

Publication Salford Local Plan: Development Management Policies and Designations

Assessment of residential viability

**Salford City Council
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1. Introduction

- 1.1 This strategic assessment of the viability of residential development within Salford (referred to as the assessment hereafter) has been undertaken in order to inform the policy approach within the Publication Salford Local Plan: Development Management Policies and Designations document (SLP: DMP), particularly policy H4 (affordable housing).
- 1.2 Although this assessment is part of the evidence base for the SLP: DMP it should be seen as the starting point rather than the only determinant of affordable housing requirements / policy in the Plan. The assessment is strategic, and does not seek to test the viability of specific sites or changes in viability that occur over time. Affordable housing requirements will need to reflect the spatial vision for the City, including creating a fairer Salford, and also evidence of affordable housing need.
- 1.3 In producing this assessment, regard has been had to the relevant parts of the February 2019 national planning policy framework (NPPF)¹ and the associated [online national planning practice guidance \(PPG\)](#). The viability assessments have been run using the Homes and Communities Agency development appraisal tool.
- 1.4 This assessment builds on earlier assessments of residential viability that were produced in November 2016 and January 2019 in support of the city council's Draft and Revised Draft Local Plans respectively, and it takes into account comments received to those assessments.

Viability of build to rent developments

- 1.5 The planning practice guidance on build to rent² explains that:
 - 20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme
 - If local authorities wish to set a different proportion they should justify this using the evidence emerging from their local housing need assessment and set out the policy on their local plan
 - National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local markets

¹ National planning policy framework (February 2019) Ministry of Housing, Communities and Local Government

² Build to rent PPG. Paragraph 002. Reference ID: 60-002-20180913

- 1.6 The PPG on viability, which is titled “How does viability assessment apply to the build to rent sector?”³, states that:

“The economics of build to rent scheme differs from build for sale as they depend on a long-term income stream. For build to rent it is expected that the normal form of affordable housing provision will be affordable private rent. Where plan makers wish to set affordable private rent proportions or discount levels at a level differing from national planning policy and guidance, this can be justified through a viability assessment at the plan making stage. Developers will be expected to comply with build to rent policy requirements.”

- 1.7 This national approach set out in the PPG is reflected in the SLP: DMP policy on build to rent (policy H5). In particular all build to rent schemes on sites of 10 or more dwellings (or having an area of 0.5 hectares irrespective of the number of dwellings) shall provide a minimum of 20% of the dwellings in the form of affordable private rent. These dwellings shall be at a rent that is at least 20% less than the local market rent (inclusive of service charges) for an equivalent dwelling.
- 1.8 Given that SLP: DMP policy H5 is requiring affordable private rented dwellings in build to rent schemes in accordance with the ‘suitable benchmark’⁴ / ‘normal form of affordable housing provision’⁵ as set out within the relevant parts of the PPG, it is not considered necessary for this assessment to consider the viability of build to rent schemes any further.

³ Viability PPG. Paragraph 019. Reference ID: 10-019-20190509

⁴ Build to Rent PPG. Paragraph: 002 Reference ID: 60-002-20180913

⁵ Viability PPG. Paragraph: 019 Reference ID: 10-019-20190509

2. National policy and guidance

National policy context

2019 (February National Planning Policy Framework)

- 2.1 The National Planning Policy Framework (NPPF) recognises the importance of positive and aspirational planning but states that this should be done in a way that is ‘aspirational but deliverable’⁶. It goes on to state that:

“Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.”⁷

- 2.2 Paragraph 57 of the NPPF advises that:

“Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available”.

- 2.3 The NPPF does not state that all sites must be viable. Instead, it seeks to ensure that the bulk of the development is not rendered unviable by unrealistic policy costs. It is also important to recognise that economic viability will be subject to economic and market variations over the local plan timescale.

Planning Practice Guidance

- 2.4 Planning practice guidance (PPG) on viability was last updated on 1 September 2019 and provides details about how the NPPF should be applied. Key points from the guidance relating to plan making are set out below:

⁶ MCHLG (February 2019) National Planning Policy Framework, paragraph 16b

⁷ MCHLG (February 2019) National Planning Policy Framework, paragraph 34

- 1) Policy requirements should be informed by a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of section 106⁸
- 2) The role for viability assessment is primarily at the plan making stage with the total cost of all relevant policies not undermining deliverability of the plan⁹
- 3) Plan makers can use site typologies to determine viability at the plan making stage. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies¹⁰
- 4) Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage¹¹
- 5) Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage¹²
- 6) Any viability assessment should follow the government's recommended approach to assessing viability as set out in the PPG and be proportionate, simple, transparent and publicly available¹³
- 7) Assessment of costs should be based on evidence which is reflective of local market conditions. Costs include abnormals, site specific infrastructure costs, the total cost of all relevant policy requirements (including affordable housing), general finance costs, professional fees and contingency costs¹⁴
- 8) Benchmark land value should be on the basis of the existing use value of the land (EUV), plus a premium for the landowner. This approach is often known as EUV+, with the premium providing a reasonable incentive for the land owner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements¹⁵.
- 9) EUV is not the price paid and should disregard hope value¹⁶
- 10) An assumption of 15-20% of gross development value may be considered a suitable return to developers in order to establish the viability of plan policies. A lower figure may be appropriate in consideration of the delivery of affordable housing¹⁷
- 11) For build to rent it is expected that the normal form of affordable housing provision will be affordable private rent. Where plan makers

⁸ Viability PPG. Paragraph 001. Reference ID: 10-001-20190509

⁹ Viability PPG. Paragraph 002. Reference ID: 10-002-20190509

¹⁰ Viability PPG. Paragraph 003. Reference ID: 10-003-20180724

¹¹ Viability PPG. Paragraph 006. Reference ID: 10-006-20190509

¹² Viability PPG. Paragraph 006. Reference ID: 10-006-20190509

¹³ Viability PPG. Paragraph 006. Reference ID: 10-006-20190509

¹⁴ Viability PPG. Paragraph 012. Reference ID: 10-012-20180724

¹⁵ Viability PPG. Paragraph 013. Reference ID: 10-013-20190509

¹⁶ Viability PPG. Paragraph 015. Reference ID: 10-015-20190509

¹⁷ Viability PPG. Paragraph 018. Reference ID: 10-018-20190509

wish to set affordable private rent proportions or discount levels at a level differing from national planning policy and guidance, this can be justified through a viability assessment at the plan making stage¹⁸

- 2.5 Full regard has been had to the NPPF and associated planning practice guidance in the production of this assessment.

Other guidance on viability testing for development

- 2.6 In response to the 2012 NPPF, the Local Housing Delivery Group, a cross industry group of residential property stakeholders including the House Builders Federation, Homes and Communities Agency and Local Government Association, published guidance entitled 'Viability Testing Local Plans – Advice for Planning Practitioners' in June 2012. The guidance states as an underlying principle, that:

“An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.”

- 2.7 The guidance is not prescriptive about the use of particular financial assessment models but advises that a residual appraisal approach, which tests the ability of development to yield a margin beyond all the test factors to determine viability or otherwise, is widely used and accepted. The guidance sets out the key elements of viability appraisal and the factors that need to be considered to ensure robust assessment. It also comments on how viability testing should deal with potential future changes in markets and states (on page 26) that:

“The most straightforward way to assess plan policies for the first five years is to work on the basis of current costs and values.”

- 2.8 In August 2012 the Royal Institute of Chartered Surveyors (RICS) published a guidance note entitled “Financial Viability in Planning’. The guidance defines financial viability for planning purposes as follows:

“An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project. (Where viability is being used to test and inform planning policy it will be necessary to substitute ‘a development project’ into the wider context)”

¹⁸ Viability PPG. Paragraph 019. Reference ID: 10-019-20190509

- 2.9 The guidance highlights the residual appraisal methodology should be used where either the level of return or residual site value can be compared to a benchmark to assess the impact of planning obligations or policy. Site value is defined as market value having regard to development plan policies and all other material considerations; it does however go on to state that the site value may need to be further adjusted to ensure delivery would not be prejudiced.
- 2.10 The guidance note encourages practitioners to be reasonable, transparent and fair in objectively undertaking or reviewing financial viability assessments. Where possible, practitioners should seek to resolve differences of opinion.

3. Approach to viability testing

- 3.1 The Viability Testing Local Plans Advice for planning practitioners summarises viability as follows:

“An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.” (page 14)

- 3.2 Residential viability appraisals include a wide range of assumptions about particular schemes / sites, including the capital value of a development (primarily the value realised by selling new dwellings), the cost of developing a site (such as buying the land, and build costs), the profit a developer expects from a particular site, and finance costs.
- 3.3 Viability assessments can vary significantly with only minor changes in assumptions, and therefore they can only ever provide a relatively broad estimate of the potential of a scheme to support developer contributions via planning obligations. It is important that they are seen in this context as a broad assessment of viability rather than as precise forecasts.
- 3.4 Having regard to the above and given the advice in planning practice guidance on viability¹⁹, it was not considered appropriate to individually test every site or seek assurance that individual sites are viable. For the purposes of this assessment site typologies have been used based on a range of different development characteristics that reflect the nature of sites coming forward in Salford (in terms of dwelling mix, different residential sales values in the city etc.).
- 3.5 Such appraisals are not intended to be detailed site appraisals for use in relation to particular schemes, and as such do not reflect site-specific issues which may arise in relation to particular sites (such as for instance abnormal costs). However, a typology approach allows the city council to make informed judgements and estimates with regard to different variables, and are considered to be an appropriate basis for assessing general levels of viability across the city.
- 3.6 The city council utilised Version 4.05 of the HCA development appraisal tool (DAT) model to run viability appraisals. The DAT is a standard valuation model that runs in Microsoft Excel and is freely

¹⁹ Viability PPG. Paragraph 003. Reference ID: 10-003-20180724

available to download via the gov.uk website²⁰. Full details of the operation of the model are set out in the user manual which is also available from the gov.uk website.

- 3.7 The viability assessments undertaken by the city council used a form of the residual value technique, although benchmark land values were inputted into the appraisals (using the EUV+ approach) so that the output is actually the residual surplus/deficit. The reason this approach was used is that it enabled the appraisals to identify any residual surplus, after costs including developer profit have been deducted, which would be available to be directed towards policy requirements and planning obligations (including affordable housing).
- 3.8 The approach taken by the city council, and the different variables that make up the appraisals, can be summarised as follows:

Table 1 – Approach to calculating scheme surplus/deficit

A	Gross development value
A1	Residential sales values
A2	Ground rent per unit per annum
A3	Ground rent yield
B	Land acquisition costs
B1	Benchmark land value
B2	Agent fees
B3	Legal fees
B4	Stamp duty land tax
C	Development costs
C1	Build costs
C2	Abnormals
C3	Marketing, sales and legal fees
C4	Professional fees (building design fees)
C5	Building contingencies
D	Finance costs
D1	Interest rates
E	Developer overhead and return for risk
E1	Developer 'profit'
Overall surplus/deficit available for planning obligations and other policy requirements (including affordable housing) = A – (B+C+D+E)	

Development typologies

- 3.9 As noted in paragraph 2.4 (point 3) above, the PPG on viability states that plan makers can use site typologies to determine viability at the plan making stage, whilst in some circumstances more detailed

²⁰ [Homes and Communities Agency development appraisal tool](#): version 4.05 (November 2017)

assessment may be necessary for particular areas or key sites on which the delivery of the plan relies²¹.

- 3.10 The potential development of sites for housing that are currently in the Green Belt, is being considered through the Greater Manchester Spatial Framework (and therefore sits outside of the scope of the SLP: DMP). As part of this, the viability of all of the sites that were allocated for housing in the Revised Draft GMSF will be assessed separately.
- 3.11 In relation to the allocation of sites for housing that are not within the Green Belt, this also falls outside the scope of the SLP: DMP (sites will be allocated in the Local Plan: Core Strategy and Allocations document which will be progressed when the GMSF has been adopted). As a result of the above, this assessment has utilised generic site typologies, rather than assessing in more detail the viability of specific sites or locations.

Land type (greenfield and brownfield)

- 3.12 The 2019 Salford Housing and Economic Land Availability Assessment identifies a baseline supply of 36,140 net additional dwellings over the plan period 1 April 2019 to 31 March 2037²². It is estimated that 33,175 dwellings (i.e. 92%) of these dwellings will be on previously developed land, and 2,965 (i.e.8%) on greenfield land²³. Notably, more than half of the dwellings on greenfield land in the baseline supply already have planning permission for housing development. The nature of the supply is reflected in objective 3 of the SLP: DMP which is to support regeneration and the efficient use of the land, with a target of at least 85% of new dwellings being on previously developed land.
- 3.13 Given the above, it is clear that the vast majority of dwellings that will be completed over the plan period across the city will be on previously developed land. Having regard to this, the urban nature of development sites in Salford, and the scope of the SLP: DMP, the typologies used within this assessment are for development on previously developed land (rather than on greenfield land or sites with a mix of greenfield and previously developed land). This approach is consistent with the viability PPG which states that the characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area²⁴.

Mix of dwellings (houses and apartments)

²¹ Viability PPG. Paragraph 003. Reference ID: 10-003-20180724

²² Salford City Council (September 2019) Housing and Economic Land Availability Assessment, tables 3 and 4: pages 24 and 25

²³ This is consistent with the city council's [2019 Residential Monitoring Report](#) which identifies (on page 14) that over the period 2003-19, 92% of dwellings across the city have been built on previously developed land

²⁴ Paragraph: 004 Reference ID: 10-004-20190509

3.14 Given the high level strategic nature of this viability assessment, it was decided to focus on three different typologies. These typologies are: houses; mid density apartments; and high density apartments, and are considered broadly representative of scheme types that come forward for development in Salford. This approach has been applied by the city council in the various strategic viability assessments it has produced since November 2014²⁵. Although it is noted that mixed schemes of houses and apartments do come forward in the city, it was not considered appropriate to test a mixed typology. The approach to having three typologies is considered to be a simple and proportionate approach to assessing the viability of the DLP: DMP²⁶. Note that the precise mix of dwelling types on actual sites will of course vary on a specific site by site basis.

Typology 1: Development of houses

3.15 In order to establish details of an appropriate site typology for houses (in terms of site size, density, capacity, house type and the number of bedrooms), the city council has undertaken a review of schemes of houses that have been completed in the city over recent years, and also schemes with extant planning permission as of 31 March 2019 (some of which were under construction). Full details of the sites that make up this review are at Annex A of this assessment.

Density / site area

3.16 36 developments of houses have been assessed which have a total capacity of 2,805 houses. The table below identifies that within the sample of 36 developments the average net site area is 2.01 hectares, and the average net density is 44 dph²⁷.

Table 2 – Review of houses schemes

Value area	Sample size		Net average	
	Number of sites	Number of houses	Area (ha)	Density (dph)
Premium	3	91	0.47	65
High	3	313	3.10	33
Mid/high	10	1,279	3.60	35
Mid	11	676	1.39	48
Low/mid	7	412	1.39	44
Low	2	34	0.29	59
Average	36	2,805	2.01	44

²⁵ See paragraph 4.1 of this report for details of these assessments

²⁶ In line with paragraph 010 Reference ID: 10-010-20180724 of the viability PPG

²⁷ Details of how the value areas have been defined are set out in paragraphs 4.38 to 4.44 below

- 3.17 With regards to the average net area of sites within the sample, the smallest sites are within the low value area and the largest sites are in the mid/high value area. Having regard to the above, and to not overly complicate the assessment, it is considered that it is appropriate to assume a net site area of 2.0 hectares for all of the value areas in this assessment (apart from the premium value area where a density of 0.5 hectares is more appropriate having regard to the average 0.47 hectares for the three schemes assessed).
- 3.18 With regards to the proposed densities to be used within the houses typology, the highest density within the sample of schemes is within the premium value area. The premium value area is comprised of Salford Quays and City Centre Salford where the development of houses is in the form of townhouses, and so therefore at a much higher density than that normally found in schemes of houses. It has therefore been assumed that the density of houses in the premium value area is 65 dwellings per hectare (dph).
- 3.19 In the non premium value areas the general pattern is that density decreases between the lower and higher value areas²⁸. Given the minimum net density requirement of 35 dph in policy H2 (Size of dwellings) of the SLP: DMP, 35 dph has been applied to the high and mid/high value areas. It has then been assumed that the density increases for value areas below these, to a maximum density of 45 dph. A density of 45 dph is below the density of 59 dph identified for the 2 sample schemes in the low value areas, on the basis that the sample is not wholly representative of the density of developments that will come forward in these areas.
- 3.20 Taking into account the above, the table below summarises details of the houses typology that will be used within this assessment.

Table 3 – Proposed houses typology

Value area(s)	Net density (dph)	Net site area (hectares)	Number of dwellings
Premium	65	0.5ha	33 houses
High and mid/high	35	2ha	70 houses
Mid	40	2ha	80 houses
Low/mid and low	45	2ha	90 houses

- 3.21 One of the costs identified below is benchmark land value (BLV), which is a gross value per hectare. Given this, for the 36 sample schemes the average gross to net ratio has been calculated; this ratio is 92%. Rounding the ratio down to 90% would mean that the gross site area in all of the value areas apart from the premium area would be around 2.2 hectares. Given the nature of the premium value houses typology, the

²⁸ Generally in the higher value areas development will be at a lower density than that seen in lower value areas (given that a greater proportion of larger sized properties will be built in the higher value areas and vice versa).

gross and net site areas are assumed to be the same in that value area. Further details relating to BLV are set out below at paragraphs 4.21 to 4.35.

House types

3.22 Having established the density and site area (and therefore the number of dwellings) for each value area consideration then needs to be given to the mix of houses in terms of type, as this needs to be inputted into the DAT as part of the assessment. The table below, grouped by the value areas identified in table 3 above, shows the type of dwellings within the 36 developments that have been assessed to inform the approach to the house typologies in this assessment. Further details of the type of dwellings in each of the individual developments assessed is shown in Annex A.

Table 4 – Dwelling type within sample of developments

Value area(s)	Semi-detached/ mews	Townhouses	Detached
Premium	0%	100%	0%
High and mid/high	52%	0%	48%
Mid	81%	4%	10%
Low/mid and low	87%	11%	1%

3.23 Outside of the premium value area, the table clearly shows that the highest proportion of detached dwellings is in the high and mid/high value areas with very low proportions of such dwellings in the mid, low/mid and low value areas. Conversely the lower value areas have high proportions of detached semi-detached / mews dwellings when compared to the higher value areas. Regard has been had to the above in determining the appropriate house types for the houses typologies.

Number of bedrooms

3.24 Having considered the density, site area, capacity, and house type for the house typology, a judgement then had to be made with regards to the number of bedrooms for each typology. The table below shows that within the 36 developments of houses that were assessed, larger houses (4 bed and more) were generally found in the higher value areas with higher proportions of 2 bed dwellings in the lower value areas. The exception to this is the premium value area where only 10% of dwellings were 4 bed or larger. These findings are not surprising and reflect the way the housing market operates in different parts of the city (including the type of houses that come forward in the premium value area), and is also linked in part to issues around affordability.

Table 5 – Average number of bedrooms within sample of developments

Value area	Average number of bedrooms (%)				
	1 bed	2 bed	3 bed	4 bed	5 bed

Premium	0%	23%	67%	10%	0%
High and mid/high	0%	6%	51%	41%	2%
Mid	0%	27%	61%	13%	0%
Low/mid and low	0%	18%	70%	11%	0%
Average	0%	13%	58%	1%	100%

- 3.25 The table above has influenced the size of dwellings in terms of number of bedrooms for the houses typology. Further analysis was undertaken to bring together data on the size and type of dwellings for those 36 developments that form the sample. This data is set out in Annex B of this assessment and has informed the final assumptions around dwelling type/size.
- 3.26 Taking all of the above into account, full details of the houses typology, including the assumed dwelling mix (type and size in terms of bedrooms) is set out in Annex C of this assessment.

Typology 2: Development of mid density apartments

- 3.27 As well as a houses typology, it was considered appropriate to identify a typology comprised of mid density apartments for the purposes of this viability assessment. It was assumed that mid density apartments will typically be the common form of apartment developments in value areas outside of the premium and in the Ordsall Waterfront part of high value area, having regard to knowledge of developments that come forward in the city, and different housing markets.
- 3.28 Given the above, the city council undertook a review of 18 schemes of apartments in the value areas ranging between low and mid/high value, and also the high value area (excluding Ordsall Waterfront). These are schemes that have recently been completed or have extant planning permission as of 31 March 2019 (some of which were under construction). Full details of the sites that make up this review are at Annex A of this assessment.

Density / site area

- 3.29 The table below identifies the average net site area and density of schemes within the mid density apartment review by value area²⁹.

Table 6 - Review of mid density apartment schemes

Value area	Sample size		Net average	
	Number of sites	Number of apartments	Area (ha)	Density (dph)
High (excluding Ordsall Waterfront)	3	440	0.25	147
Mid/high	7	240	0.26	141

²⁹ It has been assumed for schemes of apartments that gross and net site areas are the same

Mid	7	489	0.60	70
Low/mid	No developments assessed			
Low	1	16	0.07	229
Average	18	1,185	0.38	139

3.30 Although there is no clear pattern between the different value areas, the overall average across the areas is considered to be broadly reflective of the site size (0.38ha) and density (139 dph) of mid density apartments schemes that will be built over the plan period. It is important to note however the averages are skewed by the one scheme in the low value area that was built at a density of 229 dph on a 0.07ha site. Taking this into account, the mid density apartment typology for the purposes of this viability assessment is a site of 0.4 hectares at a density of 125 dwellings per hectare (i.e. a site of 50 apartments). Annex A also sets out that the maximum average height for each development; the overall average across all of the developments within the assessment is 4 storeys.

Number of bedrooms

3.31 Having considered the density, site area, and capacity for the mid density apartment typology, consideration then needs to be given to the number of bedrooms that make up the typology. The table below identifies the average proportion of bedrooms by value area for the 18 developments that have been analysed by the city council.

Table 7 - Average number of bedrooms within sample of developments

Value area	1 bed	2 bed	3 bed
High (excluding Ordsall Waterfront)	63%	37%	0%
Mid/high	31%	57%	12%
Low mid	n/a	n/a	n/a
Mid	39%	55%	6%
Low	44%	56%	0%
Average	40%	53%	7%

3.32 2 bed dwellings represent the majority of apartments in the value areas apart from in the high value area (excluding Ordsall Waterfront). Although there are variations between the different value areas in mid density apartments, the number of bedrooms used for the typology in the assessment was primarily informed by the overall average³⁰. Using different bedroom assumptions for the different value areas was considered to be overly complicated. The approach taken is also in line with policy H2 of the SLP: DMP which requires that in new build developments providing apartments, a minimum of 50% of the apartments shall contain at least two bedrooms.

³⁰ This assessment has assumed the following dwelling size by number of bedrooms for the mid density apartment typology: 40%x1 bed; 55%x2 bed and 5%x 3 bed.

- 3.33 Taking all of the above into account, full details of the mid density apartment typology, including the assumed size in terms of bedrooms, is set out in Annex C of this assessment.

Typology 3: Development of high density apartments

- 3.34 As well as the houses and mid density apartment typologies, it was considered appropriate to identify a typology comprised of high density apartments for the purposes of this viability assessment. From knowledge of developments and the different housing markets within the city, it has been assumed that high density apartments will typically be the common form of apartments in the premium area (which includes City Centre Salford and Salford Quays) and also the Ordsall Waterfront part of the high value area.

- 3.35 Given the above, the city council has undertaken a review of schemes of apartments that have been completed in the city over recent years in the above value areas. These are schemes that have recently been completed or were under construction as of 31 March 2019. Full details of the sites that make up this review are at Annex A of this assessment.

- 3.36 The findings of the review are shown in the table below; 31 apartment developments in the premium and Ordsall Waterfront (high value) areas have been assessed which have an overall capacity of 10,024 dwellings. The table below identifies the average net site area and density of schemes within the review by value area³¹.

Table 8 - Review of high density apartment schemes

Value area	Sample size		Net average	
	Number of sites	Number of apartments	Area (ha)	Density (dph)
Premium	24	8,766	0.62	365
High (Ordsall Waterfront only)	7	1,258	0.55	437
All value areas	31	10,024	0.60	688

- 3.37 The average density for the premium value area includes three developments that are at a density in excess of 1,500 dwellings per hectare. This density is very high and is not reflective of the typical density of developments expected to come forward in the city, and has the effect of skewing the overall average density for the premium and high value areas. Taking this into account, the high density apartment typology for the purposes of this viability assessment is a site of 0.6 hectares at a density of 550 dwellings per hectare (i.e. a site of 330 apartments). Annex A also sets out that the average height for each development; the average height across those developments in the review is 15 storeys.

³¹ It has been assumed for schemes of apartments that gross and net site areas are the same

Number of bedrooms

3.38 Having considered the density, site area, and capacity for the high density apartment typology, consideration then needs to be given to the number of bedrooms that make up the typology. The table below identifies the average proportion of bedrooms by value area for the 31 developments that have been analysed by the city council.

Table 9 - Average number of bedrooms within sample of developments

Value area	Number of sites	Number of apts	1 bed	2 bed	3 bed
Premium	24	8,766	44%	47%	7%
High (Ordsall Waterfront)	7	1,258	29%	64%	7%
All value areas	31	10,024	41%	51%	7%

3.39 Having regard to the above, and the greater potential market for larger 3 bed apartments (including penthouses), it has been assumed that the high density apartment typology is comprised as follows: 40%x1 bed; 50%x2 bed and 10%x3 bed. This is in line with policy H2 of the SLP: DMP.

3.40 Taking all of the above into account, full details of the mid density apartment typology, including the assumed size in terms of bedrooms, is set out in Annex C of this assessment.

Gross internal floorspace of dwellings

3.41 Having established the mix of dwellings for the each of the typologies, it was also then necessary to estimate the total floorspace in each, given that the appraisals need to include an allowance for build costs and sales costs on a per square metre basis.

3.42 In order to calculate the floorspace in each scheme typology, the starting point was to make an assumption about the floorspace of each of the dwelling types. For the purposes of the appraisals, the following dwelling floorspaces (gross internal area in square metres) were assumed.

Table 10 – Dwelling floorspace by number of bedrooms and property type

	Apartment	Semi-detached / mews (2 storey)	Townhouse (3 storey)	Detached (2 storey)
1 bed	50sqm	n/a	n/a	n/a
2 bed	65sqm	74.5sqm	85sqm	n/a
3 bed	86sqm	93sqm	99sqm	107sqm
4 bed	n/a	106sqm	112sqm	120sqm
5 bed	n/a	n/a	n/a	133sqm

3.43 The assumptions in the table above were developed having regard to the nationally described space standards, which were published in

March 2015³² which set out the minimum gross internal floor areas and storage (sqm) by number of bedrooms, bedspaces (persons) and the height of the dwelling (storeys). The city council has included the requirement for national space standards in policy H2 (Size of dwellings) of the SLP: DMP, and so therefore it is considered necessary for the standards to be included within this assessment. A separate background paper has been produced alongside the SLP; DMP to justify the use of the nationally described space standards in Salford.

- 3.44 The table above is inclusive of an additional allowance (over and above the nationally described space standards) of 14sqm for all detached dwellings in the family houses scheme typology, to allow for a single garage. Assuming all detached dwellings have a single garage results in the following proportion of garages by scheme type:

Table 11 – Number of garages in the family houses scheme by value area

Scheme type	Value area(s)	Number of houses	Number of detached dwellings / garages	% of houses with a garage
Houses at 65 dwellings per hectare	Premium	33	0	0%
Houses at 35 dwellings per hectare	High and mid/high	70	32	46%
Houses at 40 dwellings per hectare	Mid	80	20	25%
Houses at 45 dwellings per hectare	Low/mid and low	90	1	1%

- 3.45 Although it is recognised that in practice not all detached dwellings will have garages, and that some semi-detached dwellings will have garages etc., for the purposes of this area-wide assessment it is considered to be an appropriate assumption.
- 3.46 Full details of how the floorspaces in Table 10 have been derived are set out in Annex D.

Net to gross adjustment

- 3.47 Note that the net sales areas adopted for the apartment typologies set out above do not reflect circulation space and other common areas (i.e. access corridors, lifts and stairwells). To ensure that these additional

³² ["Technical housing standards - nationally described space standard"](#) – Department for Communities and Local Government (March 2015, as amended on 19 May 2016)

areas are factored into the build cost a net to gross adjustment needs to be made. In other words, the total net sales area for all of the apartments in each site was identified (the net sales area of each flat multiplied by the number of flats), and then an uplift applied.

3.48 The gross to net uplift for the mid density apartment typology was taken as being 15%, with a higher figure of 17.5% being applied to the high density apartment typology. It is recognised that in the market place, there will obviously be some variation in the specification of the final dwellings but the above is considered to be a reasonable assumption having regard to:

- The HCA development appraisal tool states that an allowance of 15% for common areas may be a typical figure
- Viability assessments submitted within Salford as part of planning applications
- A review of other area-wide viability assessment for areas outside of Salford that have been published in support of Local Plans and CIL charging schedules.

3.49 It is important to note that the city council's high density apartment typology relates to dwellings for sale. Build to rent schemes which would typically have a higher gross to net area reduction than 17.5%, due to an increased level of shared spaces such as cinema rooms, gyms etc. are not considered within this assessment.

3.50 For houses, there are no common areas and therefore a net to gross ratio of 100% was assumed (i.e. net and gross are the same). This approach is recognised as industry standard.

3.51 Having regard to all of the above, the total gross floorspace for each typology is calculated in Annex E. The net coverage per developable hectare (excluding garages) under each of the different house typologies is considered to be in line with market expectations.

4. Viability assessment assumptions

Overarching background data / evidence

4.1 The city council has prepared a number of strategic assessments of residential viability in support of planning policy documents over recent years, as follows:

- November 2014: as evidence for a Draft Planning Obligations supplementary planning document that was published for consultation in January 2015
- May 2015: as evidence for the Planning Obligations supplementary planning document that was adopted in June 2015
- November 2016: as evidence for the Draft Local Plan that was published for consultation in November 2016
- January 2019: as evidence for Revised Drafts of the Local Plan and Planning Obligations supplementary planning document that were published for consultation in January 2019

4.2 The assumptions used in this current assessment build upon these previous assessments. In addition, data has been collated having regard to a number of factors, including:

- Publicly available data (such as stamp duty rates and land value estimates for policy appraisals)
- Discussions with Urban Vision Property Services, who robustly assess the large number of financial viability appraisals that are submitted with planning applications in Salford, on behalf of the city council
- A review of other area-wide viability assessments prepared as part of the evidence base for other Local Plans and Community Infrastructure Levy (CIL) charging schedules
- The HCA development appraisal tool and associated user manual (November 2014)
- Local Housing Delivery Group – viability testing Local Plans: advice for planning practitioners (June 2012), and other guidance

4.3 In support of the Greater Manchester Spatial Framework (GMSF) the Greater Manchester Combined Authority has commissioned the team of Three Dragons, Ward Williams Associates and Troy Planning and Design to undertake a Viability Assessment of the GMSF. A representative from the city council's Spatial Planning team sits on the Steering Group and has been fully involved in the progression of the assessment. It is anticipated that the GMSF viability assessment will be published alongside the next version of Spatial Framework in Summer 2020 (with a report being published earlier in 2020 setting out headline assumptions taking into account developer industry feedback).

- 4.4 The work being undertaken by Three Dragons et al is a broad / strategic assessment to inform a strategic Greater Manchester wide plan. The city council has sought as far as possible to align its Local Plan viability assessment with the emerging assumptions and inputs in the GM viability assessment. However, with regards to a small number of the assumptions, the city council's Local Plan assessment has departed from the emerging GM viability assessment assumptions given that there are Salford specific values for some of the costs etc. In addition, the city council has also developed its own approach to typologies (as set out above), rather than relying on those that are set out in the GM viability assessment.

Stakeholder involvement

- 4.5 As highlighted in paragraph 2.4 (point 4) above, the viability PPG requires that plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage³³.
- 4.6 With regards to stakeholder involvement, the city council published viability evidence alongside the Draft Local Plan in November 2016. Consultation on the Draft Local Plan and the evidence base (including the assessment of residential viability) ran from November 2016 to January 2017, with around 1,500 individuals and organisations being notified. Comments to the viability assessment were specifically received from: Arnold Laver; the Home Builders Federation; Peel Holdings; and United Utilities Property Services. Their comments, and the city council's response, to them can be viewed at Annex F of this assessment³⁴.
- 4.7 Consultation on the Revised Draft Local Plan and an updated assessment of residential viability ran from January 2019 to March 2019, with the updated viability assessment being informed by comments received to the earlier Draft Local Plan viability assessment. Around 2,050 individuals and organisations were notified of the consultation and comments to the updated viability assessment were received from Bredale Properties Ltd and The Peel Group. A summary of the comments received and the city council's response to them, can be viewed at Annex G³⁵. Comments received to the Revised Draft Local Plan viability assessment have been taken into account in the drafting of this current viability assessment prepared as part of the evidence for the SLP; DMP.

³³ Viability PPG. Paragraph: 006 Reference ID: 10-006-20190509

³⁴ This schedule is an extract from Appendix C10 of the Revised Draft Local Plan Consultation Statement (Issues raised in representations received on the Draft Local Plan and an explanation of how these changes are being addressed)

³⁵ This schedule is an extract from the SLP: DMP Consultation Statement

- 4.8 In addition to representations received through the formal representations process, two development industry workshops were held in September 2019 as part of the viability work Three Dragons *et al* are undertaking on behalf of the GMCA for the GMSF. These workshops were attended by 41 participants representing a wide range of organisations including locally active developers and housebuilders, housing associations and their agents. The Spatial Planning team from Salford City Council attended one of the workshops, with Urban Vision Property Services attending the other workshop, acting on behalf of the city council. The workshops related to a strategic assessment of viability using a typology approach, rather than to the appraisal of specific sites allocated in the Revised Draft GMSF.
- 4.9 The workshops were led by the consultant team and used the same presentation to guide discussion. The purpose of the workshops was to provide a description of the proposed testing approach and initial assumptions. Following the second workshop, a combined note of the workshops was circulated to participants, inviting further comments and evidence to support any alternative assumptions. The note of the workshops, including a list of attendees, is attached at Annex H of this assessment.
- 4.10 Seven workshop participants provided comments on the notes and further views on the testing approach and/or assumptions proposed. All of the comments were reviewed by the consultant team and amendments made where this was considered to be appropriate. As noted in paragraph 4.4 above, the city has sought as far as possible to align its Local Plan viability assessment with the emerging assumptions and inputs in the VASF. A separate development industry workshop specifically for the SLP: DMP strategic viability assessment is not considered necessary given the scope, timing and the number of attendees at the workshops held in support of the GM viability assessment.
- 4.11 The following sections set out the different assumptions the city council has used as part of this viability assessment, having regard to the overall approach outlined earlier in this report (i.e. a form of the residual value technique).

A. Gross Development Value

A1. Residential sales values

- 4.12 The HCA Development Appraisal Tool (DAT) requires that residential sales value data per square metre is inputted. Given this, openly available paid data from the [land registry](#) was obtained (rather than the asking price as had been used in previous work published by the council, including the assessment of residential viability prepared in support of the Draft Local Plan). These sales values were then cross

referenced with floorspace data for those properties from open data contained within [Energy Performance Certificates](#) (EPCs).

- 4.13 32 areas were identified across the city. Land registry price paid data was identified for properties that were mainly sold between April 2018 and the end of August 2019, largely focused on new build residential developments or modern housing developments (completed within the past 10-15 years). For areas of the city where there were a limited number of new build developments or modern housing developments, older dwellings were identified.
- 4.14 A minimum of 16 sales were identified per area, with a total of 1,109 sales assessed across all of the areas and this is considered to be a satisfactory sample for the purposes of this area wide viability assessment. Those areas where it is anticipated that there will be the most development over the plan period have the highest sample rate. The schedule of all properties reviewed and a summary of the data by sales value area is set out at annex I.
- 4.15 This detailed analysis identified a significant range of asking price values across the city. Clear patterns were identified with particular spatial areas having broadly similar typical values. Taking account of this, six broad residential value areas have been identified. These are considered to give a good overall indication of residential values across the city, although inevitably there will be some degree of variance and outliers within each.
- 4.16 The table below sets out the six defined residential value areas, the range of values within them, and the sale value per square metres used within this assessment.

Table 12 – Residential value areas

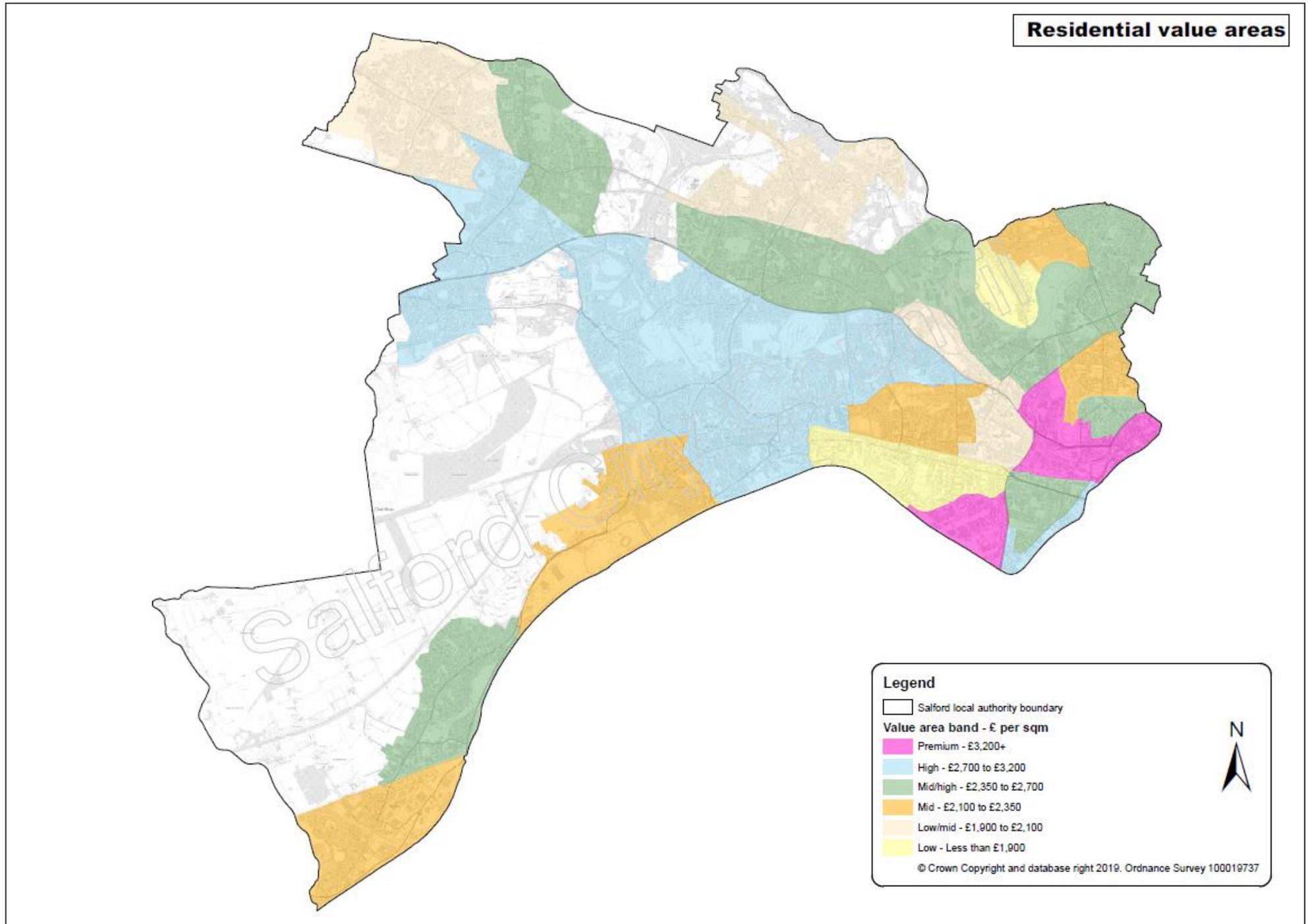
Value area	Sales value area range per sqm	Salford value per sqm used in the assessment
Premium	£3,200+	£3,500
High	£2,700 to £3,200	£2,900
Mid/high	£2,350 to £2,700	£2,500
Mid	£2,100 to £2,350	£2,200
Low/mid	£1,900 to £2,100	£2,000
Low	Less than £1,900	£1,800

- 4.17 The plan below identifies the boundaries of the value areas.

Land in the Green Belt

- 4.18 Land within the Green Belt as shown on the SLP: DMP policies map (and saved by UDP policy EN2) is not covered by the value areas, given that by definition development in the Green Belt is inappropriate. However, the Greater Manchester Spatial Framework will identify the housing requirement for Salford and take decisions about whether

Green Belt boundaries in Salford should be altered, including whether any existing Green Belt should be de-designated so that it can be developed. This is outside of the scope of the SLP: DMP.



A2. Average ground rent per unit per annum (£)

4.19 This was assumed as follows:

- Houses: No ground rent assumed given that the government has said that it will legislate to prevent the sale of new build leasehold houses except where necessary such as shared ownership.
- Mid density apartments: £150 per dwelling
- High density apartments £300 per dwelling

4.20 A ground rent has continued to be applied to the apartment typology given that legislation has not yet been enacted to prevent ground rent being charged at levels above a peppercorn zero financial value. Apartment schemes continue to come forward with ground rents applied to them, and are accepted as being appropriate by the city council through consideration of viability assessments submitted within planning applications

A3. Ground rent yield (%)

4.21 This was assumed to be 5% for all residential appraisals, recognising that ground rent income is a secure investment.

B. Land acquisition costs

B1. Benchmark land value

4.22 As noted above, planning practice guidance (PPG) on viability is published by the government; this was last updated on 1 September 2019. This states that to define land value for any viability assessment, a benchmark land value should be calculated on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+)³⁶.

4.23 The viability PPG goes on to state³⁷ that in all cases benchmark land value should:

- Be based upon existing use value
- Allow for a premium to landowners (including equity resulting from those building their own homes)
- Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees
- Be informed by market evidence including current uses, costs and values
- Be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available

³⁶ Viability PPG. Paragraph 013. Reference ID: 10-013- 20190509

³⁷ Viability PPG. Paragraph 014. Reference ID: 10-014-20190509

plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

- 4.24 The guidance further states³⁸ that EUV is the value of the land in its existing use; it is not the price paid and should disregard hope value. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values. Source of data can include land registry records of transactions valuation office agency and public sector estate/property teams' locally held evidence.
- 4.25 An appropriate level of premium above the EUV is not set out in the guidance although the premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements. Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments³⁹.
- 4.26 It is clear from the guidance that the existing land use value benchmarks used to test plan policies can be less than the value at which land is being traded in the market. This point was highlighted in the London Mayoral CIL examiner's report which, although relating directly to CIL, sets out important principles in the treatment of benchmark land values⁴⁰

"Finally the price paid for development land may be reduced. As with profit levels there may be cries that this is unrealistic, but a reduction in development land value is an inherent part of the CIL concept. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future. In any event in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges".

- 4.27 Recent RICS research also highlights the drawback in using market evidence to set land value benchmarks: "If market value is based on comparable evidence without proper adjustment to reflect policy compliant planning obligations, this introduces a circularity, which encourages developers to overpay for sites and try to recover some or all of this overpayment via reductions in planning obligations".⁴¹

³⁸ Viability PPG. Paragraph 015. Reference ID: 10-015-20190509

³⁹ Viability PPG. Paragraph 016. Reference ID: 10-016-20190509

⁴⁰ Report to The Mayor of London, by Keith Holland January 2012

⁴¹ RICS, 2015, Financial Viability Appraisal in Planning Decisions: Theory and Practice

- 4.28 Benchmark land values (BLV) are assessed on a gross area basis and are an estimate of the lowest value that a landowner may transact land for development. This estimate does not preclude circumstances where development may pay more than the benchmark if it can afford to do so, particularly if there is competition for sites.
- 4.29 There is no single data source for estimating benchmark land values. However, in May 2018 the Ministry of Housing, Communities and Local Government (MHCLG) published land value estimates for policy appraisal as of 1 April 2017, along with guidance for their use. With regards to residential land values, a figure of £1,345,000 per hectare is set out for Salford. The guidance explains that the figure assumes nil affordable housing and so therefore the figures may be significantly higher than would reasonably be obtained in the actual market. The figure is for a 'typical' site with planning permission where "...no major allowances need to be made for other s106/s278 costs. The site is regular shape, with services provided up to the boundary, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available."
- 4.30 MHCLG also published industrial land values for policy appraisal in May 2018. No specific figure is set out for Salford, although for Greater Manchester figures of £650,000 and £550,000 are given for Manchester and Bolton respectively as of 1 April 2017. The guidance for these values notes that these figures can be used a proxy for developments on brownfield land. It is assumed that they are for a brownfield site in an urban location, services to the edge of the site, use restricted to industrial/warehouse with full planning consent in place, and no abnormal, contamination and/or remediation issues.
- 4.31 As part of their emerging work on assessing viability across Greater Manchester in support of the GMSF, Three Dragons et al have considered the issue of BLVs. As well as the MHCLG estimated land values they have drawn upon a number of sources, including:
- An analysis of site specific viability appraisals undertaken to inform negotiations on specific sites across the local authority areas in Greater Manchester (including those provided by Urban Vision on behalf of Salford City Council), noting that some of the site benchmarks in these assessments are not PPG compliant
 - An analysis of development site valuations undertaken in 2018 as part of a HIF bid.
 - A review of a sample of land transactions listed on EGi Radius and development land sites listed on websites.
 - Consultation with the development industry as part of two workshops in September 2019. Discussion at these workshops included some views on land values and further information was provided as part of post workshop submissions.

- Review of two North West area-wide viability studies recommended as part of the development industry workshop discussion (Halton and Cheshire East)
- Consultation with GMCA officers about land values and transactions.

4.32 In addition to the above considerations, the city council has been advised by Urban Vision Property Services on appropriate benchmark land values for the purposes of this assessment. These land values are based on the EUV+ approach with the existing use being industrial / employment land that is within an urban location and is brownfield land (reflecting the typologies used within this assessment). The land values differ by the residential value areas used in this assessment recognising that there are differences in what the current use of a site is worth depending on location.

4.33 Although not all land that will come forward for residential development will be on employment land it is considered reasonable to apply the employment values to all of the typologies in this assessment. Whilst other land uses may have a different EUV and could command a higher/lower value, for the purposes of the high level assessment it is deemed proportionate to apply this figure.

4.34 With regards to an appropriate premium that would provide a reasonable incentive for a land owner to bring forward land for development, while allowing a sufficient contribution to fully comply with policy requirements, Urban Vision have advised that this should be 20% above the existing use value for the family houses and mid density apartment typologies. A premium of 20% is commonly used on viability modelling across the country (particularly for viability work that has been tested at Examination for CIL). For the high density apartment typology, Urban Vision have advised that the premium should be 30% reflecting the higher premiums required to incentivise landowners to sell their land given such sites will achieve a higher density of development. The use of 20% and 30% premiums is considered to be a simple and proportionate approach for the purposes of an area wide study that is using a typology approach to assessing viability. The actual premium on specific individual sites may differ having regard to site specific circumstances.

4.35 The existing use values per hectare and also the premiums assumed in order to incentivise a landowner to sell their land that have been used in this assessment are set out below. They are applied to the gross site area.

Table 13 - Gross land value by value area and typology per hectare

Value area	Existing use value (EUV) per hectare	Houses and mid density apartment typologies		High density apartment typologies	
		Premium to landowner (+)	EUV + value per hectare	Premium to landowner (+)	EUV + value per hectare
Premium	£595,000	20%	£714,000	30%	£773,500
High	£595,000	20%	£714,000	30%	£773,500
Mid/high	£495,000	20%	£594,000	30%	£643,500

Mid	£495,000	20%	£594,000	n/a	n/a
Low/mid	£430,000	20%	£516,000	n/a	n/a
Low	£370,000	20%	£444,000	n/a	n/a

4.36 The range of benchmark land values identified in the table above are broadly in line with the upper and lower BLVs for brownfield industrial sites in the emerging Three Dragons et al viability work covering the whole of Greater Manchester. The table below shows the land costs used within this assessment having regard to the gross site area and the EUV+ per hectare.

Table 14 – Benchmark land value by typology

Value area	Houses typology			Mid density typology			High density apartment typology		
	EUV + value per hectare	Gross site area (ha)	Benchmark land value (BLV)	EUV + value per hectare	Gross site area (ha)	BLV	EUV + value per hectare	Gross site area (ha)	BLV
Premium	£714,000	0.5	£357,000	£714,000	0.4	£285,600	£773,500	0.6	£464,100
High	£714,000	2.2	£1,570,800	£714,000	0.4	£285,600	£773,500	0.6	£464,100
Mid/high	£594,000	2.2	£1,306,800	£594,000	0.4	£237,600	£643,500	0.6	£386,100
Mid	£594,000	2.2	£1,306,800	£594,000	0.4	£237,600	n/a	n/a	n/a
Low/mid	£516,000	2.2	£1,135,200	£516,000	0.4	£206,400	n/a	n/a	n/a
Low	£444,000	2.2	£976,800	£444,000	0.4	£177,600	n/a	n/a	n/a

B2, B3 and B4: Fees associated with land purchase

4.37 The table below shows the fees associated with the acquisition of a site. These use industry standards assumptions and published values.

Table 15 – Fees associated with land cost

Cost type	Assumption	Commentary
B2. Agents fees	1% of site value	Assumed at 1% across all residential appraisals, which is a commonly accepted figure, and consistent with the Local Housing Delivery Group advice ⁴²
B3. Legal fees	0.75% of site value	Industry standard assumption
B4. Stamp duty land tax	<ul style="list-style-type: none"> 0% on the first £150,000 of the land value; 2% on the next £125,000 (the portion from £150,001 to £250,000); 5% on the remaining amount 	As per HMRC rates for non-residential and mixed use land and property rates.

⁴² "Viability testing Local Plans: advice for planning practitioners" – Local Housing Delivery Group chaired by Sir John Harman (June 2012), p35.

	(the proportion above £250,000)	
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C. Development costs

4.38 For the purposes of this viability assessment, the planning practice guidance advises that costs should be based on evidence which is reflective of local market conditions.

C1. Build costs

4.39 The planning practice guidance on viability states that a cost of development is build costs and suggests that such costs should be based on appropriate data, for example that of the Building Cost Information Service (BCIS).⁴³ Consideration was given to using build costs per square metre of the gross internal floorspace as set out in the Building Cost Information Service (BCIS) residential build cost data. However, Urban Vision Property Services has advised that the costs are not representative of the actual build costs that they are seeing on actual schemes within Salford, including those that have been verified by the district valuer.

4.40 Urban Vision has advised that the following costs should be adopted for the purposes of this local plan viability assessment. These costs have been increased by 9.4%, 21.3% and 16.7% for the houses, mid density apartment and high density apartment typologies respectively since the earlier assessment of residential viability was published in January 2019 (in support of the Revised Draft Local Plan).

Table 16 – Build costs by dwelling type

Dwelling type	Build cost per square metre
Houses	£1,130
Mid density apartments (less than 5 storeys)	£1,292
High density apartments (6-15 storeys)	£1,884

4.41 The above costs reflect Urban Vision’s knowledge of residential developments within Salford, directly informed by the significant number of viability assessments that are submitted with planning applications, and which they have robustly reviewed. The costs are broadly consistent with the emerging build costs (base build + plot + site infrastructure) in the Greater Manchester viability work being undertaken by Three Dragons et al, with their costs being based on:

- Estimates prepared by the costs consultants Ward Williams Associates using residential schemes from its in-house benchmarking database, sense checked with local practices

⁴³ Para 012. Reference ID: 10-012-20180724

- A range of viability appraisals submitted and / or checked by the GM local authorities (including 7 provided by Salford City Council)
- 4.42 The above build costs for houses has been applied to all of the different house types, whilst different figures are given for different heights of apartments reflecting the increased build costs associated with the development of higher buildings. It is recognised that there are likely to be different build costs in the different value areas associated with the quality of internal fixtures and fittings within the different value areas. However, given this assessment is high level and that its purpose is to inform policy rather than being site specific, it was considered appropriate use the figures above across all of the value areas.
- 4.43 The high density apartment typology build cost is based on a height of between 6 and 15 storeys. Some high density schemes will come forward at a height less than this, whilst in some other limited circumstances developments will come forward in excess of 15 storeys (particularly at Greengate). Building at less than 15 storeys will incur costs less than the £1,884 applied by the city council, whilst costs would be expected to be higher for developments in excess of 15 storeys. The approach to using a 15 storey height for high density apartments reflects evidence collected as part of determining the appropriate typologies (and as explain within this report at paragraph 3.37).
- 4.44 Urban Vision has advised that the build costs identified in Table 16 above for all typologies includes infrastructure / externals (i.e. access roads, services and drainage, landscaping, car parking etc.). The cost identified are therefore 'all-in'. Services are assumed to be provided to the boundary of the site and so no additional allowance has been made with regards to this.

C2. Abnormals such as decontamination and demolition

- 4.45 Clearly some sites, particularly those of a brownfield nature, will have an element of abnormal costs. However this strategic area-wide nature of this viability assessment is not designed to test the viability of specific sites; it cannot seek to encompass all the potential differences in individual site circumstances / abnormals that affect viability. Given this, no allowance has been made for abnormals, recognising that any site specific issues should result in a reduced existing use value, subject to the proper exercise of due diligence by the site purchaser. This approach reflects the PPG⁴⁴ which states that abnormals costs (including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites) should be taken into account when defining benchmark land value.

Other scheme costs

- 4.46 There is a range of other development costs that apply to all the residential development typologies. For some of these variables, national guidance informs assumptions used. For other assumptions, there are standard values

⁴⁴ Viability PPG. Paragraph: 012 Reference ID: 10-012-20180724

that are considered acceptable for us in area-wide viability studies and which have been accepted at recent plan and Community Infrastructure Levy examinations. These are set out in the table below.

Table 17 – other development costs

Cost type	Assumption	Commentary
C3. Marketing, sales and legal fees	3% of market housing value	<p>Based on other schemes within Salford. In addition it is considered to be a standard figure that has been accepted in many area-wide assessments and accepted at recent plan and CIL examinations.</p> <p>The timing of this cost coincides with the period between the first and last open market sale.</p>
C4. Professional fees (building design fees)	7% of build costs	Figure has been agreed with volume housebuilders as being appropriate on schemes within Salford where a viability assessment has been submitted in support of a planning application.
C5. Building contingencies	3% of build costs	<p>Assumed having regard to other developments in Salford (and as agreed through planning application viability assessments) and the North West.</p> <p>Building contingencies for regional or national volume house builders usually remain relatively stable across different developments as they have in-house design teams who design standard house types which are used across multiple sites. Furthermore they will often use the same contractors who become familiar with the house types and which leads to greater efficiencies.</p> <p>In some respects however there is an argument that it is not appropriate to include contingency in a high level area wide viability assessment. The PPG on viability at paragraph 012 advises that explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return. No</p>

Cost type	Assumption	Commentary
		other reference to contingencies is made elsewhere in the PPG or for plan making. The city council has therefore taken a conservative approach to contingencies.
D1. Interest rate	Debit – 6% Credit – 0%	Debit rate reflects recent viability appraisals submitted in support of planning applications for residential development within Salford. A nil rate was assumed for credit reinvestment, recognising that it is not standard practice to reflect this in strategic assessments of residential viability.
E1. Developer profit	17.5% of GDV	<p>The planning practice guidance on viability⁴⁵ states that “For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development”.</p> <p>Having regard to the planning practice guidance, and on the basis of recent viability evidence submitted to the city council, a developer profit of 17.5% of gross development value is considered to be an appropriate benchmark in current market conditions (and is the mid-point set out in the guidance).</p> <p>A lower percentage developer profit will be appropriate for specific types of scheme (e.g. a Private Rented Sector scheme, or a scheme where units are to be sold to a Registered Provider).</p> <p>It is also recognised that a higher or lower percentage developer profit may be necessary depending on the risk of the schemes. It is however considered that 17.5% represents an appropriate benchmark in current market conditions</p>

⁴⁵ Paragraph 018. Reference ID: 10-018-20180724

Cost type	Assumption	Commentary
		and for the purposes of this area wide viability assessment.

Scheme timings

4.47 The HCA DAT takes into account cashflow through the course of a development. As such, timings for different elements of a development need to be inputted into the model. The city council's assumptions in relation to this are set out below.

Build period (construction start / end)

4.48 Construction start was assumed as 3 months after the grant of planning permission. This construction start time was assumed as standard for all scheme typologies to ensure consistency across the appraisals. The build period was assumed to vary for each of the 3 scheme typologies, reflecting the different scheme sizes. A build rate of 45 units per annum was assumed for the houses typology which is considered conservative given the rate schemes are being out at in the City.

4.49 For the mid density apartment typology it was assumed that the 50 apartments take 15 months to construct, whilst the high density apartment typology of 300 apartments would take 30 months. These build rates have been informed by the speed of delivery on recent residential development schemes within Salford (using the council's development monitoring database, and other publicly available data) and in some respects are also considered to be conservative assumptions.

4.50 Taking these build rates into account, the table below sets out the build period assumptions for each of the scheme typologies:

Table 18 – Build period by scheme typology

Scheme typology	Dwelling number	Build period
Houses scheme (premium value areas)	33 houses	11 months
Houses scheme (high and mid/high value areas)	70 houses	20 months
Houses scheme (mid value areas)	80 houses	21 months
Houses scheme (low/mid and low value areas)	90 houses	24 months
Mid density apartment scheme	50 apartments	15 months
High density apartment scheme	330 apartments	30 months

Other timings

4.51 The DAT contains other timings that need to be populated. The city council's assumptions in relation to each of these are set out in the table below.

Table 19 – Other development timings

Stage	Timing
Overall scheme end date	<ul style="list-style-type: none"> All typologies: 1 month after the last open market sale
First market housing sale	<ul style="list-style-type: none"> Family houses typology: 4 months after the start of construction Mid density and high density apartment typologies: 90% of units are reserved off-plan with transactions completed on construction finish (remaining 10% sold following this).
Last market housing sale	<ul style="list-style-type: none"> Family houses typology: 4 months after construction end Mid density and high density apartment typologies: 3 months after construction end
Timing of ground rent payment (month)	<ul style="list-style-type: none"> Mid density and high density apartment typologies: the same as the overall scheme end date (i.e. one month after last open market sale)

Overall surplus/deficit

4.52 The potential surplus/deficit available from a development was calculated by deducting total development costs, land acquisition costs, finance costs and developer profit from the total gross development sales value. The next section of this assessment sets out the results of the viability appraisals.

5. Baseline appraisal results

5.1 Having regard to the assumptions set out above, 15 baseline appraisals were undertaken. Although these baseline appraisals take into account the dwelling floorspace requirements of policy H2 (Size of dwellings) of the SLP: DMP, they do not take into account any other policy requirements of the plan or planning obligations / affordable housing. The different appraisals are summarised in the table below.

Table 20 – Baseline appraisals undertaken

Typology	Gross site size (ha)	Scheme typology	Sales value area
1	0.6	High density apartments	Premium
2	0.4	Mid density apartments	Premium
3	0.5	Houses	Premium
4	0.6	High density apartments	High
5	0.4	Mid density apartments	High
6	2.2	Houses	High
7	0.6	High density apartments	Mid/high
8	0.4	Mid density apartments	Mid/high
9	2.2	Houses	Mid/high
10	0.6	Mid density apartments	Mid
11	2.2	Houses	Mid
12	0.6	Mid density apartments	Low/mid
13	2.2	Houses	Low/mid
14	0.6	Mid density apartments	Low
15	2.2	Family houses	Low

5.2 The three scheme typologies were appraised within each of the six residential value areas, with the exception of the high density apartment scheme typology which was not assessed within the mid, low/mid and low value areas recognising that this form of development is not anticipated to come forward within these locations. In some respects it is also considered unlikely that high density apartment schemes will come forward in the mid/high, and high value areas (apart from in Ordsall Waterfront).

5.3 A summary of the outputs for each of the baseline appraisals is shown in the table below.

Table 21 – Findings of baseline appraisals

Typology	Gross Site size (ha)	Sales value area / scheme type	No. of units	Total capital value of open market housing	Total capital value of scheme (A)	Total direct costs (B)	Finance & acquisition costs (C)	Developer profit (D)	Surplus/deficit at completion = A – (B+C+D)	Surplus / deficit per dwelling
1	0.6	Premium VA - high density apartments	330	£70,570,500	£72,550,500	£52,766,571	£4,885,660	£12,349,838	£2,548,431	£7,723
2	0.4	Premium VA - mid density apartments	50	£10,545,500	£10,695,500	£5,354,101	£532,334	£1,845,463	£2,963,602	£59,272
3	0.5	Premium VA - houses	33	£11,098,500	£11,098,500	£4,427,973	£412,647	£1,942,238	£4,315,642	£130,777
4	0.6	High VA - high density apartments	330	£58,472,700	£60,452,700	£52,403,637	£5,006,447	£10,232,723	-£7,190,107	-£21,788
5	0.4	High VA - mid density apartments	50	£8,737,700	£8,887,700	£5,299,867	£506,984	£1,529,098	£1,551,751	£31,035
6	2.2	High VA – houses	70	£19,596,750	£19,596,750	£9,544,339	£1,646,274	£3,429,431	£4,976,706	£71,096
7	0.6	Mid/high VA - high density apartments	330	£50,407,500	£52,387,500	£52,161,681	£5,028,282	£8,821,313	-£13,623,776	-£41,284
8	0.4	Mid/high VA – mid density apartments	50	£7,532,500	£7,682,500	£5,263,711	£487,183	£1,318,188	£613,418	£12,268
9	2.2	Mid/high VA – houses	70	£16,893,750	£16,893,750	£9,463,249	£1,391,220	£2,956,406	£3,082,875	£44,041
10	0.4	Mid VA – mid density apartments	50	£6,828,600	£6,778,600	£5,236,594	£494,149	£1,160,005	-£112,148	-£2,243
11	2.2	Mid VA – houses	80	£16,321,200	£16,321,200	£10,068,194	£1,412,519	£2,856,210	£1,984,277	£24,803
12	0.4	Low/mid VA – mid density apartments	60	£6,026,000	£6,176,000	£5,218,516	£464,764	£1,054,550	-£561,830	-£9,364
13	2.2	Low/mid VA – houses	90	£16,019,000	£16,019,000	£10,453,781	£1,244,258	£2,803,325	£1,517,636	£16,863
14	0.4	Low VA – mid density apartments	50	£5,423,400	£5,573,400	£5,200,438	£439,178	£949,095	-£1,015,311	-£20,306
15	2	Low VA – family houses	90	£14,417,100	£14,417,100	£10,405,724	£1,108,474	£2,522,993	£379,909	£4,221

6. Impact of policy requirements and non-affordable housing planning obligations on viability

- 6.1 As noted above, the appraisals were run with land values and developer profit as an input, and therefore the output from the model is the surplus/deficit (after land costs and developer profit have been deducted) which would be available to support policy requirements, and planning obligations including affordable housing.
- 6.2 The cost implication of the policy requirements and non-affordable housing planning obligations were then added into the baseline appraisals. These cost assumptions are set out below.

Policy requirements of the SLP: DMP

- 6.3 The following policies are considered to have a cost associated with them that needs to be factored into the viability assessment:
- Policy D7 (Housing design): Costs associated with building dwellings to accessible and adaptable requirements under optional requirement M4(2) of the Building Regulations
 - Policy A10 (Electric vehicle charging points): Cost of providing electric vehicle charging points in residential developments
 - Policies EG1 (Sustainable Energy in new development) and D7 (Housing design): Costs associated with exceeding the fabric energy efficiency of dwellings required under Part L of the Building Regulations by 19%
 - Policy BG2 (Development and biodiversity) requires that all major development shall deliver at least a 10% net gain in biodiversity
- 6.4 The costs associated with these policy requirements are set out below.

Accessible and adaptable homes

- 6.5 Policy D7 (Housing Design) of the SLP: DMP requires that all new homes are built to the national accessible and adaptable dwelling standards under optional requirement M4(2) of the Building Regulations.
- 6.6 A review of the cost of meeting the requirement was undertaken by EC Harris on behalf of DCLG⁴⁶ which estimated the extra cost of providing accessible and adaptable dwellings over current industry practice⁴⁷. The costs identified by EC Harris were from Q2 2014, and are summarised in the table below. The table below also inflates the Q2 2014 EC Harris costs by 13.68% (to a Q2 2019 base) in line with BCIS general build indices which increased from 318.0 in June 2014 to 361.5 in June 2019, in order to provide a more up to date cost.

⁴⁶ "[Housing standards review: cost impacts](#)" EC Harris (September 2014)

⁴⁷ Ibid. Table 45: Access costs summary

Table 22 – Accessible and adaptable home costs per dwelling by type

Dwelling type	EC Harris Q2 2014 costs per dwelling	Adjusted Q2 2019 cost per dwelling
1 bed apartment	£940	£1,069
2 bed apartment	£907	£1,031
2 bed terrace	£523	£595
3 bed semi-detached	£521	£592
4 bed detached	£520	£591

6.7 The dwelling types / sizes that were costed by EC Harris do not correspond to all of the dwellings types and sizes that form part of the typologies used within this assessment. An assumption has therefore been made as to which EC Harris cost is most applicable to such dwellings. The table below shows the costs per dwelling the city council has used within this assessment to meet the M4(2) standard, at the inflated Q2 2019 prices, and identifies which EC Harris dwelling type cost has been applied. Note that whilst an allowance has been made this is a conservative approach, as it is likely that these standards are starting to filter through general build costs

Table 23 – Accessible and adaptable homes costs assumed in viability assessments by dwelling type

Dwelling type used within this assessment	EC Harris dwelling type applied	Cost applied to each dwelling type / size in assessment
1 bed apartment	1 bed apartment	£1,069
2 bed apartment	2 bed apartment	£1,031
3 bed apartment	3 bed apartment	£1,031
2 bed semi-detached house / mews	2 bed terrace	£595
3 bed semi-detached house / mews	3 bed semi-detached	£592
4 bed semi-detached house / mews	3 bed semi-detached	£592
2 bed townhouse	2 bed terrace	£595
3 bed townhouse	2 bed terrace	£595
4 bed townhouse	2 bed terrace	£595
3 bed detached	4 bed detached	£591
4 bed detached house	4 bed detached	£591
5 bed detached house	4 bed detached	£591

Electric vehicle charging points

6.8 Policy A10 (Electric vehicle charging points) of the SLP: DMP requires that new residential development shall make provision for electric vehicle charging infrastructure in accordance with the following standards:

- For dwellings with a garage or driveway, at least one dedicated charge point per dwellings

- For residential developments with shared parking areas, the provision of at least one dedicated charge point per ten dwellings

6.9 Given the requirements of policy A10, it is considered that a cost needs to be attributed to it.

6.10 In July 2019 the government consulted on altering building regulations to include requirements for electric vehicle chargepoints⁴⁸. This states, at paragraph 8, that the government is proposing that chargepoints must have a minimum power rating of 7kW, be fitted with a universal socket that can charge all types of electric vehicle currently on the market and meet relevant safety and accessibility requirements. Paragraph 9 of the consultation document notes that installing chargepoints will add an additional cost of £976 per car parking space for an average home. This cost is identified as being significantly lower than retrofitting once a home has been built (c.£976 for upfront installation in an average home compared to c.£2,040 for a retrofitted charge point).

6.11 In line with policy A10 of the SLP: DMP one chargepoint per dwelling has been assumed for the houses typology. With regards to charging provision for the apartment typologies, a review has been undertaken of the level of car parking provision in a sample of apartment schemes recently completed or with extant planning permission as of 31 March 2019 (including some under construction). The findings of this review are set out in the table below. Details of the level of parking in each development that formed part of the assessment can be found at Annex A of this assessment.

Table 24 – Assessment of car parking spaces in sample of apartment schemes

	Mid density apartments typology	High density apartments typology
Dwellings assessed	850	10,027
Car parking spaces	599	2,829
Parking spaces to dwelling ratio	70%	28%

6.12 Applying a car parking space to dwelling ratio of 70% in the mid density apartment typology and 30% for the high density typology is considered to be a reasonable approach having regard to the evidence identified above. Given a requirement for 10% of the spaces in apartment schemes to have chargepoints, it was been assumed that 4 electric chargepoints will need to be provided for the mid density typology, and 10 chargepoints for the high density apartment typology⁴⁹.

⁴⁸ Department for Environment (July 2019) Electric Vehicle Charging in Residential and Non-Residential Buildings

⁴⁹ The mid density apartment typology = 50 apartments: 70% of these to have a car parking space which equals 35 spaces. In line with policy A10, 10% of the spaces to have electric vehicle chargepoints (i.e. 4 spaces). The high density apartment typology = 330 apartments. 30% of these to have a car parking space which equals 99 spaces. In line with policy A10, 10% of the spaces to have electric vehicle chargepoints (i.e. 9 spaces)

Energy efficiency

- 6.13 Policies EG1 (Sustainable energy in new development) and D7 (Housing Design) of the SLP: DMP require that new build residential schemes shall exceed the fabric energy efficiency required under Part L of the Building Regulations by 19%, and meet the standard required under any subsequent revision to building regulations.
- 6.14 The above policy requirement would apply to all dwellings. Therefore it is considered necessary to factor in a cost for sustainable energy in all of the typologies considered within this assessment. With regards to this, the UK Green Build Council (UKGBC)⁵⁰ states the following:
- “A 19% improvement beyond Part L 2013 can be achieved entirely through energy efficiency measures (enhanced insulation, glazing, airtightness and high efficiency heating and hot water heat recovery). Our discussions suggest that developers feel this approach might cost between £2-3k for a mid or end terraced home up to £5-6k for a detached house. However, for those building to the Part L 2013 notional specification it is possible to achieve a 19% improvement through the use of photovoltaics (PV) or other renewables. A terraced would need around 0.8 kWp of PV with a detached house needing perhaps 1.2 kWp (depending on floor area). The capital costs of adopting a renewables based strategy are likely to be c.£1,500-£2,000 per home.”
- 6.15 With regards to these costs, the UKGBC goes on to state that:
- “We do not believe this will impede housing delivery. A modest increase to build costs can be factored into the cost of land acquisition and/or minimised if not entirely eliminated over time through supply chain innovation and efficiencies. Developers already exceeding the baseline requirements recommended simply see this as the cost of doing business.”
- 6.16 The UKGBC also notes that there are various studies that can be utilised in considering costs, although most are a few years old given that they relate to previous policy commitments by central government. They go on to also state that LAs can use existing resources produced by other LAs on viability.
- 6.17 A review of the studies and resources highlighted by the UKGBC shows that Brighton and Hove Council made an allowance of £220 per dwelling⁵¹. Alternatively an extra over costs equivalent to 2% of build costs was assumed

⁵⁰ UK Green Build Council (Version 1.1: July 2018) Delivering sustainability in new homes: a resource for local authorities

⁵¹ Element Energy Limited and David Langdon (August-September 2013) Costs of building to the Code for Sustainable Homes. Prepared for Bath and North East Somerset Council, Brighton and Hove Council, Bristol City Council, Swindon Borough Council and Wiltshire Council.

by Havant Borough Council⁵², whilst an extra over cost equivalent figure to of 3.14% of build costs was applied by Guildford Borough Council⁵³.

- 6.18 Having regard to all of the above it is clear that estimated the costs of a 19% improvement beyond Part L of the 2013 building regulations for energy efficiency varies significantly. For the purposes of this assessment it has been assumed that the cost will be an extra over cost equivalent to 2% of build costs for all dwellings (excluding garage floorspace). This is lower than the UKGBC estimate for achieving the standard through fabric efficiency, although higher than the figure used by Brighton and Hove Council in support of their adopted local plan policy CP8. In setting an appropriate assumption, regard has also been had to the advice of the UKGBC with regards to the requirement for increased energy efficiency not impeding delivery as it can be factored into land acquisition costs and can be minimised / entirely eliminated over time due to supply chain innovation and efficiencies.

Biodiversity net gain

- 6.19 Policy BG2 (Development and biodiversity) requires that all major development shall deliver at least a 10% net gain in biodiversity value. This is consistent with the forthcoming Environment Bill⁵⁴, as announced in the Spring Statement. With regards to the introduction of a 10% biodiversity net gain, an Impact Assessment has been prepared by the government, which includes a costs benefit analysis.
- 6.20 Table 17 of the Impact Assessment⁵⁵ sets out the costs of 10% net gain delivery per brownfield residential development for the different regions of England using three different scenarios. These scenarios are identified in paragraph 5.2.2.3 of the Impact Assessment as follows:
- Scenario A: the developer is able to avoid significant loss of distinctive habitats, so mitigates and enhances on site
 - Scenario B (Central Estimate): The developer is unable to avoid, mitigate and compensate all impacts on site but is able to secure local compensatory habitat creation. This is usually identified by the developer,

⁵² DSP (November 2017) Havant Borough Council Local Plan and CIL viability study draft report. Appendix I states that the 2% figure is derived as follows: "The above costs are based on the DCLG Housing Standards Review Impact Assessment costings assuming equivalent CfSH L4 energy costs only base. Appraisals assume cost uplift in line with figures above assuming average cost uplift from each unit type (£1,932 per unit average, equating to the 2% assumed above)."

⁵³ Porter Planning Economics Ltd (November 2017) Guildford Local Plan viability update. Para 4.13 of this study notes that a report by Evora Edge on behalf of Guildford Borough Council identified that the average increase in build costs, to improve a Part L compliant building so that it complies with proposed Policy D2, is between 2.62% and 3.14%. For the revised testing, the upper (worst case) extra-over cost of 3.14% is applied. This cost relates to a 20% improvement over part L.

⁵⁴ Defra (July 2019) Environment Bill summer policy statement: July 2019, section 4

⁵⁵ Defra and Natural England (October 2019) Biodiversity net gain and local nature recovery strategies – impact assessment

their consultants, a broker or an LPA. This scenario sits between Scenario A and C

- Scenario C: The developer is unable to avoid, mitigate and compensate on site and unable to find local compensatory habitat to invest in. The government will provide a supply of statutory biodiversity credits into the compensation market to fund cost-effective habitat creation projects according to local and national conservation and natural capital priorities

6.21 The costs per housing unit for the North West for each of the three scenarios is set out in the table below.

Table 25 – Costs of 10% net gain for brownfield sites by scenario

Region	Costs per unit (£, 2017 prices)		
	Scenario A	Central Estimate	Scenario C
North West	61	242	787

6.22 The Impact Assessment at paragraph 6.2.1 states that the realisation of the upper and lower bounds (i.e. scenarios A and C) is extremely unlikely. The Central Estimate assumes that scenario A occurs 75% of the time and scenario C 25%. Therefore scenario B is captured implicitly in the range between scenario A and C. Given this, it is considered that for the purposes of the SLP: DMP viability assessment it is most appropriate to use a cost of £242 per dwelling (i.e. the Central Estimate for the North West). This costs applies to houses and apartments.

Planning obligations

6.23 Policy PC1 of the SLP: DMP requires that where development would have an unacceptable adverse impact, or would result in a material increase in the need or demand for infrastructure, services, facilities and/or maintenance, will only be granted planning permission subject to planning conditions and/or planning obligations that would ensure adequate mitigation measures are put in place. Having regard to policy PC1 of the SLP: DMP, and taking into account the city council's 2015 Adopted Planning Obligations SPD that was refreshed in December 2019, potential costs associated with planning obligations have been identified and included within this assessment.

Recreation standards, including playing pitch provision

6.24 Policy R1 of the SLP: DMP identifies that new residential development shall contribute to the achievement of 13 recreation standards, and the management and maintenance of any facilities provided or improved for at least a 20 year period, proportionate to the additional demand that they would be expected to generate. The policy goes on to identify the scale of contributions that the city council will seek for towards recreation.

6.25 At 2019/20 financial year prices the policy requires a contribution of £348 per bed spaces for houses and apartments for playing pitch provision and associated changing rooms, with this being calculated using the Sport

England Playing Pitch Calculator. For all other recreation standards identified in policy R1, an additional contribution will be sought from developments which equates to £1,408 per bed space for houses, and £965 per bedspace for apartments.

Education

- 6.26 Policy ED2 (Residential development and education places) of the SLP: DMP states that where a residential development would contribute to a projected shortfall in education places, it shall enable an increase in education places proportionate to the number of people aged 0-19 that it is likely to accommodate. This will typically involve making a financial contribution to the expansion of an existing education facility or the provision of additional education facilities in other locations that can meet the needs of the development.
- 6.27 The policy goes on to state that for each relevant type of education provision, the scale of any financial contribution will be calculated using the following formula: Financial contribution = Pupil yield factor x Cost per pupil place.
- 6.28 The city council adopted a refreshed version of its 2015 Planning Obligations SPD in December 2019. The refreshed SPD continues the 2015 approach of seeking to secure a contribution towards primary school provision, and uses the same formula for calculating the contribution as set out in the SLP: DMP. Paragraph 7.21 of the SPD identifies a cost of £1,160.87 per non-principal bedroom for 2019/20, and this figure is considered appropriate for the purposes of this assessment of residential viability.
- 6.29 The cost identified above applies only to houses, rather than apartments given evidence shows that there is only a minimal pupil yield from apartments. At the current time the city council is not considering seeking an education contribution for non-primary school places. Therefore only a cost associated with primary school provision has been included.

Transport

- 6.30 The city council typically seeks a financial contribution towards the provision or improvement of transport infrastructure or services on a case by case basis from residential developments. The appropriate scale of any contribution is negotiated having regard to site specific circumstances. This approach is set out in policy OB5 of the Planning Obligations SPD, as refreshed in December 2019. Having regard to the scale of contributions sought from applicants as part of the planning application process, £200 per bedspace for houses and apartments has been assumed for the purposes of this assessment.

Public realm

- 6.31 The city council typically seeks a financial contribution towards the provision of public realm on a case by case basis from residential developments. The appropriate scale of any contribution is negotiated having regard to site

specific circumstances. This approach is set out in policy OB6 of the Planning Obligations SPD, as refreshed in December 2019. Having regard to the scale of contributions sought from applicants as part of the planning application process, a contribution of £550 per bedspace has been assumed for apartments. No contribution has been assumed from houses given that typically this will not be sought in most instances.

Total cost of policy requirements and planning obligations

6.32 Having regard to the above, for each of the 15 typologies the total costs per dwelling of policy requirements⁵⁶ and an allowance for planning obligations⁵⁷ is set out in the table below. The total policy requirements and obligations costs is also provided. These costs exclude the provision of affordable housing. It can be seen that the SLP: DMP policy requirements range from £2,672 to £4,116 per dwelling, whilst planning obligations range from £5,570 to £11,215 per dwellings.

Table 26 – Total SLP: DMP policy requirements and planning obligations per dwelling

Typology	Gross site size (ha)	Sales value area / scheme type	No. of units	Total policy requirements and planning obligations per dwelling (A+B)	Policy requirements per dwelling (A)	Planning obligations per dwelling (B)
1.	0.6	Premium VA - high density apartments	330	£9,686	£4,116	£5,570
2.	0.4	Premium VA - mid density apartments	50	£12,407	£3,206	£9,201
3.	0.5	Premium VA - houses	33	£13,785	£4,017	£9,768
4.	0.6	High VA - high density apartments	330	£9,686	£4,116	£5,570
5.	0.4	High VA - mid density apartments	50	£12,407	£3,206	£9,201
6.	2.2	High VA – houses	70	£15,124	£3,999	£11,125
7.	0.6	Mid/high VA - high density apartments	330	£9,686	£4,116	£5,570
8.	0.4	Mid/high VA – mid density apartments	50	£12,407	£3,206	£9,201
9.	2.2	Mid/high VA – houses	70	£15,124	£3,999	£11,125
10.	0.4	Mid VA – mid density apartments	50	£12,407	£3,206	£9,201
11.	2.2	Mid VA – houses	80	£14,218	£3,916	£10,302
12.	0.4	Low/mid VA – mid density apartments	60	£10,339	£2,672	£7,667
13.	2.2	Low/mid VA – houses	90	£13,356	£3,834	£9,522
14.	0.4	Low VA – mid density apartments	50	£12,407	£3,206	£9,201

⁵⁶ The policy requirements are: M4(2) Accessible and adaptable homes; electric vehicle charging; energy efficiency; and 10% biodiversity net gain.

⁵⁷ Planning obligation allowances are for: recreation standards including playing pitch provision; education; transport; and public realm.

Typology	Gross site size (ha)	Sales value area / scheme type	No. of units	Total policy requirements and planning obligations per dwelling (A+B)	Policy requirements per dwelling (A)	Planning obligations per dwelling (B)
15.	2.2	Low VA – family houses	100	£13,356	£3,834	£9,522

6.33 Annex J provides a full breakdown of the above costs.

Impact of policy requirements and non-affordable housing planning obligations on viability

6.34 Taking the baseline appraisal results from section 5 of this assessment (as summarised at table 21 above), the SLP: DMP policy requirements and non-affordable housing planning obligations costs set out at Annex J were inputted into the appraisals.

6.35 The DAT required that payment start and payment end dates were entered, with the assumption being that the cash flow is ‘flat lined’ between start and end dates. Having regard to this, the following assumptions were made:

- Policy requirements (accessible and adaptable homes, electric vehicle charging, and energy efficiency) payment start and end date was the same as the overall period of construction for all of the appraisals
- Planning obligations (open space, education, transport and public realm) payment start and end date was different for the houses and apartment typologies. For the houses typology the start date was the same as the first open market sale with the end of payments being 75% into the construction period. For the apartment typologies payment start date was at construction start with the final payment being at 90% of the construction period.

6.36 The above assumptions are considered to represent an appropriate proxy for an approach that allows phased payment of contributions.

6.37 The table below shows the surplus/deficit at completion for the 15 baseline appraisals, and also shows the impact that policy requirements of the SLP: DMP and non-affordable housing planning obligations has on this when run through the DAT taking into account cashflow associated with the timings of the payments.

Table 27 – Surplus/deficit with SLP: DMP policy requirements and planning obligations

Appraisal	Gross site size (ha)	Sales value area / scheme type	No. of units	Baseline surplus/deficit at completion	Policy requirements and obligations value	Surplus/deficit at completion with policy and planning obligations
K1	0.6	Premium VA - high density apartments	330	£2,548,431	£3,196,500	-£951,953

SLP: DMP - Assessment of residential viability (January 2020)

Appraisal	Gross site size (ha)	Sales value area / scheme type	No. of units	Baseline surplus/deficit at completion	Policy requirements and obligations value	Surplus/deficit at completion with policy and planning obligations
K2	0.4	Premium VA - mid density apartments	50	£2,963,602	£620,360	£2,316,094
K3	0.5	Premium VA - houses	33	£4,315,642	£454,898	£3,858,316
K4	0.6	High VA - high density apartments	330	-£7,190,107	£3,196,500	-£10,710,563
K5	0.4	High VA - mid density apartments	50	£1,551,751	£620,360	£904,243
K6	2.2	High VA – houses	70	£4,813,544	£1,058,695	£3,741,429
K7	0.6	Mid/high VA - high density apartments	330	-£13,623,776	£3,196,500	-£17,149,600
K8	0.4	Mid/high VA – mid density apartments	50	£613,418	£620,360	-£37,423
K9	2.2	Mid/high VA – houses	70	£2,945,810	£1,058,695	£1,866,025
K10	0.4	Mid VA – mid density apartments	50	-£112,148	£620,360	-£768,299
K11	2.2	Mid VA – houses	80	£1,845,875	£1,137,421	£673,533
K12	0.4	Low/mid VA – mid density apartments	60	-£561,830	£620,360	-£1,217,150
K13	2.2	Low/mid VA – houses	90	£1,396,235	£1,202,051	£148,988
K14	0.4	Low VA – mid density apartments	50	-£1,015,311	£620,360	-£1,672,320
K15	2.2	Low VA – family houses	100	£273,398	£1,202,051	-£1,005,053

Copies of appraisals

6.38 Summary copies of the appraisals outlined in table 24 above are at Annex K.

7. Impact of affordable housing requirements on viability

7.1 The implications of providing affordable housing on viability, after other obligations and policy requirements of the SLP: DMP are taken into account, is considered further below.

Tenure mix

7.2 The tenure of affordable housing has a significant bearing on scheme viability, given that the subsidy required for social rented and affordable rented dwellings is much more substantive than that for affordable home ownership dwellings. For the purposes of estimating the viability of schemes as part of this assessment, it is necessary to determine the tenure mix of the affordable housing to be provided.

7.3 The February 2019 NPPF glossary defines affordable housing as housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and / or is essential for local workers). It goes on to state that this should be:

- a) Affordable housing for rent (social rent, affordable rent and affordable private rent)
- b) Starter homes
- c) Discounted market sales housing
- d) Other affordable (shared ownership, relevant equity loans, other low costs homes for sale and rent to buy)

7.4 If the city council were seeking to maximise the delivery of affordable housing purely in terms of total numbers, then it would seek to ensure that all affordable dwellings secured are for a subsidised route to home ownership (as the subsidy required is much less than for social and affordable rented dwellings). However, the city council consider it appropriate to seek a high proportion of social rented and affordable rented dwellings through planning obligations, given evidence of housing need. Also having regard to need and levels of incomes, it is considered that seeking shared ownership dwellings is the preferred product for those requiring a subsidised route to home ownership.

7.5 The implication of specifically requiring a high proportion of rented and shared ownership dwellings is that fewer affordable dwellings will be delivered than potentially could be (for example if starter homes were provided instead), but overall it should help to ensure that a good mix of affordable dwellings come forward that best meets need.

7.6 Having regard to the above, for all of the value areas the tenure of affordable housing is set out in the table below. This approach is wholly in line with the tenure requirements of policy H4 (Affordable housing) of the SLP: DMP.

Table 28 – Tenure of affordable housing required for all value areas

Tenue	Proportion of the affordable homes
Social Rented	37.5%
Affordable rented	37.5%
Shared ownership	25%

Developer contribution / subsidy

- 7.7 In order to determine what each typology can support in terms of affordable housing, it was necessary to calculate the cost to a developer of having to provide affordable housing as part of their schemes.
- 7.8 To secure the involvement of a registered provider to manage affordable housing, a developer will normally have to provide dwellings to them at a discount from open market value. The city council's affordable housing officer who works within the Housing Strategy and Enabling team has close links to registered providers in the city, and on an annual basis requests information from registered providers. As part of this information request, the RPs are asked to provide details of discount from open market value that enable them to acquire units.
- 7.9 The discount off open market value will inevitably differ on a scheme by scheme basis, but acknowledging the recent delivery of affordable housing in the city and information supplied by registered providers active in the Salford to the council's Housing Strategy and Enabling team, it was considered that the appropriate discount off open market value is 60% for social rented, 50% for affordable rented and 30% for shared ownership dwellings. This varies in actual schemes but are considered to be appropriate values for the purposes of this viability assessment.
- 7.10 An output from the viability assessment is the total capital value of market housing. It was therefore possible to calculate the average sales value of each dwelling under the different appraisals, and then apply the discounts off open market value referred to above in order to determine the discount a registered provider needs in order to take on the management of affordable dwellings.

Table 29 – Discount off open market value required by registered provider by tenure per dwelling

Appraisal	Value area	Scheme type	No. of units	Total capital value of open market housing	Average dwelling sale price (capital value / dwellings)	Discount RP needs per social rent unit (60% discount per unit)	Discount RP needs per affordable rent unit (50% discount per unit)	Discount RP needs per shared ownership unit (30% discount per unit)
1	Premium	High density apartments	330	£70,570,500	£213,850	£128,310	£106,925	£64,155
2	Premium	Mid density apartments	50	£10,545,500	£210,910	£126,546	£105,455	£63,273
3	Premium	Houses	33	£11,098,500	£336,318	£201,791	£168,159	£100,895

SLP: DMP - Assessment of residential viability (January 2020)

Appraisal	Value area	Scheme type	No. of units	Total capital value of open market housing	Average dwelling sale price (capital value / dwellings)	Discount RP needs per social rent unit (60% discount per unit)	Discount RP needs per affordable rent unit (50% discount per unit)	Discount RP needs per shared ownership unit (30% discount per unit)
4	High	High density apartments	330	£58,472,700	£177,190	£106,314	£88,595	£53,157
5	High	Mid density apartments	50	£8,737,700	£174,754	£104,852	£87,377	£52,426
6	High	Houses	70	£19,596,750	£279,954	£167,972	£139,977	£83,986
7	Mid/high	High density apartments	330	£50,407,500	£152,750	£91,650	£76,375	£45,825
8	Mid/high	Mid density apartments	50	£7,532,500	£150,650	£90,390	£75,325	£45,195
9	Mid/high	Houses	70	£16,893,750	£241,339	£144,804	£120,670	£72,402
10	Mid	Mid density apartments	50	£6,828,600	£136,572	£81,943	£68,286	£40,972
11	Mid	Houses	80	£16,321,200	£204,015	£122,409	£102,008	£61,205
12	Low/mid	Mid density apartments	60	£6,026,000	£100,433	£60,260	£50,217	£30,130
13	Low/mid	Houses	90	£16,019,000	£177,989	£106,793	£88,994	£53,397
14	Low	Mid density apartments	50	£5,423,400	£108,468	£65,081	£54,234	£32,540
15	Low	Houses	90	£14,417,100	£160,190	£96,114	£80,095	£48,057

7.11 Taking account of the discount that registered providers need in order to acquire dwellings for affordable housing, the table below shows the total estimated cost to a developer of having to provide affordable housing. This is based on between 5% and 50% of the total dwellings in a scheme being affordable (at 5% intervals), at the tenure split shown in table 28 above.

Table 30 – Cost to a developer of providing affordable housing to a registered provider (tenure of affordable housing comprised of 37.5% social rented, 37.5% affordable rented and 25% shared ownership)

Typology	Sales value area / scheme type	Total discount required to allow RP to purchase units									
		50% affordable	45% affordable	40% affordable	35% affordable	30% affordable	25% affordable	20% affordable	15% affordable	10% affordable	5% affordable
1	Premium VA - high density apartments	£17,201,559	£15,481,403	£13,761,248	£12,041,092	£10,320,936	£8,600,780	£6,880,624	£5,160,468	£3,440,312	£1,079,232
2	Premium VA - mid density apartments	£2,570,466	£2,313,419	£2,056,373	£1,799,326	£1,542,279	£1,285,233	£1,028,186	£771,140	£514,093	£161,272
3	Premium VA - houses	£2,705,259	£2,434,733	£2,164,208	£1,893,682	£1,623,156	£1,352,630	£1,082,104	£811,578	£541,052	£169,729
4	High VA - high density apartments	£14,252,721	£12,827,449	£11,402,177	£9,976,904	£8,551,632	£7,126,360	£5,701,088	£4,275,816	£2,850,544	£894,221
5	High VA - mid density apartments	£2,129,814	£1,916,833	£1,703,852	£1,490,870	£1,277,889	£1,064,907	£851,926	£638,944	£425,963	£133,625
6	High VA – houses	£4,776,708	£4,299,037	£3,821,366	£3,343,695	£2,866,025	£2,388,354	£1,910,683	£1,433,012	£955,342	£299,692
7	Mid/high VA - high density apartments	£12,286,828	£11,058,145	£9,829,463	£8,600,780	£7,372,097	£6,143,414	£4,914,731	£3,686,048	£2,457,366	£770,880
8	Mid/high VA – mid density apartments	£1,836,047	£1,652,442	£1,468,838	£1,285,233	£1,101,628	£918,023	£734,419	£550,814	£367,209	£115,194
9	Mid/high VA – houses	£4,117,852	£3,706,066	£3,294,281	£2,882,496	£2,470,711	£2,058,926	£1,647,141	£1,235,355	£823,570	£258,356
10	Mid VA – mid density apartments	£1,664,471	£1,498,024	£1,331,577	£1,165,130	£998,683	£832,236	£665,789	£499,341	£332,894	£104,430
11	Mid VA – houses	£3,978,293	£3,580,463	£3,182,634	£2,784,805	£2,386,976	£1,989,146	£1,591,317	£1,193,488	£795,659	£249,600
12	Low/mid VA – mid density apartments	£1,224,031	£1,101,628	£979,225	£856,822	£734,419	£612,016	£489,613	£367,209	£244,806	£76,796
13	Low/mid VA – houses	£3,904,631	£3,514,168	£3,123,705	£2,733,242	£2,342,779	£1,952,316	£1,561,853	£1,171,389	£780,926	£244,978
14	Low VA – mid density apartments	£1,321,954	£1,189,758	£1,057,563	£925,368	£793,172	£660,977	£528,782	£396,586	£264,391	£82,940
15	Low VA – family houses	£3,514,168	£3,162,751	£2,811,335	£2,459,918	£2,108,501	£1,757,084	£1,405,667	£1,054,250	£702,834	£220,480

- 7.12 The cost of a developer providing affordable housing under each scenario above was inputted into the appraisals. The starting point for this process was the surplus / deficit at completion shown in table 27, which takes into account allowances for policy requirements and planning obligation contributions.
- 7.13 It was assumed that the affordable housing is provided on-site and that it is phased throughout the whole of the build period. Given that the HCA DAT requires that payment start date and end date are entered (i.e. the period when the affordable housing is built), it has been assumed that the costs of providing affordable housing for the developer is spread evenly throughout the construction period (i.e. the payment start date is the same as the construction start date, and the payment end is the same as the construction end date).
- 7.14 The table below shows the implications the provision of affordable housing at different proportions has on scheme viability. Appraisals have not been run for each scenario towards the higher end of the requirement range where it is clearly not viable at the lower requirements. The full appraisals for where affordable housing through a developer contribution is estimated to be viable having regard to the assumptions in this strategic assessment (L2, L3, L5, L6, L9, and L11) are set out at Annex L.

Table 31 – Implications of providing different levels of affordable housing by value area and typology (tenure of affordable housing comprised of 37.5% social rented. 37.5% affordable rented and 25% shared ownership)

Typology	Sales value area / scheme type	50% affordable	45% affordable	40% affordable	35% affordable	30% affordable	25% affordable	20% affordable	15% affordable	10% affordable	5% affordable
1	Premium VA - high density apartments									-£4,701,639	-£2,128,236
2	Premium VA - mid density apartments	-£384,286	-£112,409	£158,695	£429,255	£699,815	£969,848	£1,239,098	£1,508,347	£1,777,596	£2,147,166
3	Premium VA - houses	£1,095,326	£1,374,565	£1,653,654	£1,931,541	£2,208,435	£2,484,824	£2,760,353	£3,035,566	£3,310,088	£3,686,640
4	High VA - high density apartments									-£13,854,789	-£11,696,913
5	High VA - mid density apartments					-£442,167	-£216,897	£8,331	£232,510	£456,688	£764,274
6	High VA – houses	-£1,230,174	-£721,158	-£214,590	£290,065	£790,470	£1,287,764	£1,782,128	£2,274,327	£2,764,712	£3,435,437
7	Mid/high VA - high density apartments									-£19,860,139	-£17,999,901
8	Mid/high VA – mid density apartments									-£425,818	-£159,263
9	Mid/high VA – houses					-£719,823	-£282,651	£153,284	£585,192	£1,014,582	£1,599,745
10	Mid VA – mid density apartments									-£1,120,913	-£878,754
11	Mid VA – houses								-£586,558	-£163,633	£412,378
12	Low/mid VA – mid density apartments									-£1,477,340	-£1,298,772
13	Low/mid VA – houses									-£683,062	-£110,077
14	Low VA – mid density apartments									-£1,953,326	-£1,760,472
15	Low VA – houses									-£1,763,157	-£1,242,336

8. Summary of findings, implications and conclusions

8.1 The table below shows the key findings of this strategic assessment of residential viability assessment. It is clear that there is differing viability across the residential value areas. Moreover, there are also significant differences in the viability by scheme typology (i.e. between high density apartments, mid density apartments and family houses).

Table 32 - Summary of the findings of this assessment of residential viability

Typology	Gross site size (ha)	Sales value area / scheme type	No. of units	Total policy requirements and planning obligations per dwelling	Surplus / deficit at completion per dwelling:		Maximum affordable housing viable, after policy and obs costs
					Without SLP: DMP policy requirements , planning obligations and affordable housing	With SLP: DMP policy requirements and planning obligations (excluding affordable housing)	
1.	0.6	Premium VA - high density apartments	330	£9,686	£7,723	£-2,885	0%
2.	0.4	Premium VA - mid density apartments	50	£12,407	£59,272	£46,322	40%
3.	0.5	Premium VA - houses	33	£13,785	£130,777	£116,919	50%
4.	0.6	High VA - high density apartments	330	£9,686	£-21,788	£-32,456	0%
5.	0.4	High VA - mid density apartments	50	£12,407	£31,035	£18,085	20%
6.	2.2	High VA – houses	70	£15,124	£71,096	£53,449	35%
7.	0.6	Mid/high VA - high density apartments	330	£9,686	£-41,284	£-51,968	0%
8.	0.4	Mid/high VA – mid density apartments	50	£12,407	£12,268	£-748	0%
9.	2.2	Mid/high VA – houses	70	£15,124	£44,041	£26,658	20%
10.	0.4	Mid VA – mid density apartments	50	£12,407	£-2,243	£-15,366	0%
11.	2.2	Mid VA – houses	80	£14,218	£24,803	£8,419	5%
12.	0.4	Low/mid VA – mid density apartments	60	£10,339	£-9,364	£-20,286	0%
13.	2.2	Low/mid VA – houses	90	£13,356	£16,863	£1,655	0%
14.	0.4	Low VA – mid density apartments	50	£12,407	£-20,306	£-33,446	0%
15.	2.2	Low VA – family houses	100	£13,356	£4,221	£-10,051	0%

Policy requirements / planning obligations

8.2 It can be seen that without the policy requirements of the SLP: DMP and planning obligations, 10 of the 15 typologies are viable. The high density apartment typology is only viable in the premium value area, with a deficit of

around £22,000 and £41,000 per dwelling in the high and mid/high value areas respectively. Mid density apartments are marginally unviable in the mid density area, with greater viability issues in the low/mid and low value areas. Overall schemes of houses are more viable than those for apartments.

- 8.3 Once policy requirements and planning obligations are taken into account⁵⁸, a further three of the typologies become unviable. Mid density apartments in the mid value area are marginally unviable (a loss of around £750 per dwelling) whilst high density apartments in the premium value show a deficit of around £3,000 per dwelling. There is a higher deficit of around £10,000 per dwelling for the houses typology in the low value area.

Affordable housing provision

- 8.4 Table 32 above shows the maximum level at which affordable housing through a developer contribution is viable (this is after the costs of meeting the SLP: DMP policy requirements and planning obligations are factored in). It shows that 9 of the 15 typologies are not viable for affordable housing through developer contributions. Where affordable housing is viable, this ranges from 5% (houses in the mid value area) to 50% (houses in the premium value area). The houses typology can support affordable housing from the mid value area upwards, whilst mid density apartments can only support affordable housing in the high and premium value areas. High density apartments are not viable with affordable housing in the value areas tested.

Implications

- 8.5 To place the findings of this strategic viability assessment into some context, an analysis has been undertaken of new build housing developments, of 10 or more dwellings, that were fully completed in Salford between 1 April 2017 and 31 March 2019. This analysis has identified which value area they are within, whilst a typology has been applied to them⁵⁹. Full details of the 31 individual sites that make up the assessment are at Annex M. The table below summarises the data.

Table 33 – Completed schemes (1 April 2017 to 31 March) by value area and typology

Value area	Dwellings			Total
	High density apartment typology	Mid density apartment typology	Houses typology	
Premium	2,236	0	22	2,258
High	764	33	361	1,158
Mid/high	0	144	258	402
Mid	0	36	0	36

⁵⁸ Full details of policy requirement and planning obligations, and associated costs, are set at section 6 of this assessment.

⁵⁹ The typologies applied are consistent with those used within this viability assessment; houses, mid density apartments (5 storeys or less), and high density apartments (6 storeys or greater). Note that the high density apartment typology includes some developments that are of a build to rent tenure.

Low/mid	0	0	115	115
Low	0	16	0	16
Total	3,000	229	756	3,985

- 8.6 It can be seen from the above table that 75% of the dwellings that were completed over the two year period 1 April 2017 to 31 March 2019 were in the form of high density apartments in the premium and high value areas. Although no affordable housing was provided in these developments, planning obligations were secured (with the level of these obligations having been assessed through site specific viability assessments at the planning application stage in the vast majority of instances).
- 8.7 With regards to the mid density apartment typology, this strategic assessment of viability shows that below the high value area such developments are not viable for any of the SLP; DMP policy requirements, planning obligations or affordable housing. 42 dwellings were completed in those value areas below the high value, although these were all for affordable housing with funding being provided by Homes England.
- 8.8 In relation to the houses typology, 641 dwellings were completed in the mid/high, high and premium value areas. Of the 10 sites that make up the 641 dwellings, 5 sites provided on-site affordable housing with one development paying a commuted sum in lieu of on-site provision. The 115 houses completed in the low/mid value area (which are not viable according to this strategic assessment of viability) were on two sites; one site involved the provision of affordable housing as part of a private finance initiative, whereas the other was a scheme involving Sigma which included some privately rented dwellings.
- 8.9 The above demonstrates that in practice schemes are coming forward for forms of development / particular locations which are deemed to not be viable through this strategic assessment. It is important to note that this assessment is based on a range of assumptions that may vary on individual sites. Some developments will be more viable and some less viable than indicated in the assessment depending on factors such as the specific site characteristics, the funding model and tendering process for the development, and the market conditions at the time. In addition developments that are coming forward for development may be optimised for particular products (eg. semi-detached), have Homes England funding, be affordable housing led, or involve public land ownership. In addition lower than normal profits, build costs and design standards may be enabling sites to come forward.
- 8.10 As a result of the above, this variability in viability, both between sites and over time, means that it is appropriate that the findings are treated with a degree of caution. As such this assessment should be treated as the starting point for the viability of development in the city. It should not be the only determinant of formulating a policy approach, particularly with regards to affordable housing.

Conclusions

- 8.11 In line with the requirements of the NPPF and planning practice guidance, the city council has undertaken assessments of the likely economic implications of the policy requirements of the SLP: DMP, planning obligations, and affordable housing in new build for sale residential developments. The approach taken is considered to provide a broad understanding of viability and is proportionate, to inform the development of policy.
- 8.12 The assessments have involved inputting a large number of variables into the Homes and Communities Agency (now Homes England) development appraisal tool in order to determine the likely potential surplus/deficit of generic schemes across the range of residential value areas.