

CONCLUSIONS

General Development Sites – East Hertfordshire

- 13.60 This section contains specific conclusions relating to East Hertfordshire. In addition, analysis has been undertaken regarding development viability across the local authority area as a whole. These general themes are discussed initially.
- 13.61 Firstly, the effect of a range of affordable housing requirements has been assessed against a scheme unencumbered by social housing. The reduction of value on that base (unencumbered) site due to affordable housing is, evidently, zero. We have then assessed the reduction in value due to the range of affordable housing targets from 50% to 10%. This is shown in Figure EHXXXVIII which uses a 50 unit 50 dph notional scheme to illustrate this point.

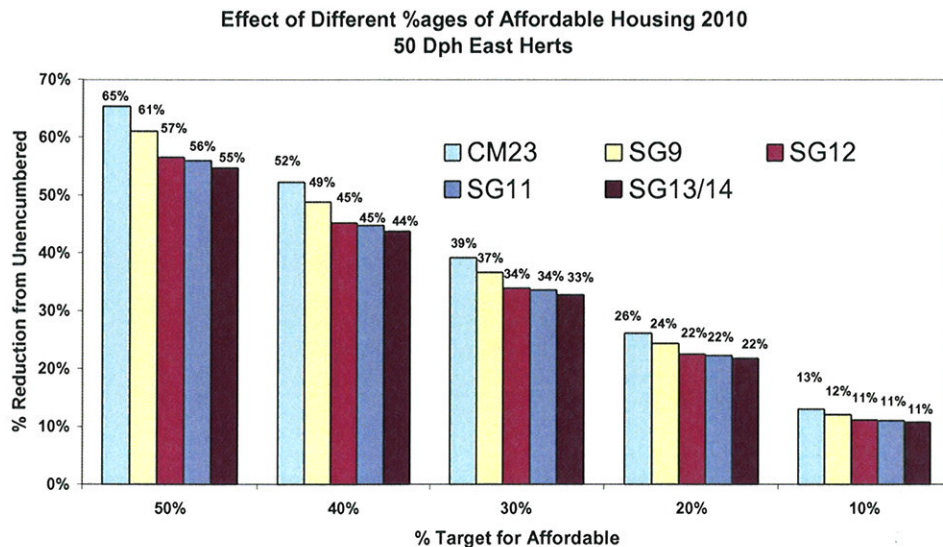


Figure EHXXXVIII

- 13.62 It can be seen that the higher value areas experience less of a reduction in value due to the imposition of affordable housing. For example, at 40% affordable housing, the reductions range from 44% to 52%. The range of reduction between areas is progressive with CM23 (the lowest value area) experiencing the highest fall in values due to affordable housing and SG13/14 (generally the highest value area) experiencing the lowest fall in residual due to affordable housing. While there will be particular pressure on all areas this will particularly affect the ability of low value areas from achieving high proportions of affordable housing.
- 13.63 Figure EHXXXIX examines the relationship between residual land value per hectare and the percentage of affordable housing, again this analysis is based upon a 50 unit 50 dph notional scheme. A scheme unencumbered by affordable housing is exceeding the industrial/greenfield land values in all value areas although it can be seen that previously developed land values can only be achieved in SG13, SG14, SG12, SG11 and perhaps in SG9. Value area CM23 appears to be the least viable area for this type of scheme. As would be expected, as the amount of affordable housing increases the residual value per hectare decreases.

**EFFECT OF DIFFERENT AFFORDABLE HOUSING TARGETS 2010
50 dph EAST HERTS
(50:50 Social Rent:Intermediate, Nil Grant)**

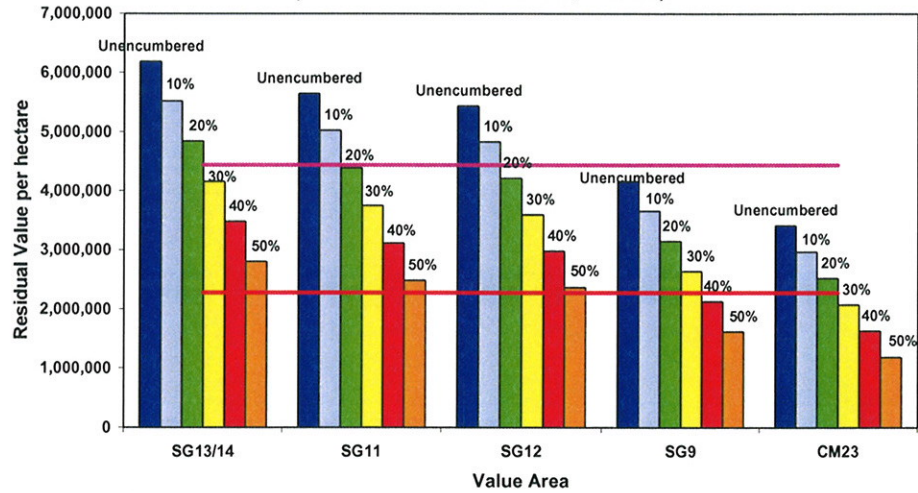


Figure EHXXXIX

13.64 The relationship between the relative areas is apparent and it is likely that high proportions of affordable housing can be achieved if development is to come forward on land at industrial/greenfield values. It can be seen that in all areas 30% affordable housing can be achieved without grant (although this is marginal in value area CM23).

13.65 Figure EHXL shows the effect of different density developments. It can be seen that in all value areas at 35% affordable housing the optimum development density is probably 50 dwellings per hectare. Although it should be noted that we have only tested at 100 dwellings per hectare on schemes of 50 units. There would appear to be little difference in the profile for the different development value areas across the range of densities that we tested in East Hertfordshire.

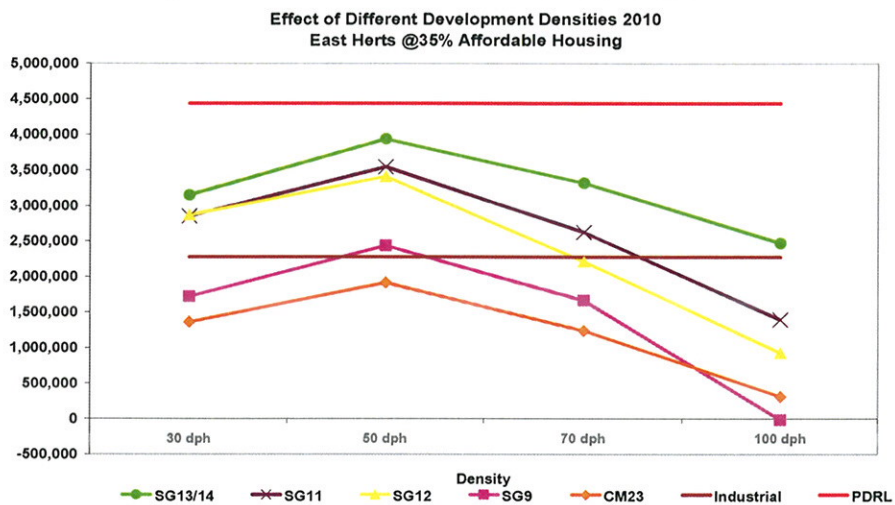


Figure EHXL

13.66 Figure EHXL1 shows the impact upon viability of three different affordable housing tenure mixes in East Hertfordshire. Increasing the proportion of intermediate affordable housing is a mechanism that could be employed to ease viability if required on certain schemes.

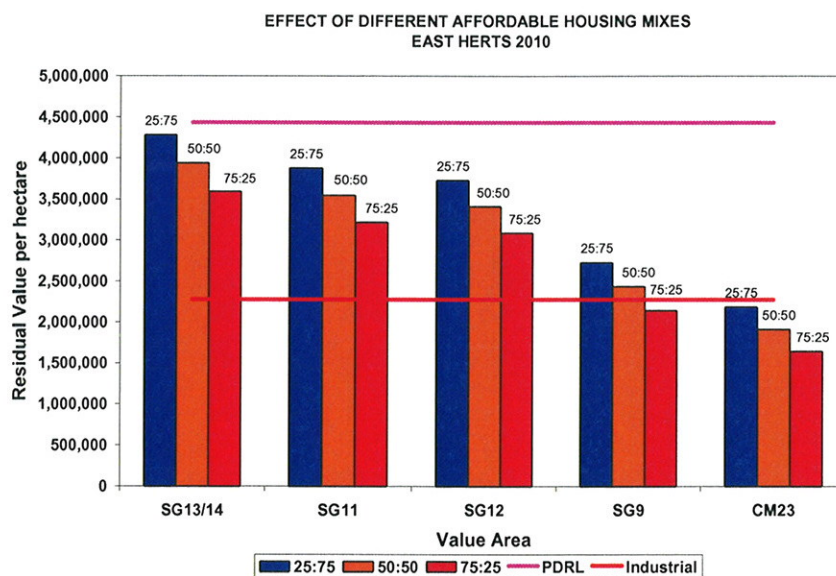


Figure EHXL1

Density – 30 dwellings per hectare

15 Unit scheme

13.67 Against industrial/greenfield land values 35-40% affordable housing appears broadly viable against middle market conditions, although value area CM23 is likely to require grant to achieve these levels in the early part of the Plan. Considerations of tenure mix (increasing the proportion of intermediate affordable housing and/or relaxing S106 requirements) is a further mechanism that could be employed to ease viability.

13.68 The viability of sites such as these coming forward on previously developed residential land is challenging. A considerable amount of grant and/or change in tenure mix is likely to be necessary.

50 unit scheme

13.69 In higher value areas, up to 50% affordable housing may be viable over much of the life of the Plan. This reduces to 35% affordable housing (in some cases only achievable with public subsidy at normal levels) in other areas. In both cases these assume middle market conditions and S106 requirements at 100% of the base level.

- 13.70 Delivery of affordable housing on land with an existing residential use is much more challenging with some value areas unable to deliver any affordable housing at all.

150 unit scheme

- 13.71 In higher value areas, up to 50% affordable housing may be viable over much of the life of the Plan. This reduces to 35% affordable housing (in some cases only achievable with public subsidy at normal levels) in other areas. In both cases these assume middle market conditions and S106 requirements at 100% of the base level.
- 13.72 Delivery of affordable housing on land with an existing residential use is much more challenging with some value areas unable to deliver any affordable housing at all.

Density – 50 dwellings per hectare

15 Unit scheme

- 13.73 35% affordable housing is likely to be broadly viable against middle market conditions over the life of the Core Strategy although in some value areas grant funding and/or a flexible approach to affordable housing tenure is likely to be required to achieve this, particularly in the earlier half of the period assessed. Later in the life of the Plan and/or in upside market conditions 40% affordable housing may be deliverable in some value areas.
- 13.74 Delivery of affordable housing on sites where the existing use is residential is challenging and even with levels of affordable housing of 7-14% it is likely that in some areas provision of this amount would be difficult until later in the Plan period should the market achieve only middle conditions.

50 unit scheme

- 13.75 In the higher value areas and assuming industrial/greenfield land values, 35-40% affordable housing may be achievable without grant should the market perform to the middle scenario. In other areas, 35% affordable housing is likely to be viable, albeit requiring grant at normal levels in some circumstances. Furthermore, some flexibility in the affordable housing tenure mix may also be required to achieve delivery of 35% affordable housing in these instances with intermediate tenures forming a minimum of circa 50% of the affordable housing mix.
- 13.76 Against Previously Developed residential land values, 10% affordable housing (with grant at normal levels) is the likely maximum amount that could be delivered in any period assessed unless the market performs to upside conditions. In some areas, where the existing land use is residential, delivery of any affordable housing could be challenging.

150 unit scheme

- 13.77 Against industrial/greenfield land values some areas are likely to be able to deliver 35% affordable housing in middle market conditions without grant in the latter half of the Plan period. Prior to this grant at normal levels will be required to achieve a marginally viable position, and should S106 costs increase above the levels assumed delivery of 35% affordable housing may be challenging in this earlier period.

- 13.78 In areas where relatively higher open market values can be achieved delivery of 35% - 40% affordable housing may be achievable throughout the period assessed, again assuming middle market conditions.
- 13.79 Against previously developed residential land values, although 10-20% affordable housing may be achievable in some areas, in others, delivery of any affordable housing may not be viable.

Density – 70 dwellings per hectare

15 unit scheme

- 13.80 With the exception of some of the higher value areas (where 35% affordable housing may be deliverable against industrial/greenfield values) delivery of in excess of 7% affordable housing is unlikely to be viable against industrial/greenfield land values should middle market conditions prevail.
- 13.81 It is unlikely that schemes of this nature brought forward on land where the existing use is residential could sustain any affordable housing requirement in any market scenario assessed.

50 unit scheme

- 13.82 Delivery of affordable housing on these higher density (67 dph) notional sites is comparatively more challenging than on the lower density (30 and 50dph) schemes. Although some value areas are able to achieve 35% affordable housing, in some cases with grant, for large parts of the period assessed (assuming middle market conditions) in the short term 10-20% affordable housing is more likely to be the maximum that can be achieved even with grant.
- 13.83 On notional sites where the existing land use is residential, it is likely that circa 0-10% affordable housing could be delivered. In most cases this would require grant at normal levels, however if the market achieves upside conditions the schemes have the potential to achieve delivery of circa 10% affordable housing without recourse to public subsidy.

150 unit scheme

- 13.84 In the early half of the period assessed grant funding is likely to be required to achieve 35% affordable housing and even then, a marginally viable outcome only can be achieved assuming middle market conditions.
- 13.85 Grant at higher levels may ease viability in this period, however, the increase of S106 costs in excess of the levels assumed would adversely affect viability, and in the earlier period in some value areas 25-30% affordable housing may be the maximum amount that could be achieved even with grant.
- 13.86 In the second half of the period assessed (and for the majority of it should upside conditions be achieved) 35% affordable housing may be viable without grant.
- 13.87 Against previously developed residential land values, although 10-20% affordable housing with grant may be achievable in some areas, in others, delivery of any affordable housing may not be viable.

Density – 100 dwellings per hectare

50 Unit scheme

- 13.88 35% affordable housing is likely to be broadly viable against middle market conditions over the life of the Core Strategy although in some value areas grant funding and/or a flexible approach to affordable housing tenure is likely to be required to achieve this, particularly in the earlier half of the period assessed. Later in the life of the Plan and/or in upside market conditions 40% affordable housing may be deliverable in some value areas.
- 13.89 Delivery of affordable housing on sites where the existing use is residential is challenging and even with levels of affordable housing of 7-14% it is likely that in some areas provision of this amount would be difficult until later in the Plan period should the market achieve only middle conditions.

RECOMMENDATIONS

- 13.90 It is essential that any district-wide affordable housing policy is not unduly rigid and can be applied flexibly and pragmatically allowing development to come forward while meeting the needs of the community. It will be necessary to consider sites on an individual basis having due regard to the planning benefits of granting permission. The framework for enabling such decisions to be made including those of viability should be set out within a Supplementary Planning Document.
- 13.91 The limitations of assessing economic viability on strategic sites within the framework of a District-wide viability assessment undertaken to inform policy have been outlined within this study. We would recommend that more detailed analysis of strategic development locations is undertaken in order to clarify the council's requirements on sites of this nature and identify the approach to viability. This is particularly pertinent as development on such sites may account for a large proportion of new development within the District over the life of the Core Strategy. Such work could be set out in a Supplementary Planning Document or Area Action Plan.
- 13.92 A site size threshold of five units can produce developable, deliverable sites with affordable housing. However the exact level will have to be determined at the point of planning application having due regard to the value area, density, and the potential alternative/existing uses of the site. Our analysis has shown significant differences in the amount of affordable housing that these sites can deliver depending upon the type of land that is being developed. Sites coming forward with an existing industrial/greenfield use are more likely to be able to support affordable housing than those with an existing residential use.
- 13.93 On sites below 15 units our analysis has shown that a maximum of 30% affordable housing is likely to be achievable. This reduces to 10% affordable housing on higher density schemes. As small sites are particularly susceptible to even minor increases in costs or unforeseen development encumbrances, we would suggest that any policy on sites below 15 units is flexible enough to ensure that sites of this size continue to come forward for residential development. This is particularly relevant as small sites below 15 units have not previously been expected to provide any affordable housing in all locations. Local Plan Policy HSG3 allows for a three unit threshold on sites coming forward in Category 1 and 2 villages. Given the

findings of this study it may be advisable to adopt a more straightforward 5 unit threshold in all areas of the District.

- 13.94 On general development sites (15 units and above) we would recommend that the Council adopt a single District-wide affordable housing target of up to 40% on sites above 15 units on the basis that this is applied flexibly and from a realistic perspective taking into account market conditions, value areas, density and other planning and infrastructure requirements.
- 13.95 It is very important that the Council monitors market conditions experienced at any given point to ascertain if they represent best the downside, middle or upside market assumptions used within this study. It is recommended that this monitoring is undertaken on an annual basis and more frequently in times of sharp rises or falls in the property market. This will enable the Council at any given time over the life of the plan to refine their expectations in terms of the nature and extent of affordable housing that is likely to be achievable. The results of this monitoring should be made available on an annual basis perhaps through regularly published reports such as the Annual Monitoring Report.