

# Affordable Housing

Leeds Local Development Framework



SPD Supporting Document  
Report of Viability Testing  
September 2008

## **AFFORDABLE HOUSING SPD – REPORT OF VIABILITY TESTING**

### **PURPOSE**

It is recognised that the different policy choices within the new Affordable Housing SPD (including the development site size threshold, percentage targets and mix of types of affordable housing) are likely to impact on land values and viabilities of different housing development sites. Therefore it was felt necessary to explore the impact of the different policies in a simple viability appraisal which is explained below.

### **METHOD**

It was considered that within the Leeds area, three areas existed which reflected the different market conditions. These broad areas include the City Centre, a valuable outer area and a less valuable inner area of Leeds. The City Centre affordable housing percentage of 15% remains unchanged because the recent collapse of the City Centre residential market caused by the downturn of the global economy has basically halted all residential development in the City Centre and it was not considered that a viability appraisal was required.

Therefore appraisals have been carried out on two hypothetical areas, a valuable outer area of Leeds and a less valuable inner area of Leeds. The results of these appraisals is shown on the document attached and all the fixed elements of the appraisals are explained below.

### **Fixed Elements**

- a) These appraisals have been carried out on three different site sizes –
- i) 0.4047 ha (1 acre)
  - ii) 0.271 ha (2/3 acre)
  - iii) 0.135 ha (1/3 acre)
- b) The number of dwellings on each site has been worked out on the basis of 40 dwellings per hectare which equates to the following density for each size of site:-
- i) 16 dwellings
  - ii) 10 dwellings
  - iii) 5 dwellings
- c) Sales Rates
- |                          |                                  |
|--------------------------|----------------------------------|
| Valuable Outer Area      | £2,960 per sq m (£275 per sq ft) |
| Less Valuable Inner Area | £1,776 per sq m (£165 per sq ft) |
- d) Acquisition Costs - Stamp Duty At the appropriate rate of 0%, 1%, 3% or 4%
- |             |  |
|-------------|--|
| Agents Fee  | 0.5%   |
| Legal Fee   | 0.5%   |
| Planning    | £5360 (16 units) £3,350 (10 units) £1675 (5 units) |
| Site Survey | £2,000   |
- e) Construction Costs -
- |                           |                               |
|---------------------------|-------------------------------|
| General House Build Cost  | £861 per sq m (£80 per sq ft) |
| Developers Contingency    | 5%                            |
| Road / Site Works         | £20,000, £15,000 or £10,000   |
| Other S.106 fees (approx) | £40,787 or £25,706 or £0      |

f) Professional Fees	Architect	4%
	Quantity Surveyor	2%
	Structural Engineer	2%
	Mech/Elec Engineer	1%
	Project Manager	1%
g) Marketing Costs	£20,000	
h) Disposal Fees	Sales Agent Fees	0.5%
	Sales Legal Fees	0.5%
i) Finance	Debit Rate	7.5%
	Credit Rate	0%
j) Profit	Profit on Cost	15%

### **Variable Elements**

- i) The variable elements of the appraisals have regard to the percentage of affordable housing within the development.

Affordable Housing 0%, 10%, 15%, 20%, 25%, 30%, 35%, 40%

- ii) The type of affordable housing also differs within the appraisals and the differing percentages are as follows:-

Intermediate	100%	Social Rented	0%
Intermediate	70%	Social Rented	30%
Intermediate	50%	Social Rented	50%
Intermediate	30%	Social Rented	70%
Intermediate	0%	Social Rented	100%

### **CONCLUSIONS**

The findings of the attached appraisal results are one factor that has influenced the policy parameters.

**Threshold** No significant difference in the impact on land value by using different size thresholds. It is concluded that a lower threshold than 15 units is justified.

#### **Market Strength of Different Areas**

There is a significant difference in the impact on land value depending on market strength. It is concluded that requirements need to be lower in lower value areas.

#### **Percentage Requirements and Mix**

Significant differences in the impact on land value depending on percentage requirements and mix of social rented / intermediate. It is concluded that there is a need to set requirements so that land value is not unacceptably depressed.

## Affordable Housing - Conclusion

1/3 acre site  
5 houses per site

40% Affordable = 2 affordable units  
35% Affordable = 1.75 affordable units  
30% Affordable = 1.5 affordable units  
25% Affordable = 1.25 affordable units  
20% Affordable = 1 affordable units  
15% Affordable = 0.75 affordable units  
10% Affordable = 0.5 affordable units

All valuations carried out on 1/3 acre site in two areas of Leeds with developer's profit retained at 15% profit on cost.

<b>More Valuable Area of Leeds</b>			
<b>Affordable</b>	<b>Intermediate</b>	<b>Social Rent</b>	<b>Land Value</b>
0%	0%	0%	£ 484,860
40%	50%	50%	£ 193,076
40%	100%	0%	£ 220,488
40%	0%	100%	£ 165,663
20%	100%	0%	£ 350,554
20%	0%	100%	£ 323,669

<b>Less Valuable Area of Leeds</b>			
<b>Affordable</b>	<b>Intermediate</b>	<b>Social Rent</b>	<b>Land Value</b>
0%	0%	0%	£ 96,560
40%	50%	50%	-£ 55,436
40%	100%	0%	-£ 22,349
40%	0%	100%	-£ 88,744
20%	100%	0%	£ 38,805
20%	0%	100%	£ 11,121

## Affordable Housing - Conclusion

2/3 acre site  
10 houses per site

40% Affordable = 4 affordable units  
35% Affordable = 3.5 affordable units  
30% Affordable = 3 affordable units  
25% Affordable = 2.5 affordable units  
20% Affordable = 2 affordable units  
15% Affordable = 1.5 affordable units  
10% Affordable = 1 affordable unit

All valuations carried out on 2/3 acre site in two areas of Leeds with developer's profit retained at 15% profit on cost.

<b>More Valuable Area of Leeds</b>			
<b>Affordable</b>	<b>Intermediate</b>	<b>Social Rent</b>	<b>Land Value</b>
0%	0%	0%	£ 960,520
40%	30%	70%	£ 351,877
40%	70%	30%	£ 405,648
40%	50%	50%	£ 378,762
30%	30%	70%	£ 508,182
30%	70%	30%	£ 534,811
20%	50%	50%	£ 667,838
10%	100%	0%	£ 827,493

<b>Less Valuable Area of Leeds</b>			
<b>Affordable</b>	<b>Intermediate</b>	<b>Social Rent</b>	<b>Land Value</b>
0%	0%	0%	£ 191,264
40%	30%	70%	-£ 143,942
40%	70%	30%	-£ 77,632
40%	50%	50%	-£ 110,706
30%	30%	70%	-£ 41,893
30%	70%	30%	-£ 9,050
25%	50%	50%	£ 49,965
25%	100%	0%	£ 135,403

## Affordable Housing - Conclusion

1 acre site

16 houses per acre (40 houses per hectare)

40% Affordable = 6 affordable units

35% Affordable = 6 affordable units

30% Affordable = 5 affordable units

25% Affordable = 4 affordable units

20% Affordable = 3 affordable units

15% Affordable = 2 affordable units

All valuations carried out on 1 acre site in two areas of Leeds with developer's profit retained at 15% profit on cost.

More Valuable Area of Leeds				Less Valuable Area of Leeds			
Affordable	Intermediate	Social Rent	Land Value	Affordable	Intermediate	Social Rent	Land Value
0%	0%	0%	£ 1,552,335	0%	0%	0%	£ 317,153
40%	70%	30%	£ 700,916	40%	70%	30%	-£ 90,761
40%	30%	70%	£ 647,658	40%	30%	70%	-£ 156,817
40%	50%	50%	£ 674,287	40%	50%	50%	-£ 123,744
30%	70%	30%	£ 833,943	30%	70%	30%	-£ 22,244
30%	30%	70%	£ 807,314	30%	30%	70%	-£ 54,599
25%	70%	30%	£ 993,599	25%	70%	30%	£ 66,466
25%	70%	70%	£ 940,340	25%	30%	70%	£ 11,510
25%	50%	50%	£ 966,970	25%	50%	50%	£ 39,194
20%	70%	30%	£ 1,126,625	20%	70%	30%	£ 124,220
20%	30%	70%	£ 1,099,996	20%	30%	70%	£ 96,948
15%	100%	0%	£ 1,259,652	15%	100%	0%	£ 180,599
15%	0%	100%	£ 1,286,281	15%	0%	100%	£ 208,330
15%	50%	50%	£ 1,233,022	15%	50%	50%	£ 154,703



**Leeds**  
CITY COUNCIL

## Contact Details

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Supplementary Planning Document  
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