern Peninsula Housing Market Area.
- 6.4 Efficient market hypothesis contends that markets ought to reflect all the relevant costs and values, so that a developer's land bid offer price reflects in a clear and true way the costs of providing affordable housing and other planning requirements. However, because of imperfect knowledge, landowners' price expectations may be higher than the offer prices being made by developers.

- 6.5 In the context of affordable housing requirements *a priori*, these requirements will lead to lower land values. As a general principle there is an inverse relationship between the level of affordable housing and land values; as the requirements for the former increase the latter decrease.
- 6.6 It is also important to record how the cost of mitigating a planning objection affects the RLV, and whether the RLV is abnormally low or appears to be negative. It is possible for an the appraisal to ascertain the impact of mitigation costs on a development's cash flow, and how re-scheduling mitigation measures affects overall outcome, especially on the profit rate, however this is outside the scope of this study.

Financial appraisal results

- 6.7 We generated financial appraisals based on the stated values, costs and financial assumptions for a range of affordable housing options/iterations.
- 6.8 The results for of our RLV appraisals are presented in Tables 6.1a, 6.1b, 6.1c and 6.1d for the four Partner Districts and Table 6.1e for the Exmoor National Park Authority. Summaries of the appraisals for all forty-seven sites are located in Appendix C.
- 6.9 Given the different affordable housing policy positions of the Partners and in attempting to provide evidence on a comparable basis, where relevant we had to subject the study sites to a wide range of affordable housing quotas ranging from zero through to 100% quota requirements.
- 6.10 In reading the five sets of tables [i.e. Tables 6.1a to 6.1e] the RLV appraisal results are organised into large and small sites in accordance with PPS3 site size threshold.
- 6.11 For the large sites: we have applied percentage affordable housing quotas – from 0% through to 100%, with a tenure split to test the impact of delivering either HomeBuy or social rented homes.
- 6.12 For the small sites: we have applied a unit-based affordable housing requirement – here we progressively replace the market homes with increasing amounts of affordable homes.

- 6.13 For both site sizes, we have also tested them with a 100% affordable housing requirement; this is important for sites where development is only likely to be permitted if they are rural exception sites. For example, this is particularly relevant for greenfield sites located in the Exmoor National Park.
- 6.14 Taking into account developer contributions and some abnormal costs, the financial results points to a market valuation for housing land free of planning and development costs [with an assumed developers profit of 25% on costs] typically approaching **£2.27m per hectare**. This figure is in line with the Valuation Office Agency data as at January 2008 [VOA, July 2008].
- 6.15 For large sites: the figure of **£1.91m** per hectare for large sites lies in the range of £1.9m to £2.4m per hectare for Barnstaple and Truro respectively. For small sites: the figure of **£2.54m** per hectare for small sites lies in the range of £2.2m and £2.85m per hectare for Barnstaple and Truro respectively. This indicates that the appraisals neither under-estimate nor over-estimate profitability.

Appraising Residual Land Values: Findings

- 6.16 In presenting the RLV appraisals for the forty-seven study sites, we have organized these in the following manner:
- By the five Partner Authorities which will be split according whether sites are large [22 sites] or small [25sites] [which is in accordance with PPS3 site size capacity or threshold];
 - NDCD: 8 large sites; 2 small sites
 - NDDC: 5 large sites; 6 small sites
 - TDC: 5 large sites; 6 small sites
 - WSC: 4 large sites; 6 small sites
 - ENPA: 0 large site; 5 small sites
 - By the six Sub-Housing Market Areas as designated by the recently completed Strategic Housing Market Assessment [Housing Vision, May 2008].

Table 6.1a: Residual Land Values [£m/hectare], North Cornwall District Council**Affordable Housing [AH] Option: % HomeBuy [HB]/% Social Rented [SR]**

Site Name	Size Site [m ²]	Baseline: 0/0	30% AH: 100/0	30% AH: 0/100	40%AH: 100/0	40%AH: 0/100	50%AH: 100/0	50%AH: 0/100	80% AH: 26.4/53.6	80% AH: 26.4/53.6 with 10% price fall	100% AH: 0/100
Site 1: LAND OFF GREEN LANE, BOSCASTLE	7,200	£1.58m	£0.86m	£0.65m	£0.60m	£0.32m	£0.37m	£0.007m	-£0.77m	-£0.86m	-£1.6m
Site 2: LAND WEST OF A389, WADEBRIDGE	46,420	£3.31m	£1.94m	£1.69m	£1.48m	£1.15m	£1.02m	£0.61m	-£0.79m	-£0.93m	-£2.09m
Site 3: ST.PETROC'S MEADOW, PADSTOW	18,910	£2.99m	£1.80m	£1.58m	£1.4m	£1.14m	£1m	£0.64m	-£0.57m	-£0.70m	-£1.70m
Site 4: TAVISTOCK ROAD, LAUNCESTON	34,050	£1.29m	£0.67m	£0.47m	£0.47m	£0.198m	£0.26m	-£0.08m	-£0.72m	-£0.81m	-£1.45m
Site 5: SITE OFF RHIND STREET, BODMIN	5,000	£1.93m	£1.15m	£0.91m	£0.87m	£0.56m	£0.61m	£0.23m	-£0.58m	-£0.68m	-£1.47m
Site 6: LANDWEST OF GRANVILLE ROAD, PADSTOW	32,250	£3.12m	£1.94m	£1.68m	£1.55m	£1.2m	£1.15m	£0.72m	-£0.49m	-£0.63m	-£1.68m
Site 7: SITE SOUTH OF STRATTON ROAD, BUDE	62,840	£1.58m	£0.82m	£0.57m	£0.57m	£0.24m	£0.31m	-£0.1m	-£0.89m	-£0.99m	-£1.77m
Site 10: LAND SOUTH OF INNS PARK, CAMELFORD	13,140	£1.99m	£1.19	£0.96m	£0.63m	£0.33m	£0.41m	£0.032m	-£0.56m	-£0.67m	-£1.48m

Table 6.1a [Continued]: Residual Land Values [£m/hectare], North Cornwall District Council

Affordable Housing Option: Small Site Tests [<5,000m ²]								
Site Name	Size Site [m ²]	Baseline: 13MH	6MH & 7AHHB	6MH & 7AHSR	5MH & 8AHHB	5MH & 8AHSR	5MH & 4AHHB/4AHSR	0MH & 13AHSR
Site 8: TREDIZZICK CLOSE, ROCK/TREDIZZICK	3,800	£2.99m	£0.93m	£0.54m	£0.60m	£0.16m	£0.38m	-£1.53m
Site Name	Size Site [m ²]	Baseline: 9MH	6MH & 3 AHHB	6MH & 3 AHSR	5MH & 4AHHB	5MH & 4AHSR	4MH & 5AHHB	0MH & 9AHSR
Site 9: LAND AT BROOKLANDS FARM, PORT GAVERNE	2,700	£2.71m	£1.7m	£1.45m	£1.25m	£0.93m	£1.13m	-£1.45m

Abbreviations: [these apply to Tables 6.1a to 6.1e]

MH Market Homes

AH Affordable Housing

HB HomeBuy [i.e. shared-ownership]

SR Social Rented

Table 6.1b: Residual Land Values [£m/hectare], North Devon District Council

Affordable Housing [AH] Option: % Home Buy [HB]/% Social Rented [SR]											
Site Name	Size Site [m ²]	Baseline – 0/0	30% AH: 30/0	30% AH: 0/30	40% AH: 40/0	40%AH: 0/40	50%AH: 50/0	50%AH: 0/50	84% AH: 21/63	84% AH: 21/63 with 10% price fall	100%AH : 0/100
Site 15: ST. JOSEPH'S NURSING HOME SITE, BARNSTAPLE	13,200	£2.62m	£1.63m	£1.31m	£1.30m	£0.87m	£0.96m	£0.43m	-£0.87m	-£0.97m	-£1.83m
Site 16: MOLE VALLEY FARMERS, SOUTH MOLTON	5,690	£2.35m	£1.44m	£0.92m	£1.14m	£0.45m	£0.85m	-£0.028m	-£1.33m	-£1.45m	-£2.5m
Site 19: LOWER POOLE FARM, NORTH MOLTON	11,500	£1.00m	£0.58m	£0.34m	£0.46m	£0.13m	£0.31m	-£0.1m	-£0.7m	-£0.76m	-£1.24m
Site 20: BROOKE ROAD, WITHERIDGE	17,860	£1.19m	£0.73m	£0.52m	£0.58m	£0.29m	£0.42m	£0.07m	-£0.55m	-£0.6m	-£1.06m
Site 21: LAND AT LARKBEAR PLANTATION, STICKLEPATH, BARNSTAPLE	590,000	£1.28m	£0.42m	£0.145m	£0.141m	-£0.24m	-£0.16m	-£0.64m	-£1.78m	-£1.86m	-£2.6m

Table 6.1b [Continued] Residual Land Values [£m/hectare] North Devon District Council

Affordable Housing [AH] Option: Small Site Tests [<5000m ²]									
Site Name	Size Site [m ²]	Baseline – 16MH	30%AH: 30HB/0SR	30%AH: 0HB/30SR	8MH & 6AHSR & 2AHHB	8MH & 2AHSR & 6AHHB	6MH & 8AHSR & 2AHHB	6MH & 4AHHB & 4AHSRH	
Site 11: ROBINS GARGE, ILFRACOMBE	2,000	£6.47m	£4.34m	£3.68m	£1.13m	£1.08m	£0.037m	-£0.34m	
Site Name	Size Site [m ²]	Baseline – 10 MH Apts	30%AH: 30HB/0SR	30%AH: 0HB/30SR	6MH & 0AHSR & 4AHHB	6MH & 4AHSR & 0AHHB	5MH & 0AHSR & 5AHHB	5MH & 5AHHB & 0AHSRH	0MH & 10 AHSR
Site 12: PARK VIEW, BARNSTAPLE	1,330	£3.96m	£2.5m	£1.95m	£2.01m	£1.28m	£1.52m	£0.62m	
Site Name	Size Site [m ²]	Baseline – 16MH	30%AH: 30HB/0SR	30%AH: 0HB/30SR	10MH & 6AHHB & 0AHSR	10MH & 0AHHB & 6AHSR	8MH & 8AHHB & 0AHSR	8MH & 0AHHB & 8AHSR	0MH & 16 AHSR
Site 13: WEIRSIDE WAY, BARNSTAPLE	4,700	£2.35m	£1.46m	£1.17m	£1.24m	£0.87m	£0.87m	£0.39m	-£1.58m
Site Name	Size Site [m ²]	Baseline – 6MH	4MH & 2AHHB & 0AHSR	4MH & 0AHHB & 2AHSR	3MH & 3AHHB & 0AHSR	3MH & 0AHHB & 3AHSR	0MH & 0AHSR & 6AHHB	0MH & 6AHSR & 0AHHB	
Site 14: ST. JOHN'S LANE, BARNSTAPLE	1,670	£2.63m	£1.52m	£1.17m	£0.96m	£0.44m	-£0.71m	-£1.76m	
Site Name	Size Site [m ²]	Baseline – 4MH [Apartments]	3MH & 1AHHB & 0AHSR	3MH & 0AHHB & 1AHSR	2MH & 2AHHB & 0AHSR	2MH & 0AHHB & 2AHSR	0MH & 0AHSR & 4AHHB	0MH & 4AHSR & 0AHHB	
Site 17: BAGGY VIEW, DOWN END, CROYDE	1,200	£2.02m	£1.31m	£1.10m	£0.60m	£0.18m		-£1.67m	
Site Name	Size Site [m ²]	Baseline – 5MH	3MH & 2AHHB & 0AHSR	3MH & 0AHHB & 2AHSR	2MH & 3AHHB & 0AHSR	2MH & 0AHHB & 3AHSR	0MH & 0AHSR & 4AHHB	0MH & 5AHSR & 0AHHB	
Site 18: JOEY'S FIELD, BISHOP NYMPTON	2,560	£0.80m	£0.40m	£0.16m	£0.19m	-£0.17m		-£0.84m	

Table 6.1c: Residual Land Values [£m/hectare], Torrington District Council

Affordable Option: % Shared Ownership/% Social Rented									
Site Name	Size Site [m ²]	Baseline – 0/0	30% AH: 30/0	30% AH: 0/30	50% AH : 50/0	50% AH : 0/50	50% AH : 25/25	88% AH: 28.71/58.29	88% AH: 28.71/58.29 with 10% price fall
Site 27: LAND SOUTH OF JURIES LANE, TORRINGTON	24,000	£1.05m	£0.65m	£0.46m	£0.39m	£0.13m	£0.07m	-£0.29m	-£0.33m
Site 28: NORTH OF MEADOW VIEW, HOLSWORTHY	12,000	£2.07m	£1.34m	£1.03m	£0.86m	£0.51m	£0.34m	-£0.72m	-£0.78m
Site 30: LAND AT KYNOCHS,ADJ. TO TORRINGTON STREET, EAST THE WATER, BIDEFORD	60,000	£1.26m	£0.57m	£0.26m	£0.11m	-£0.42m	-£1.44m	-£1.50m	
Site 31: HEATHFIELD, EAST THE WATER, BIDEFORD	18,000	£1.54m	£0.88m	£0.61m	£0.44m	£0.13m	£0.014m	£0.97m	-£1.03m
Site 32: VENN, MINES ROAD, EAST THE WATER, BIDEFORD	590,000	£1.28m	£0.63m	£0.34m	£0.19m	£0.14m	-£0.30m	-£1.25m	-£1.31m

Table 6.1c [Continued] Residual Land Values [£m/hectare] Torridge District Council**Affordable Housing [AH] Option: Small Site Tests [<5000m²]**

Site Name	Site Size [m ²]	Baseline -11MH	8MH & 3HB	8MH & 3SRH	5MH & 6HB	5MH & 6SRH	5MH & 3HB & 3SRH	0MH & 11SRH
Site 22: FORMER FACTORY SITE, OFF BARFIELD ROAD, DOLTON	2,000	£2.34m	£1.43m	£1.02m	£0.68m	-£0.05m	£0.31m	-£2.04m
Site Name	Site Size [m ²]	Baseline -5MH	3MH & 2HB	3MH & 2SRH	2MH & 3HB	2MH & 3SRH	2MH & 1HB & 2SRH	0MH & 5SRH
Site 23: FORMER STOVE CENTRE, EXETER ROAD, WINKLEIGH	500	£4.82m	£2.5m	£1.45m	£1.31m	-£0.25m	£0.27m	-£3.68m
Site Name	Site Size [m ²]	Baseline -14MH	7MH & 7HB	7MH & 7SRH	6MH & 8HB	6MH & 8SRH	6MH & 4HB & 4SRH	0MH & 14SRH
Site 24: LAND ON STATION ROAD, HALIWELL JUNCTION	3,000	£2.05m	£0.84m	£0.26m	£0.70m	£0.013m	£0.36m	-£1.62m
Site Name	Site Size [m ²]	Baseline -5MH	3MH & 2HB	3MH & 2SRH	2MH & 3HB	2MH & 3SRH	2MH & 1HB & 2SRH	0MH & 5SRH
Site 25: BEECHVILLE, SHEBBEAR	1,300	£1.57m	£0.67m	£0.27m	£0.22m	-£0.38m	-£0.18m	-£1.7m

Table 6.1c: Residual Land Values [£m/hectare], Torridge District Council [Continued]

Affordable Housing [AH] Option: Small Site Tests [<5000m ²]									
Site Name	Site Size [m ²]	Baseline - 16MH	11MH & 5HB	11MH & 5SRH	8MH & 8HB	8MH & 8SRH	8MH & 3SR & 5SRH	2MH & 5HB & 9SRH	2MH & 5HB & 9SRH with 10% price fall
Site 26: LAND REAR OF HOMELAND, NORTH ROAD, BRADWORTHY	3,500	£1.98m	£1.24m	£0.88m	£0.85m	£0.28m	£0.51m	-£0.80m	-£0.87m
Site Name	Site Size [m ²]	Baseline - 4MH	3MH & 1HB	3MH & 1SRH	2MH & 2HB	2MH & 1HB & 1SRH	2MH & 1HB & 1SRH with 10% price fall	2MH & 2SRH	0MH & 4SRH
Site 29: MILL ROAD, BRADWORTHY	12,000	£1.48m	£0.96m	£0.72m	£0.42m	£0.18m	-£0.05m	-£0.05m	-£1.60m

Table 6.1d: Residual Land Values [£m/hectare], West Somerset Council

Affordable Housing [AH] Option: % HomeBuy [HB]/% Social Rented [SR]								
Site Name	Size Site [m ²]	Baseline – 0/0	25% AH: 25/0	25% AH: 0/25	40% AH: 40/0	40% AH: 0/40	87% AH: 28.71/58.29	87% AH: 28.71/58.29 with 10% price fall
Site 33: LAND AT SEAWARD WAY, MINEHEAD	21,500	£3.23m	£2.00m	£1.60m	£1.25m	£0.61m	-£2.02m	-£2.14m
Site 35: LAND ADJOINING BRENDON ROAD, WATCHETT	10,500	£2.02m	£1.39m	£1.13m	£0.94m	£0.61m	-£0.87m	-£0.94m
Site 36: BRIDGE FARM, WILLITON	7,000	£1.49m	£0.98m	£0.83m	£0.69m	£0.45m	-£0.64m	-£0.69m
Site 39: THE CARAVAN CLUB, HOPCOTT ROAD, MINEHEAD	34,000	£1.95m	£1.30m	£1.10m	£0.91m	£0.60m	-£0.81m	-£0.89m

Table 6.1d [Continued]: Residual Land Values [£m/hectare], West Somerset Council

Affordable Housing [AH] Option: Small Site Tests [<5000m ²]									
Site Name	Size Site [m ²]	Baseline: 18MH	25%AH: 25HB/0SR	25%AH: 0HB/25SR	12MH & 6AHHB & 0AHSR	12MH & 0AHHB & 6AHSR	9MH & 9AHHB & 0AHSR	9MH & 0AHHB & 9AHSR	0MH & 18AHSR & 0AHHB
Site 34: LAND AT REAR OF ST.ANDREW'S ROAD, STOGURSEY	5,000	£1.26m	£0.75m	£0.54m	£0.60m	£0.31m	£0.24m	-£0.19m	-£1.63m
Site Name	Size Site [m ²]	Baseline MH: 8	25%AH: 25HB/0SR	25%AH: 0HB/25SR	4MH & 0AHSR & 4AHHB	4MH & 4AHSR & 0AHHB			0MH & 8AHSR & 0AHHB
Site 37: BRUSHFORD GARAGE, BRUSHFORD	1,800	£1.64m	£1.16m	£0.88m	£0.62m	£0.07m			-£1.55m
Site Name	Size Site [m ²]	Baseline 18 MH	25%AH: 25HB/0SR	25%AH: 0HB/25SR	40% AH: 40/0	40% AH: 0/40	40% AH: 13.2/16.8		0MH & 18 AHSR
Site 38: FORMER TELEPHONE EXCHANGE, PARKHOUSE ROAD, MINEHEAD	3,200	£3.01m	£2.08m	£1.75m	£1.54m	£1.00m	£1.18m		-£2.05m

Table 6.1d [Continued]: Residual Land Values [£m/hectare], West Somerset Council

Affordable Housing [AH] Option: Small Site Tests [<5000m ²]									
Site Name	Size Site [m ²]	Baseline 20MH	25%AH: 25HB/0SR	25%AH: 0HB/25SR	12MH & 8AHHB & 0AHSR	12MH & 0AHHB & 8AHSR	12MH & 3AHHB & 5AHSR		0MH & 20 AHSR & 0AHHB
Site 40: LAND AT REAR OF CHURCH, VIEW, CHURCH LANE, CARHAMPTON	4,500	£2.57m	£1.70m	£1.44m	£1.18m	£0.77m	£0.91m		-£2.02m
Site Name	Size Site [m ²]	Baseline 6MH	4MH & 2AHHB & 0AHSR	4MH & 0AHHB & 2AHSR	3MH & 3AHHB & 0AHSR	3MH & 0AHHB & 3AHSR	3MH & 2AHSR & 1AHHB & 10% price fall		0MH & 6AHSR & 0AHHB
Site 41: LAND ADJACENT TO TITHOLES, LOWER STREET, WITHYCOMBE	1,500	£2.78m	£1.65m	£1.33m	£1.10m	£0.62m	£0.47m		-£0.24m
Site Name	Size Site [m ²]	Baseline 14MH	10MH & 4AHHB & 0AHSR	10MH & 0AHHB & 4AHSR	7MH & 7AHHB & 0AHSR	7MH & 0AHHB & 7AHSR	7MH & 5AHSR & 2AHHB		0MH & 4AHSR & 0AHHB
Site 42: GRIMES FARM, CROWCOMBE	4,000	£1.15m	£0.80m	£0.56m	£0.332m	-£0.94	-£0.16m		-£1.56m

Table 6.1e: Residual Land Values [£m/hectare], Exmoor National Park Authority

Affordable Housing [AH] Option: Small Site Tests [<5000m²]											
Site Name	Size Site [m²]	Baseline 4MH	Baseline MVLOC	2MVLOC & 2AHHB	2MVLOC & 2AHSRH	2MVLOC & 1AHHB & 1AHSRH	1MVLOC & 1AHSRH & 1AHHB & 1PRS	2MVLOC & 1AHSRH & 1PRS	0MVLOC & 1AHHB & 2AHHB & 1PRS	0MVLOC & 2AHSRH & 2PRS	0MVLOC & 4AHSRH
Site 43: Farm Grove Ash Lane, Winsford	500	£2.48m	-£0.23m	-£0.80m	-£1.79m	-£1.29m	-£1.03m	-£0.91m	-£1.00m	-£1.17m	-£3.34m
Site Name	Size Site [m²]	Baseline 11MH	Baseline MVLOC	5MVLOC & 6AHHB	5MVLOC & 6AHSR	5MVLOC & 3AHHB & 3AHSR	6MVLOC & 3AHSR & 2AHHB	7MVLOC & 2AHHB & 2AHSRH	3 MVLOC & 3AHHB & 3AHSR & 2PRS	0MVLOC & 11AHSRH	
Site 44: Car park, Doverhay, Porlock	2,000	£1.28m	-£0.54m	-£0.94m	-£1.69m	-£1.31m	-£1.21m	-£1.05m	-£1.26m	-£2.63m	
Site Name	Size Site [m²]	Baseline 20MH	Baseline MVLOC	10MVLOC & 10AHHB	10MVLOC & 10AHSR	10MVLOC & 5AHHB & 5AHSR	8MVLOC & 6AHHB & 6AHSRH	6MVLOC & 7AHHB & 7AHSRH	0MVLOC & 20AHSRH		
Site 45: Land Adjacent Barns Close, Dulverton	9,700	£0.69m	-£0.43m	-£0.21m	-£0.47m	-£0.34m	-£0.38m	-£0.49m	-£0.88m		

Abbreviations:

MVLOC Market Value with Local Occupancy Condition

PRS Private Rented Sector

Table 6.1e [Continued]

Site Name	Size Site [m ²]	Baseline 6MH	Baseline MVLOC	3MVLOC & 3AHHB	3MVLOC & 3AHSRH	2MVLOC & 2AHHB & 2 AHSRH	0MVLOC & 3AHHB & 3AHSRH	0MVLOC & 2AHHB & 4AHSRH	0MVLOC & 6AHSRH
Site 46: Former Prideaux Garage, Lee Road, Lynton	1,000	£2.55m	£0.26m	£0.23m	-£1.15m	-£1.01m	-£1.64m	-£1.33m	-£2.56m
Site Name	Size Site [m ²]	Baseline 10MH		5MH & 2MVLOC & 3AHSRH	5MH & 3MVLOC & 2AHSRH	5MH & 5AHHB	5MH & 5AHSRH		
Site 47: Northcliff Hotel, Lynton	750	£7.1m	£2,93m	£5.03m	£5.10m	£4.87m	£3.31m		

Residual Land Values: Five Partner Authorities

- 6.17 The overall average value of the forty-seven sites for residential development is **£2.27m** per hectare. This represents the unencumbered residual land value [RLV] in the absence of any requirement to provide affordable housing [see Table 6.2].
- 6.18 Of the ten North Cornwall District Council study sites, eight are large sites and two fall below the site size and capacity threshold set by PPS3 regarding the provision of affordable housing. The overall average RLV for the ten study sites is **£2.35m** per hectare; the average of the eight large sites is **£2.31m** per hectare while average for the two small sites is **£2.4m** per hectare.

Table 6.2: Residual Land Values [£m/hectare] by Partner District Councils & Exmoor National Park Authority

Residual Land Values: Baseline [Market Values]	North Cornwall District Council	North Devon District Council	Torrige District Council	West Somerset Council	Exmoor National Park Authority	Totals
Overall Average	£2.35m [10 sites]	£2.43m [11 sites]	£1.95m [11 sites]	£2.11m [10 sites]	£2.82m [5 sites]	£2.27m [47 sites]
Large Sites' Average	£2.31m [8 sites]	£1.69m [5 sites]	£1.44m [5 sites]	£2.17m [4 sites]	Not applicable	£1.91m [22 sites]
Small Sites' Average	£2.4m [2 sites]	£3.04m [6 sites]	£2.37m [6 sites]	£2.07m [6 sites]	£2.82m [5 sites]	£2.54m [25 sites]

- 6.19 Of the eleven North Devon District Council study sites, five are large sites and six fall below the site size and capacity threshold set by PPS3 regarding the provision of affordable housing. The overall average RLV for the eleven study sites is **£2.43m** per hectare, which is the highest of the four District Council partners. The average of the five large sites is **£1.69m** per hectare while the average for the six small sites is **£3.04** per hectare.
- 6.20 The higher than average baseline RLVs is explained by the relatively higher house prices in these two Districts.
- 6.21 Of the eleven Torrige District Council study sites, five are large sites and six fall below the site size and capacity threshold set by PPS3 regarding the provision of affordable housing. The overall average RLV for the eleven study sites is **£1.95m**

per hectare, which is the lowest of the four District Council partners. The average of the five large sites is **£1.44m** per hectare while average for the six small sites is **£2.37m** per hectare.

- 6.22 Of the ten West Somerset Council study sites, four are large sites and six fall below the site size and capacity threshold set by PPS3 regarding the provision of affordable housing. The overall average baseline RLV for the ten study sites is **£2.11m** per hectare, which is the second lowest of the four District Council partners. The average for the four large sites is **£2.17m** per hectare while average for the six small sites is **£2.07m** per hectare.
- 6.23 Site size is not applicable in the Exmoor National Park. Two of sites are located in North Devon and the other three in West Somerset. Two sites are Greenfield and are therefore rural exception sites requiring 100% affordable housing; the three brownfield sites are expected to deliver on a pro rata basis [i.e. 50% affordable housing]. The RLV of **£2.82m** is above average, but this reflects the latent and unrealisable values of the sites.

Residual Land Values: Northern Peninsula Sub-Housing Market Areas

- 6.24 Figures in Table 6.3 set out the results of the RLV appraisals of the forty-seven study sites located in the sub-housing market areas comprising the Northern Peninsula. In effect, these reveal an undulating landscape of baseline RLVs, with the highest values being recorded in Coastal Higher Value [CHV] settlements and in the main coastal and market towns [i.e. CLV and SMT] and lower values in the more remoter and rural areas [i.e. DRA and EDF].

Table 6.3: Residual Land Values [£m/hectare] by Sub-Housing Market Areas, Northern Peninsula

Sub-Housing Market Areas	CHV	CLV	SMT	DRA	EDF	TRF	Northern Peninsula
Average RLV	£2.78m	£2.63m	£2.16m	£1.95m	£2.31m	£2.12m	£2.27m

- 6.25 The baseline RLV figure for the TRF sub-housing market area is the lowest of the urban locations; this is partly explained by lower house prices combined with the need for providing proportionately higher amounts of on-site open space [which lowers available development area]. The baseline RLV figure for the EDF sub-housing market area is one of the highest; this is explained by the constrained sites and the high development densities. Of course, the latter figure also reflects the latent high land values that are so closely associated with areas that have a strict presumption against development.

Residual Land Values: Impact of Affordable Housing Requirements

- 6.26 The RLV appraisals show that if increasing amounts of affordable housing are sought, the residual land value is reduced and in many cases substantially so. The rate at which the RLV is reduced varies considerably across the study sites.
- 6.27 For the **larger sites in North Cornwall**, applying a 30% affordable quota [split evenly between HomeBuy and Social Rented], the RLVs are on average 45% of baseline RLVs, with this proportion varying between 42% and 55% for individual sites.
- 6.28 While applying a 50% affordable housing quota, the RLVs are reduced on average by 75% of baseline RLVs [no affordable housing], with this proportion varying between 70% and 88% for individual sites. So although the RLVs are not negative,

many are close to becoming so. For further details on the modelling the impact of affordable housing on the sites' RLVS for sites 1 to 10 in North Cornwall, please see Report Two.

- 6.29 The test of viability is dictated by the value of these sites in alternative uses which will normally be permitted by planning. In the case of North Cornwall, all the large sites are viable with a 40% affordable housing quota. With a 50% quota, viability is being compromised, and at this threshold all sites' viability would become extremely vulnerable to any subsequent price reductions.
- 6.30 It would seem prudent to set an indicative affordable housing quota of 45% for the large sites in North Cornwall.
- 6.31 For the **larger sites in North Devon**, applying a 30% affordable quota [split evenly between HomeBuy and Social Rented], the RLVs are on average 52% of baseline RLVs, with this proportion varying between 38% and 66% for individual sites.
- 6.32 While applying a 50% affordable housing quota, the RLVs are reduced on average by 77% of baseline RLVs [no affordable housing], with this proportion varying between 69% and 89% for individual sites. As with the sites in North Cornwall, the RLVS for these sites in North Devon are not negative, but many are close to becoming so. For further details on the modelling the impact of affordable housing on the sites' RLVS for sites 11 to 21 in North Devon, please see Report Two.
- 6.33 The test of viability is dictated by the value of these sites in alternative uses which will normally be permitted by planning. In the case of North Devon, all the large sites are viable with a 40% affordable housing quota. However, with a 50% quota, viability is compromised, and these sites' viability are very vulnerable to any subsequent price falls.
- 6.34 Compared to North Cornwall, the margin of viability for the North Devon sites is narrower. However an indicative affordable housing quota of 45% is tenable.
- 6.35 For the **larger sites in Torridge**, applying a 30% affordable quota [split evenly between HomeBuy and Social Rented], the RLVs are on average 62% of baseline RLVs, with this proportion varying between 35% and 79% for individual sites.
- 6.36 While applying a 50% affordable housing quota, the RLVs are reduced on average by 90% of baseline RLVs [no affordable housing], with this proportion varying between 59% and 134% for individual sites. For further details on the modelling the impact of affordable housing on the sites' RLVS for sites 22 to 32 in Torridge, please see Report Two.

- 6.37 The test of viability is dictated by the value of these sites in alternative uses which will normally be permitted by planning. In the case of Torridge, all the large sites are viable with a 40% affordable housing quota. But, with a 50% quota, viability is marginal and as such their viability will be compromised by just a small reduction on house prices [i.e. 5%].
- 6.38 An indicative affordable housing quota of 45% is tenable.
- 6.39 For the **larger sites in West Somerset**, applying a 25% affordable quota [split evenly between HomeBuy and Social Rented], the RLVs are on average 39% of baseline RLVs, with this proportion varying between 31% and 50% for individual sites.
- 6.40 While applying a 40% affordable housing quota, the RLVs are reduced on average by 61% of baseline RLVs [no affordable housing], with this proportion varying between 53% and 81% for individual sites. For further details on the modelling the impact of affordable housing on the sites' RLVs for sites 33 to 42 in West Somerset, please see Report Two.
- 6.41 The test of viability is dictated by the value of these sites in alternative uses which will normally be permitted by planning. In the case of West Somerset all the large sites retain their viability with a 40% affordable housing quota. We tested their viability with a 50% quota and found them to be severely compromised. The sites' viability threshold in West Somerset also needs to be able to absorb future reductions in house prices; as such an indicative affordable housing quota of 40% is tenable.
- 6.42 For the **smaller sites** we applied similar viability tests where we found that baseline RLVs were reduced when the volume of affordable housing is progressively raised. For the two sites in **North Cornwall**, we found that viability was compromised if the market housing element fell below 5 units [being equivalent to at least a 55% affordable housing quota]. In the case of North Cornwall, based on just two sites it is difficult to draw definitive conclusions on the smaller site threshold.
- 6.43 For the six sites in **North Devon**, we also found that viability was compromised if the market element fell below 5 units. For some sites this meant that the quota was at least a 50% affordable housing quota, with typical values being much closer to 60%.
- 6.44 For the six sites in **Torridge**, we found that viability was compromised if the market element fell below 5 units. For all but one site this meant that the typical quota was closer to 50%.

- 6.45 For the six sites in **West Somerset**, we found that viability was compromised if the market element fell below 7 units. For all but one site this meant that the affordable housing quota was exactly 50%.
- 6.46 For **North Cornwall, North Devon and Torridge**, where Market Housing is permitted, we find that viability is compromised if the sites' capacity falls below 5 housing units. To provide incentives to landowners and developers, we recommend that an **indicative affordable housing threshold of 6 housing units** be set in these three Districts. The situation of the smaller sites in **West Somerset** is not as favourable in terms of viability and we recommend that an **indicative threshold of 8 housing units be set**.
- 6.47 These thresholds apply in conditions where no additional [e.g. Housing Corporation] funding is available. If funding from this or other sources does become available, then the threshold could be reduced accordingly.
- 6.48 Below these thresholds, developers will be expected to offer financial contributions in lieu of directly providing affordable housing. Subject to negotiation and independent valuation, we suggest that an indicative level of contribution of £75,000 per unit be sought by Partners, comprising £20,000 per unit for land and £55,000 per unit to cover build costs.
- 6.49 The position of the five sites located in **Exmoor National Park Authority** is quite different from the other study sites, given its very strong presumption against market housing, particularly on Greenfield sites.
- 6.50 The greenfield site at Winsford is viable so long as it is built out by self-builders and/or a Registered Social Landlord – which implies nil profits – and that no more than £4,000 per plot [£16,000] is paid for the land. Viability is considerably improved, however, if the CIL and planning obligations contributions can be reduced or waived entirely [saving £60,000].
- 6.51 The central Car park, Doverhay in Porlock is only viable if built out by self-builders and/or a Registered Social Landlord and that CIL and planning obligation contributions [£165,000] are waived. Additional costs have been allocated since the site will retain parking on the ground floor, with homes above; no employment/retail use has been included.
- 6.52 The greenfield land off Barns Close in Dulverton comprises three fields; only one field forming phase one of three has been tested for viability. As with the two sites above, the site is only viable if built out by self-builders and/or a Registered Social Landlord and that CIL and planning obligations are waived [£300,000]. Under these circumstances, a mix of affordable and low-cost homes could be made viable if no more than £10,000 is paid per plot [£200,000].

- 6.53 Redeveloping the former Prideaux Garage site in Lynton with 6 homes [with no employment uses] would be viable [relative to its current employment use value] for a mix of affordable and low-cost homes if no more than £12,000 per plot is paid for the land [£84,000]. Again, the site would have to be built out by self-builders and/or a Registered Social Landlord and that CIL and planning obligation contributions are waived [£90,000]. Without this stipulation the site would not be viable for housing use.
- 6.54 Refurbishing the Northcliff Hotel in Lynton to provide 10 apartments is not viable, even with a good mix of market and more affordable/low cost apartment homes, and this assumes no CIL and planning obligation contributions are required. As such, the current asking price of £885,000 for the Hotel renders the proposed conversion to housing as being completely unviable.
- 6.55 In practice, *the threshold of viability is not fixed*. Viability will depend on the value from existing uses or any valid alternative. In Section 5, we showed that in and around the Northern Peninsula Housing Market Area land values for employment [B1] were around £500,000 per hectare; for industrial and warehousing £375,000 per hectare; and for agricultural land use around £14,000 per hectare.
- 6.56 A final point, if in the future the planning authority intends to secure contributions from non-residential developments as part of their review of their current approaches, then any such contributions made by developers will reduce the alternative use values.

Concluding Remarks

- 6.57 **Larger Sites:** The figures that we have generated in this report can provide a baseline for assessing the impact of alternative affordable housing requirements upon the viability of the twenty larger residential sites. Given alternative use values, the impact of a 45% affordable housing quota on sites in North Cornwall, North Devon and Torridge is favourable and viable; a 40% affordable housing quota is favourable and viable for larger sites in West Somerset [see Table 6.4a].

Table 6.4a: Affordable Housing Quotas, Larger Site Threshold and Viability

		NCDC	NDDC	TDC	WSC	Viable
Basic quota	%	30%	30%	30%	25%	
Potential quota	%	45%	45%	45%	40%	✓

Table 6.4b: Affordable Housing Quotas, Smaller Site Threshold and Viability

		NCDC	NDDC	TDC	WSC	Viable
PPS 3 Smaller Site threshold	Capacity [units]	15	15	15	15	
Potential Small Sites' threshold	Capacity [Units]	6	6	6	8	✓

- 6.58 **Smaller Sites:** Excluding the sites in the Exmoor National Park [five sites], the viability of other twenty-two smaller sites is quickly compromised as the volume of affordable housing requirement; their land values are seriously affected. Very small sites quickly lose their value and become unviable.
- 6.59 We found that sites were viable at a lower threshold than PPS3 [DCLG, 2006]. In our view, viability is achievable down to 6 market housing units in the three Districts of North Cornwall, North Devon and Torridge; in West Somerset the threshold is viable with no fewer than 8 market housing units [see Table 6.4b]. Given uncertainties in the housing market, monitoring of completed housing schemes should be done as a matter of course in order to inform policy development and to retain flexibility and offer incentives.

- 6.60 Setting the quota at this lower level takes into account likely changes in market conditions; if the threshold is too low, developers are unlikely to proceed, which of course would mean no affordable housing would ever be delivered. In our view, the new lower thresholds retain sufficient incentives for developers to build both market and affordable housing.
- 6.61 With regard to the five sites located in Exmoor National Park area, we found that the sites' viability significantly affected by current affordable housing policies. Excluding the hotel site, we found that developing the sites would be viable so long as they are developed by self-builders and/or Registered Social Landlords as profit is assumed to be nil and that any required CIL and planning obligation contributions are waived.
- 6.62 Refurbishing the Hotel was found to be unviable; the current asking price of £885,000 is significantly higher than any of the residual land values [£220,000 to £533,000] that was generated for a broad mix of market, affordable and low cost apartment homes.

7 CONCLUSIONS AND RECOMMENDATIONS

- 7.1 We have conducted financial appraisals for actual or notional housing developments, on a range of forty-seven sites identified by Partner Authorities, in order to assess the impact of affordable housing requirements upon development viability.
- 7.2 Our approach has involved modelling housing development for the study sites, using financial appraisal, to generate residual land valuations for each site under a series of affordable housing quota options [i.e. between 0% and 100%].
- 7.3 In adopting this approach to the forty-seven sites in the Northern Housing Market Assessment Area specific difficulties are posed by wide variations in house prices by type and across its sub-housing markets; and housing density, design and build specification requirements, including abnormal costs in developing brownfield sites. We sought to overcome these by applying overall average figures for both costs and values; a necessary and effective device if modelling in the future is to be used for comparison and monitoring purposes.
- 7.4 Appraisals have been generated for the forty-seven sites for a range of affordable housing options for scenarios with zero Social Housing Grant. The results of the appraisals appear to neither overstate nor understate the costs of developing the study sites, as they resulted in land values that are free of planning and development costs[and assuming a target rate of developers profit of 25% on costs] typically approaching **£2.27m per hectare**. This figure is in line with the Valuation Office Agency data as at January 2008 [VOA, July 2008]. The figure of **£1.91m** per hectare for large sites is just in the range of £1.9m to £2.4m per hectare for Barnstaple and Truro respectively. The figure of **£2.54m** per hectare for small sites is in the range of £2.2m and £2.85m per hectare for Barnstaple and Truro respectively. This indicates that the appraisals neither under-estimate nor over-estimate profitability.
- 7.5 In practice, **the threshold of viability is not fixed**. Viability will depend on the value from existing uses or any valid alternative. We have shown that in and around the Northern Peninsula Housing Market Area land values for employment [B1] were around £500,000 per hectare; for industrial and warehousing £375,000 per hectare; and for agricultural land use around £14,000 per hectare. Changes in market circumstances, from demand or the supply sides of the market, or other assumptions that change the parameters of the modelling [e.g. density; standard charges for planning obligations or CIL], will not only alter the housing RLVs but also the alternative use values that are used to test viability. In this regard, the results of the viability testing are simply snapshots for each of the forty-seven study sites.

- 7.6 Larger Sites: as expected we found that baseline RLVs are substantially reduced as the affordable housing requirement quota is increased, which compromises their ultimate housing viability.
- 7.7 We compared housing use values against the sites' alternative use values to assess viability. For three Partner District Councils of North Cornwall, North Devon and Torridge we found that a **45% affordable housing quota** is favourable and viable; and a **40% affordable** housing quota is favourable and viable for larger sites in West Somerset.
- 7.8 These policy thresholds should be interpreted as being indicative. This means that authorities will need to monitor the wider market, on a systematic basis, and reflect the up-to-date site viability findings in interpreting policy in site-by-site negotiation with applicants.
- 7.9 Smaller Sites: the test for smaller sites, which is prescribed by PPS3 Housing [November 2006] demands that the minimum threshold can only be reduced if shown to be viable. We did the same comparison of housing use values against alternative use values as for the larger sites and we found that the RLVs are quickly reduced as the volume of affordable housing is raised, which was not unexpected. Where market housing is permitted, we find that viability disappears when the market housing content falls below 5 dwellings in North Cornwall, North Devon and Torridge; for West Somerset this threshold is reached when the market housing content falls below 7 dwellings.
- 7.10 Given uncertainties in the housing market, and in an attempt to build-in flexibility and retain incentives for developers, we believe it to be realistic and practicable to operate just above these thresholds. Accordingly, we recommend that for **smaller sites** an indicative threshold of **6 market housing** units is adopted in North Cornwall, North Devon and Torridge; and that an indicative threshold of **8 market housing units is adopted in West Somerset**.
- 7.11 The affordable housing policy position of Exmoor National Park Authority is different from the other four Partner Authorities. Given its very strong presumption against market housing, particularly on greenfield sites, all such sites are treated as rural exception sites requiring 100% affordable housing. For brownfield site, the affordable policy is effectively set at 50% where for every one market home is matched with an affordable or low-cost home.
- 7.12 We found that all five sites to be unviable. However for four sites [excluding the hotel site], these could be made to be viable if developed by self-builders and/or registered social landlords [implying nil profits], providing that all planning obligations' and CIL contributions are waived. With these assumptions, the four sites residual housing land values are then higher than their alternative use values; though for three sites the difference was marginal. The fifth site, the hotel site, was found to be unviable since our tests showed that its residual land values were consistently below the hotel's current sale price.

- 7.13 It is clear that the Park Authority's extant affordable housing policies are onerous though that is their intention. The involvement of particular housing agencies and groups and the waiving of other planning requirements [i.e. planning obligation and CIL contributions] are a necessary pre-condition of developing four out of the five sites that we tested.
- 7.14 There are a number of implications of the viability testing, these include:
- As the policy thresholds are indicative, and as a matter of good practice, housing site proposals should be assessed on a case-by-case basis.
 - The viability study is a snapshot. To achieve consistency and a better understanding, there is a need to conduct further detailed site viability testing.
 - A system of monitoring the impact of affordable housing policies be conducted on a regular basis so that evidence from completed housing [and other] developments can inform practice across the Partnership Area as well as the conduct of policy in each authority.
 - A stronger or clearer link needs to be forged between Strategic Housing Land Availability Assessments and the conduct of future Strategic Housing Viability Assessments, so that sites that form part of authorities Local Development Frameworks land supply are subjected to the SHVA process to determine and inform the indicative levels of affordable housing provision that can be expected from sites that pass future tests of viability.
 - As the threshold of viability is a fixed one, authorities in association with applicants should seek to explore the scope of increasing the provision of affordable housing where possible by raising the proportions [i.e. quotas] and lowering the minimum threshold for the number of market homes on sites. For example, monitoring outturn housing densities on a systematic basis will inform whether national, regional and local policy objectives are being achieved. *A priori*, housing viability is improved with higher densities, and in turn the capacity to deliver affordable housing is also raised.
 - Though we have made recommendations regarding affordable housing quotas and thresholds, we are not in a position to draw similar policy recommendations for the six sub-housing market areas. Though we found some differences between them, the number of study sites in many cases was just too small to be reliable.
 - Equally, there was scant difference in viability between greenfield and brownfield sites. Indeed, we did not expect any, since any additional costs arising from the brownfield sites should result in a lower land bid, if markets are

efficient. It follows, therefore, that site's status, being brownfield, does not warrant a differential [i.e. a lower] affordable housing policy quota as is the case in North Devon.

- 7.15 To facilitate a better understanding of housing viability, particularly in conditions of market change as well as understanding the financial impacts or consequences of policy options, a series of training events be programmed to induct staff in both the principles and the practice of conducting viability studies. These should aim to:
- Strengthen understanding of the role and importance of viability and how it affects the delivery of authorities' planning, housing and other key policy objectives. For example, mitigating the costs of development impacts arising from development may involve a number of different departments and thus personnel.
 - Recognise the impact and consequences of changes in policy objectives on markets and on viability in particular.
 - Embrace viability as one of several tools of assessment [i.e. alongside design, access and other planning benchmarks] that are used to inform decision-making.
 - Recognise that viability assessments should be conducted regularly, involve monitoring and be systematic in their practice.
 - Co-ordinate links between Partner Authorities in order to pool knowledge, evidence and capability.

APPENDICES

Appendix 1

Northern Peninsula Housing Market Assessment Partnership: A review of local authorities approaches to the provision of affordable housing, as at December 2007

Introduction

This review summarises the current policy framework for the provision of affordable housing within the Northern Peninsula Housing Market. The review is set within the context of Planning Policy Statement 3 – Housing (2006) and the Draft Regional Spatial Strategy for the South West (2006).

The local authorities considered are:

- North Cornwall District Council
- North Devon District Council
- Torridge District Council
- West Somerset Council

Method

The review is based on an analysis of existing published sources of documents, the Regional Spatial Strategy for the South West, Structure Plans, Local Plans/Local Development Frameworks, Strategic Framework Documents and Supplementary Planning Documents, as at December 2007.

The Draft Regional Spatial Strategy (RSS) for the South West 2006-2026

The RSS for the South West is in draft form and was examined in public in 2007. It identifies Housing Market Areas, sub regional distribution of housing and phasing of housing development over the plan period 2006-2026. High levels of growth are forecast with an overall annual average dwelling requirement of 23,060 dwellings across the region. The headline housing figures for the four local authorities under consideration are shown in Table 1:

Table 1

Local Authority	2006-2026 Overall Annual Average Net Dwelling Requirement	2006-2016 Annual Average Net Dwelling Requirement	2016 -2026 Annual Average Net Dwelling Requirement
North Cornwall	380	400	360
North Devon *	405	395	415
Torridge	240	240	240
West Somerset*	110	110	110

*Excludes part in Exmoor National Park

Source: South West Regional Assembly (2006: Chapter 4) *Draft Regional Spatial Strategy for the South West*

Within this context, Barnstaple (population 31,000) is identified as a settlement of significance in the North Devon Area, capable of accommodating an average of about 240 dwellings per annum and about 50 hectares of employment land in total in Barnstaple over the plan period (6,300 jobs in the Barnstaple Travel To Work Area). The Bideford/Northam area (population 24,000) should have a complementary role in this provision.

In terms of affordable housing, The RSS expects provision to be made for at least 7,500 affordable homes per annum across the region to 2026. Provision will be made for at least 30% of all housing development annually across each local authority area to be affordable, with authorities specifying rates up to 60% or higher in areas of greatest need.

Where possible, site thresholds, above which affordable housing is a requirement, should be reduced to levels below those recommended by government guidance. These thresholds are likely to vary between 'urban' and 'rural' areas. Authorities are encouraged to pursue the use of exception sites in rural areas as a delivery mechanism.

The RSS expects local authorities in their Local Development Documents to include policies which:

- Specify proportions of affordable housing
- Identify an appropriate division of affordable housing between housing for rent and intermediate tenures
- Help to secure and maintain an overall five year supply of affordable housing
- Provide a policy framework which helps the delivery of affordable housing

- Provide an indication of housing types and sizes required annually, reflecting the mix of households identified through the local housing market area assessment

In terms of densities, housing developments should exceed 30 dwellings per hectare [dph] in all areas and averages should exceed 40dph over the plan period. In the strategically significant towns, and planned urban extensions, new housing should achieve densities of at least 50dph.

Findings

The findings are presented in table format for the four local authorities and summarise the percentages of affordable housing required and the thresholds above which the requirements are triggered. The table illustrates whether the tenure mix of the affordable housing is specified, how the affordable housing should be spread through the development, and when it should be released during the construction of the development.

Table 2 Affordable Housing policies in the study area

Local Authority	% affordable housing required	Threshold	Tenure mix specified	Pepper Potting specified	Status of policy	Date approved	Scope	Documentation	Other requirements
North Cornwall District Council	45% of the development units within every qualifying development are to be affordable housing	<p>In Bodmin, Bude, Camelford, Launceston and Wadebridge where schemes propose 5 or more dwellings or schemes are larger than 0.2 ha in size.</p> <p>In Padstow and the main and minor villages where schemes propose 2 or more dwellings or sites are larger than 0.1 ha.</p>	<p>Yes 65% for social rent, 35% intermediate affordable housing. On sites of 7 dwellings or less, all the affordable housing should be social rented.</p> <p>Should meet the needs of the elderly, young people and other people in need of supported housing.</p>	<p>Yes. If more than six affordable housing units are required, then pepper potting is expected, and the affordable units should not be visibly different to the open market housing.</p>	First Revision Draft for consultation.	July 2007	Authority wide	Supplementary Planning Guidance. The Negotiation of Community Benefits.	<p>In all parishes where the proportion of 'second homes' exceeds 25% of the total housing stock, 'one for one' provision of affordable housing will be required where schemes propose 2 or more dwellings or the site will exceed 0.1 ha in size.</p> <p>Exception sites will be encouraged in the rural areas: Land transferred to RSL for developing affordable housing. Affordable housing for sale provided at a % discount on Open Market Value. Self build schemes provided at a % discount of Open Market Value. Private rented units provided at rents not exceeding 25% of median average local wages</p>

North Devon District Council	'An element of affordable housing on residential sites where such a need exists'	Barnstaple, Ilfracombe and South Molton threshold 0.5ha or 15 dw and above Braunton, 0.2 ha or 5 dw and above All other settlements one for one.	A range of house types, sizes and tenures will be expected.	Should be well integrated.	Adopted Local Plan	July 2006	Authority wide	North Devon Local Plan	Exception sites will be encouraged.
Torridge District Council	A balanced mix of types and sizes to meet community housing need of at least:	25dw or 1ha in Bideford/Northam including Westward Ho!, Appledore and Great Torrington 15dws or 0.5ha in Holsworthy and the local centres	Size and type of affordable housing shall reflect the needs indicated in the housing Needs Survey	Not stated	Adopted Local Plan	September 2004	Authority wide	Torridge District Local Plan	Rural Exception Sites will be encouraged based on need subject to five conditions being met.

North Devon and Torridge Joint Core Strategy	The Housing Needs Surveys for both urban and rural areas of North Devon District, 2006 suggest that around 70% of all new dwellings should be affordable in North Devon.	-	-	-	Draft for consultation	November 2007	Covers both Authorities	Core Strategy Planning to Deliver the Settlement Strategy	-
West Somerset District Council	25% - 30% affordable housing will be negotiated on the following eligible sites of:	Minehead town – 15 or more dws or sites of 0.5ha or more Watchet/Williton (rural centre) 5 or more dwellings, or sites of 0.2 ha or more Villages: 2 or more dwellings, or sites of 0.1 ha or more.	On larger sites a mix of affordable housing tenures may be appropriate.	Affordable Housing should be mixed with private sector housing.	Progress Update No 8	Sept 2005	Authority wide	Supplementary Planning Guidance West Somerset Planning Obligations	Density of at least 30dph

Summary

It is clear that practice varies around the study area in terms of affordable housing requirements and how they are delivered. All four authorities studied are expected to base their policies on their Housing Needs Study and to make use of Section 106 contributions from developers to assist in the provision of affordable housing. The RSS provides a useful framework within which local policy can be created and it would be helpful if all four authorities were able to specify not only the proportions of affordable housing, but also the tenure mix, and an indication of affordable housing types and sizes required annually. The use of rural exception sites could be a very important tool in the provision of affordable housing in the rural areas of all four districts. The policy thrust for housing provision in all four areas is to encourage the prime focus for new housing within the strategically significant urban areas of Barnstaple and Bideford but also substantial provision is made across the districts for the needs of communities in small to medium sized towns and villages.

All four authorities are at different stages in devising a clear policy framework for affordable housing within the emerging Local Development Frameworks.

The following documents were reviewed:

DCLG - Planning Policy Statement 3 – Housing, 2006

North Cornwall District Council – Adopted Local Plan, April 1999

North Cornwall District Council – Supplementary Planning Guidance, The Negotiation of Community Benefits (Consultation Draft), July 2007

North Devon Council, Adopted Local Plan, July 2006

North Devon and Torridge Core Strategies (Issues and Options Stage), Background Paper, 2007

RPS Supplementary Planning Guidance West Somerset Planning Obligations, Planning Application Framework for Negotiations, September 2005

South West Regional Assembly, Draft Regional Spatial Strategy for the South West, March 2006

Torridge District Council Adopted Local Plan, September 2004

West Somerset District Council Adopted Local Plan, April 2006

Appendix 2

For the residual land value appraisals of 47 sites **see Part 2**. Collated as a separate document

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