

Customer Information Note

Affordable housing financial appraisal

If you are intending to carry out residential development, you will be required to address the need for affordable housing provision as part of your application submission if either of the following applies:

1. Your proposal is (or is likely to be) for 15 no. or more residential units
2. Your proposal is for part of a larger development which is (or is likely to) provide for 15 no. or more residential units.

The City Council expects that provision for affordable housing will be made in accordance with its publicised policies and guidance. This is set out in Affordable Housing Policy Guidance Note (SPG no. 3) and Affordable Housing Policy Guidance Note Annex, Housing Need Assessment Update and the Informal Affordable Housing Policy. Both these documents can be accessed via the Leeds City Council web site at www.leeds.gov.uk (following path Environment and Planning, Planning, Local Development Framework, Supplementary Planning Documents Retained).

If the affordable housing element within your development proposal is less than that which is set out in the City Council's policy and guidance, it will be necessary for you to provide justification. It is unlikely that the City Council will consider granting planning permission unless there are exceptional circumstances and the overall public benefits of a development proposal outweigh the need for the full level of affordable housing. You should include details of any justification in the planning statement which accompanies your application. Additionally, we will require evidence, in the form of a financial appraisal, of why the development value of the scheme would be insufficient to cover full affordable housing provision.

The checklist below sets out what should be included in your financial appraisal. The City Council would not consider granting planning permission without commissioning its own independent assessment and verification of your financial appraisal. In order to recover our costs for this service, we will make a charge. An explanatory note that sets out the relevant fees payable is also attached. Cheques should be made payable to Leeds City Council and should be enclosed at the time you submit your affordable housing proposal to us. Please provide a separate cheque for the financial assessment from that covering your application fee. An additional variable fee may be payable for any additional work arising from your financial appraisal. In this event, we would consult with you first, before incurring any extra expense.

You should be aware that even if the results of the financial appraisal are supported by the verification process this does not automatically mean that your development can be supported. The Council as Local Planning Authority, in coming to a decision on your application, will still need to weigh the advantages of allowing the development to proceed against any reduced planning benefits and the likely outcome of those benefits not being granted as part of the scheme.

Further information on affordable housing can be found from the following sources:

- Leeds Unitary Development Plan Review 2006
- Affordable Housing Policy Guidance Note (SPG no. 3)(Leeds City Council Feb 2003)
- Affordable Housing Policy Guidance Note Annex, Housing Need Assessment Update (Leeds City Council July 2005, yearly revisions)
- Informal Affordable Housing Policy July 2008
- Planning Policy Statement 3 (PPS3): Housing
- Circular 05/05, Planning Obligations
- Circular 11/95 Use of Conditions in Planning Permission

Or via the following web sites:

- www.leeds.gov.uk
- www.communities.gov.uk
- www.planningportal.com

You may also contact us by visiting the Development Enquiry Centre at The Leonardo Building, 2 Rossington Street, Leeds, LS2 8HD, by post to this address, by telephone on 0113 2224409 or by email to planning@leeds.gov.uk

Financial appraisal checklist:

To assist with an analysis of viability issues the following supporting information should be provided:-

1. Ordnance survey plan showing the application site.
2. A site plan showing the layout of the proposed development.
3. A schedule providing both the gross internal floor area and net sales area measured in accordance with the Royal Institute of Chartered Surveyors Valuation Appraisal Manual (prevailing edition).
4. Site purchase price (evidenced) and date of purchase.
5. Normal construction costs (including breakdown of unit costs).
6. Abnormal development costs* (with supporting technical, survey and contractor costings/estimates).
7. Justification (where applicable) as to why all development costs were not reflected in the purchase price.
8. Details of all anticipated sales revenue including revenues from affordable housing.
9. Levels of developers return/profit as a percentage of net development costs.
10. Section 106 costings for all applicable contributions (greenspace, education, highways etc) to policy compliant levels as advised by the Planning Officer.
11. A residual valuation embodying the above information and principles which is policy compliant with regards to affordable housing provision and other S106 items as requested by the Planning Officer.
12. A second residual valuation detailing the level of affordable housing requirements proposed in support of any justification for a departure from compliant affordable housing requirements indicating clearly the point at which viability becomes unsustainable.
13. The fee (separate cheque payable to Leeds City Council). See following page for current fees.

GENERAL GUIDANCE ON SUBMISSION:

Financial viability should seek to demonstrate why the amount and the tenure mix of affordable housing sought prevents the generation of a commercial rate of return for the applicants proposal and should:

- a) have reference to prevailing market conditions **at the time of the assessment** with particular regard to the use of current sales rates anticipated, other revenue streams, construction costs, developers returns, finance costs and land values
- b) be to the market place generally and not be applicant specific; specifically applicant particular cost factors such as historic land prices, where these are not broadly market facing, are to be disregarded. In other words, proposals will be assessed against current market conditions (including current land values) and will not have regard to historic costs (including if land was purchased some time ago) at a price above current market value
- c) be reflective of the fact that it will be deemed to be at the applicant's own risk if project or development costs are incurred ahead of the receipt of a commitment by the planning authority with regard to a development proposal (through the grant of a full planning permission, a reserved matters approval, a S106 agreement or other legal commitment specifying all conditions and obligations)
- d) have regard to other S106 obligations
- e) in the case of mixed use schemes testing will be of the viability of the entire scheme
- f) be undertaken in line with the general approach and principles of residual valuation contained in the Homes And Communities Agency Economic Appraisal Toolkit which is available at :
<http://www.homesandcommunities.co.uk/economic-appraisal-tool> unless agreement is first reached to any varied approach with the Planning Officer.

The fees are as follows:

- (a) £2,500 excluding VAT – for sites with a residual value up to £3,500,000. This covers the costs to the Council of evaluating any viability appraisal submitted and includes costs associated, as necessary, with the undertaking of a range of appraisals, existing use valuations and sensitivity analysis in connection with the applicants proposal.
- (b) Plus an additional fee of £50 for each additional £100,000 of residual value above the base £3.5M.
- (c) In addition, time will be charged at cost for Surveyor's time for any further negotiation required.

Please note that verification of a financial appraisal by the Council is without prejudice to the determination of the application.