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# Revised Local Development Plan (2018 – 2033)

## Affordable Housing & other s.106 Obligations

### Preliminary Report on Financial Viability

for



November 2019

## Abbreviations

AMR	Annual Monitoring Report
BHL	Burrows-Hutchinson Ltd
CCC	Carmarthenshire County Council
FVA	Financial Viability Assessment (or Appraisal)
LDP	Local Development Plan
LHMA	Local Housing Market Assessment
LPA	Local Planning Authority
SA	Sustainability Appraisal
SME	Small-to-Medium Enterprise
SPG	Supplementary Planning Guidance
TAN	Technical Advice Note
ULEV	Ultra-Low-Emission Vehicle
WG	Welsh Government

## Glossary of Terms

Adopted	The Local Development Plan is adopted when the Authority's Council Meeting decides it will be the Development Plan for the County and replace the existing Development Plan.
Affordable Housing	Residential development for sale or rent below market prices and retained as affordable in perpetuity
Affordable Housing Allocation	Land allocated for affordable housing either low cost home ownership or to rent.
Availability and Deliverability of Land	Available land includes a landowner willing to develop or sell for development. Deliverability relates to the economic viability of bringing a site forward
Countryside	Land outside the settlements identified within the Settlement Hierarchy
Deposit Plan	A full draft of the Plan which is available for public consultation during the Deposit Period.
Housing Allocation	Residential development sites for a minimum of 5 units and shown within the Development Plan
Infrastructure	Infrastructure encompasses power supplies, water supply, means of sewage or surface water disposal, roads and other transportation networks, telecommunications and facilities that are required as a framework for development. It can also encompass facilities and services needed to support communities such as schools and parks and leisure facilities.
Market Housing	Housing for sale at market prices (can include self-build or custom build housing).

Preferred Option	The hybrid option resulting from the consideration of a range of options or issues following consultation.
Preferred Strategy	The first formal strategy document for the review of the LDP which sets out the framework and overarching policies that will guide the policies and proposals relating to land use.
Review Report	A document which sets out how the current LDP (2006 – 2021) needs to be changed and why, this was published in February 2018.
Settlement Hierarchy	Settlements are classified within the hierarchy according to the population, level of services and the sustainability of the settlement. Some very small settlements with very limited or no services will fall outside the hierarchy and are defined as countryside.
Self-build/custom build housing	Bespoke housing development commissioned and managed by the intended occupier. In all cases whether a home is self-build or custom build, the initial owner of the home will have primary input into its final design and layout.

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# 1) Introduction

## Local Development Plan Review

- i) Carmarthenshire County Council is preparing a replacement Local Development Plan (LDP) – the Revised **Local Development Plan**. When adopted, it will provide a revised and updated policy framework to guide development outside of the Brecon Beacons National Park and inform planning decisions taken by the County Council. During the production of the Plan, the existing Local Development Plan (up to 2021) will remain in place until the Revised Local Development Plan (LDP) is adopted.

## Review of Viability

- ii) This **Preliminary Assessment of Financial Viability** (the Study) has been produced at a key stage in the Local Development Plan review.
- iii) Carmarthenshire County Council have commissioned Burrows-Hutchinson Ltd (BHL) to undertake a Viability Assessment. Building on the evidence of the local house price database produced as part of the Mid and South West Wales Regional Viability Commission, the Study identifies the potential for developments that include a residential element in Carmarthenshire, to accommodate:
- **affordable housing contributions** (whether on site, or as an off-site contribution)
  - **other S.106 obligations**

In addition, the Study:

- makes recommendations on **high level targets** for the proportion of affordable housing that it should be viable for sites to deliver, on a locational basis
- will propose **site-specific affordable housing percentages** for key housing allocations across the Plan's main settlements
- assesses whether or not **smaller sites** (5-10 units) and **individual properties** can support affordable housing contributions.

In order to identify high level targets, sales values achieved on recent developments in a range of locations across the Plan area have been collected and analysed.

- iv) The Study has also been informed by a workshop with Local Agents, Developers and other Stakeholders, held at The Beacon in Llanelli; as well as a review of baseline evidence which includes relevant plans and policies. Slides used in a presentation for that workshop, and notes on the discussion that arose from that, are attached as **Appendix A** to this Report.

## 2) Policy Context

### National Policy Context

2.1 The delivery of new housing is one of the key issues facing the planning system in Wales. The importance of new housing to meet social needs and allow communities to grow is recognised by Welsh Government, as is the important role of new house building in generating economic growth.

2.2 The national planning system therefore seeks to facilitate the construction of new homes in appropriate locations, and is clear that the LDP should act as an effective tool for the delivery of sustainable development and local aspirations. Ensuring that LDP policies and allocations are viable and deliverable is therefore a guiding principle for LDPs, and is a key element of meeting the tests of soundness as set out in the current and emerging Welsh Government LDP Manuals (Edition 2, 2015 and draft Edition 3, 2019) and examination guidance prepared by the Planning Inspectorate (PINS 2015).

### Welsh Government LDP Manual (Edition 2, 2015)

2.3 The LDP Manual states that ‘it is important to be able to demonstrate that there are no fundamental impediments to the development of the sites allocated in the plan’ and that the LDP strategy is to take account of a range of matters, including a broad assessment of the deliverability and viability of strategic sites.

2.4 Para 6.4.2.12 of the LDP Manual emphasises the need for LDP’s to demonstrate that developments remain viable having had regard to both the application of policy requirements and the availability of relevant infrastructure; and be in a position to understand the implications for delivery, timetabling and site viability.

### Welsh Government LDP Manual (Draft consultation version Edition 3, 2019)

2.5 The Draft consultation version of LDP Manual 3 notes that one of the key outcomes of the LDP system is to:

*“5) Deliver what is intended through deliverable and viable plans, taking into account necessary infrastructure requirements, financial viability and other market factors (Paragraph 3.10)”*.

It also requires that Development Management policies are based on viability assessments and legislation parameters (Table 1 content).

2.6 The Draft Manual suggests that the Candidate Site process should be used to frontload provision of a viability assessment. It also notes that to support delivery of the Plan, site-specific testing in the form of a viability appraisal should be undertaken for sites which are key to delivering the plan, demonstrating that they are deliverable in principle (Paragraph 3.47). A plan-wide financial viability appraisal should also be undertaken as early as possible, ideally at the candidate site stage, but no later than deposit. (Paragraph 3.50)

2.7 The Draft Manual further states that the affordable housing policy in the LDP should have percentage targets and thresholds that relate to an evidence-based viability study. Where they differ, e.g. for locally specific circumstances, this should be clearly justified and explained.

2.8 The Draft Manual includes the following definition of Viability:

*“Development can be considered viable if, after taking account of all known costs including: Government policy/regulations, all construction and infrastructure costs, the cost of and availability of finance, other costs such as fees and a contingency sum, the value of the development will generate a surplus sufficient to provide both an adequate profit margin for the developer and a land value sufficient to encourage a land owner to sell, at least 20% above Existing Use Value (EUV). Development can also be made viable through the availability of Government grants.”*

Planning Policy Wales (PPW) Edition 10, December 2018 and Technical Advice Notes (TANs)

2.9 PPW 10 states that as part of demonstrating the deliverability of housing sites, financial viability must be assessed prior to their inclusion as allocations in a development plan.

2.10 PPW 10 also advocates that at the ‘Candidate Site’ stage of development plan preparation landowners/developers should carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites. Carmarthenshire County Council held its initial call for Candidate Sites prior to the publication of PPW 10 and whilst it requested viability information in support of Candidate Site submissions, it did not enforce this requirement. It did ask however for a range of information which enabled the LPA to assess whether or not there were likely to be any abnormal costs associated with a site’s delivery.

2.11 PPW 10 advises that at the Deposit Stage there must be a high-level plan-wide viability appraisal undertaken to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements. In addition, for sites which are key to the delivery of the plan’s strategy a site-specific viability assessment should be undertaken. This Study aims to meet those requirements insofar as it practicably can do so. However, any additional information required in support of the Plan will be developed further during the remaining stages of the Revised LDP’s preparation.

2.12 Technical Advice Note 2 Planning and Affordable Housing sets out additional guidance on affordable housing. It requires LPAs to include either site thresholds or combinations of site thresholds and site-specific targets in their plans. It notes that LPAs may identify sites for up to 100% Affordable Housing. Technical Advice Note 6: Planning for Sustainable Rural Communities notes that development plans should include sufficient land to meet market and affordable housing needs across the planning authority’s area. It notes that in rural areas, planning authorities may wish to give priority to affordable housing to meet local needs.

Draft National Development Framework (2019)

2.13 Upon its adoption, the National Development Framework (NDF) will be the highest tier of development plans in Wales which focusses on issues and challenges at a national scale. The framework is to be built upon by Strategic Development Plans (SDPs) at a sub-regional level and by LDPs at a local authority level. LDPs must support the NDF and the strategic decisions they take must conform to the direction provided by the NDF. The LDP will therefore be guided and bound by its strategic direction and ambitions.

2.14 The Welsh Government (WG) published the draft version of the NDF in August 2019 for consultation. Whilst this is subject to ongoing consultation and subsequent deliberations, the Revised LDP has regard to the outcomes identified within it, the first of which notes the following:

***Our cities, towns and villages will be physically and digitally well connected, offering good quality of life to their residents. High-quality homes meeting the needs of society will be well-located in relation to jobs, services and accessible green and open spaces. Places will meet and suit the needs of a diverse population, with accessible community facilities and services.***

2.15 The NDF notes that the provision of affordable homes should become a key focus for housing delivery. To facilitate this Policy 5 of the draft NDF provides guidance in respect of making provision for affordable housing through development plans, as follows:

***Policy 5 – Delivering Affordable Homes***

*The Welsh Government will increase delivery of affordable homes by ensuring that funding for affordable homes is effectively allocated and utilised.*

*Strategic and Local Development Plans should develop strong evidence-based policy frameworks to deliver affordable housing, including setting development plan targets based on regional estimates of housing need and local assessments. In response to local and regional needs, they should identify sites for affordable housing led developments and explore all opportunities to increase the supply of affordable housing.*

2.16 It is the aim of this evidence to support the provision and delivery of affordable housing across Carmarthenshire, by identifying realistic and achievable targets for maximising the delivery of affordable housing through the planning system. As noted above, these targets are informed by viability evidence to support the robustness and realistic delivery of the targets.

[Planning Inspectorate \(PINS\) Local Development Plan Examinations Procedure Guidance August 2015](#)

2.17 The PINS guidance suggests that viability evidence would normally be presented to demonstrate an LPA's compliance with **Soundness Test 2 – Is the Plan appropriate?** (i.e. is the plan appropriate for the area in light of the evidence).

2.18 The PINS guidance note also clarifies that in order to demonstrate compliance with **Soundness Test 3 – Will the Plan deliver?** (i.e. is it likely to be effective) viability evidence should demonstrate that proposals (particularly allocations) are likely to be delivered as anticipated.

2.19 The national policy position reflects the growing recognition within Planning of the critical link that exists between aspirations set out within development plans and the delivery of individual site allocations in achieving timely and sustainable development during the course of the Plan period.

2.20 The ability to demonstrate that LDP allocations will come forward during the plan period also helps to provide evidence that the Council will meet requirements in PPW to ensure that sufficient land is available or will become available to provide a five-year supply of land for housing.

[Welsh Government Studies](#)

[Independent Review of Affordable Housing Supply April 2019](#)

2.21 The report identifies a number of key recommendations to assist in increasing the quality and number of affordable homes built in Wales. These include a better understanding of housing need through the LHMA process, consolidated and simplified standards for new build grant funded and S106 homes. The report also recommends that WG should introduce a requirement for all new affordable homes to be near zero carbon/EPC 'A' using a fabric first approach from 2021, supplemented by technology (renewables) if required. The report suggests that there should be a



longer term goal of 2025 at the latest to have the same standards for all homes irrespective of tenure.

2.22 Such requirements if adopted are likely to have cost implications which are considered in the methodology of this Study. Further recommendations in the study are in relation to modern methods of construction, rent policy and Local Authorities as enablers and builders, with a particular recommendation for the management of public sector land. Finally, there are recommendations in relation to the financing of affordable housing and dowry and major repairs allowance.

### Local and Regional Policy Context

2.23 At the end of 2018, and with the support of Welsh Government, the 8 LPA's in the Mid and South West Wales Region (MSWWR) procured the delivery of a **Regional House Price Database**; two **Viability Models** to make financial assessments of development proposals at a site-specific and at a higher level; and a programme of training and knowledge transfer to enhance existing skills, and to establish a broader understanding of viability issues across the region. A more detail account of the commission, and of the methodology that has been derived from it, is set out in section 3 of this Report.

2.24 The Mid and South West Wales Regional Planning Group has also commissioned Opinion Research Services (ORS) to undertake a Regional Housing Market Assessment on behalf the Group. This Regional Study seeks to provide an overall view of housing need within each local authority area, and identifies the different types of housing need for the period 2018-2033. This regional report is further supplemented by a more detailed assessment of housing need on an individual authority basis.

2.25 In Carmarthenshire's local housing market assessment, the report takes into account the Revised LDP, population and household projection figures in assessing housing need. The LHMA splits the county into 4 Affordable Housing Action Areas, and a significant proportion of the number of the households requiring affordable housing fall within the Llanelli Action Area (47%). The LHMA also identifies the type and size of the housing required throughout the County with Llanelli having a consistent spread of need across 1,2 and 3 bedroom homes, In general across the other Action Areas, the county requires the development of 2-bed and 3-bed housing to meet the affordable need. The LHMA identifies a strong correlation between the location of affordable housing need and the distribution of proposed housing growth set out within the LDP strategy and settlement framework.

### Carmarthenshire Local Development Plan (2006-2021)

2.26 Carmarthenshire County Council's current Local Development Plan was adopted in 2014 and runs until 2021. It includes a range of policies aimed at supporting delivery of Affordable Housing and Planning Obligations including policy SP 6 Affordable Housing, GP3 Planning Obligations, AH1 Affordable Housing, AH2 Affordable Housing – Exceptions Sites and AH3 Affordable Housing – Minor Settlement in the Open Countryside.

2.27 The Authority's 4th Annual Monitoring Report 2018-2019 indicate that for that year the Council's affordable housing target was not being delivered and had decreased since compared to the preceding year.

2.28 The Authority has adopted Supplementary Planning Guidance documents on both Affordable Housing and Planning Obligations. The Authority has information on the typical planning obligations being delivered by developments which have informed this Viability Appraisal.

## Carmarthenshire Local Development Plan Review (2018 - 2033) Preferred Strategy

2.29 The Council's Preferred Strategy was published in December 2018 for public consultation. It identifies a Settlement Hierarchy (Policy SP 16) and sets out a strategy to direct the majority of development to settlements with the greatest number of services. Housing Allocations will only be directed to those locations that are identified as a Principal Centres, Service Centres or Sustainable Villages. The Preferred Strategy also outlines a strategic policy relating to the provision of affordable housing. However, the identification of a target has been deferred to the Deposit Revised LDP to take account of emerging evidence.

### 3) Methodology

3.1 The following three principles underlie any proper understanding and assessment of viability in a Planning context:

- a) **Evidence based judgement:** assessing viability requires judgements, informed by the relevant available facts. It requires a realistic understanding of the costs and the value of development in the local area, and an understanding of the way the market operates. Understanding past performance too, in relation to build rates (for example) and the scale of historic planning obligations, is a useful starting point; as is the form and scale in which new development has generally come forward. Direct engagement with the development sector/industry and other key stakeholders is helpful and desirable for accessing evidence.
- b) **Collaboration:** as outlined in the Draft LDP Manual Ed.3, a collaborative approach involving the local planning authority, business community, developers, landowners and other interested parties will improve understanding of deliverability and viability. Transparency of evidence should be encouraged wherever possible. It is also important to look ahead, in conjunction with the stakeholders just mentioned, and to make any reasonable adjustments to past performance that may be appropriate and necessary to achieve future aims and objectives.
- c) **A consistent approach:** local planning authorities should be encouraged to ensure that their evidence base is fully supported by a comprehensive and consistent understanding of viability across their areas. For the purposes of the Carmarthenshire Study, this has been achieved by the assembly of a County-wide database of development costs and values. It is also important that the methodology used in carrying out the FVA's should be applied in a consistent fashion across the County; and that the Council should be able to demonstrate that.

#### Mid and South West Wales Regional Viability Commission

3.2 At the end of 2018, as part of a Regional Planning initiative, the eight LPA's in the Mid and South West Wales region (MSWWR) published a Commission for the following piece of work, for which BHL was selected after a tendered procurement process. The Commission was divided into four parts:

- a) the preparation of a **Regional Database** of local house prices achieved on new/recent residential developments, together with a **Regional Viability Model/Toolkit** capable of making reliable and transparent high-level assessments of the financial viability of typical development typologies and, where appropriate, of key/allocated sites in the absence of more site-specific data;
- b) the delivery of a site-specific **Development Viability Model (DVM)** that is cashflow-based and sufficiently transparent to win the confidence of those involved in the consideration of viability issues in a Planning context;
- c) the provision of **training** for Planning Officers and others within the 8 LPA's, not only in the use of these two Models, but also in the principles of assessing development economics generally, and in the application of precedents from Planning Appeal decisions and other guidance;
- d) the establishment of a **format for presenting evidence** on financial viability in a consistent and appropriately transparent way across the region.

3.3 The principles of this initiative were based not only on recommendations in the Harman Report (Viability Testing Local Plans : June 2012), but also on subsequent studies, such as the Arcadis Report on a Longitudinal Viability Study of the Planning Process in Wales, published in February 2017. Two

of the key objectives of the Commission have been (a) to reach an improved understanding generally of viability issues, in a Planning context, and (b) to develop existing skills within the 8 LPA's, through knowledge transfer and provision of the two Viability Models.

3.4 The creation and development of a team of officers within those authorities, who will specialise to some extent in undertaking viability assessments – applying a combination of their local market knowledge and intelligence with a consistent approach to viability across the region – is an ongoing process. In the interim, and in order to meet the deadlines required for a Review of the current LDP, Carmarthenshire County Council have commissioned BHL to support their Forward Planning team, working alongside other officers in the emerging Regional Viability team, in undertaking the Study that is the subject of this Evidence Report.

3.5 This Study has been undertaken using the outputs from the MSWWR Commission, including the Regional Viability Model and values from the House Price Database. Costs used in the financial appraisals have been based on a combination of information from the BCIS database, input from stakeholders at and following the workshop(s), and data drawn from a number of site-specific cases, where appraisals have been carried out on an “open book” basis with the developers concerned. Some of the information in this last category is commercially sensitive, and the Study is bound to respect and safeguard the confidentiality of such data in an appropriate way. We consider this is possible without unduly compromising the transparency of the evidence base, given that one of the ultimate objectives of the Study is to reach a position that those participating, and with an interest, in the LDP Review, will accept and consider to be fair and reasonable.

3.6 Both the site-specific DVM, and the Regional Viability Model for high-level assessments, are constructed to produce a residual value that represents the development profit; i.e. what is left after all development costs, including the land cost (sometimes described as “site value”), have been deducted from the gross development value (otherwise described as total revenues). This residual estimate of profit can then be compared with whatever target margin is considered appropriate for that particular development, having regard to benchmark levels of profit that reflect a “market risk adjusted return”.

3.7 The “market risk adjusted return to a developer” is a phrase used in the RICS Guidance Note (GN 94/2012) on Financial Viability in Planning. The words reflect the principle that the degree/level of risk inherent in any of the figures used in a Viability Appraisal, as well as the nature (and the relative complexity) of the development, are relevant to the percentage return that it can be expected to yield for the developer. That “return” does, and will, also vary according to the levels of supply and demand in a given set of economic and market conditions.

3.8 This “return” will typically be described either as a percentage of GDV – where the percentage is calculated by dividing the residual profit figure by the gross development value of the project – so effectively the same as a Profit on Turnover for any other commercial enterprise; or as a Profit on Cost, where the profit is expressed as a percentage of all development costs.

3.9 Profit on GDV is the measure normally used to assess the viability of a development project; but both the DVM and the Regional Viability Model provide an estimate/calculation of “Profit on GDV” and “Profit on Cost”. The Models both estimate the finance/funding costs associated with a project on the basis of cash-flowed assumptions over income and expenditure, adding transparency to the Models' outputs.

3.10 With the Regional Viability Model, all inputs are made on the same page as the outputs (in the form of an Appraisal summary) appear; making it easy to see/assess the impact of any changes that

the user might want to make to those inputs. Both Models also provide facilities for sensitivity testing the initial Appraisal results; and can produce Sensitivity Tables that illustrate how, in broad terms, incremental changes in selected key variables would impact on development profit. The Tables also reveal how certain changes in the proportion of affordable housing, and in the tenure mix, could affect the developer’s return. These features reflect the strong recommendation in the RICS Guidance Note (GN 94/2012), already referred to, that financial appraisals should be subject to sensitivity testing; and that with more complex schemes, further scenario/simulation analysis should also be undertaken.

## The Carmarthenshire Study

3.11 Undertaking site-specific appraisals of what the Draft LDP Manual calls “key sites” can be a useful way of informing the high-level assessments that will consider the viability of more general site typologies; in order to establish the broader policies to be applied to windfall sites, for example. Whilst site-specific appraisals can be undertaken without input from the owner or promoter of a site, it is preferable that those parties should be involved in site-specific appraisals; as in many cases they will hold (or be able to obtain) information pertinent to viability, which may not be so readily available to the LPA.

3.12 It is also desirable that the owner and/or promoter of a site should have the initial opportunity to provide evidence of viability. If the site promoter is a developer/housebuilder, that party will (or should) have made some preliminary assessment of the site’s financial viability in any event; even if it is based on a number of assumptions that rely on further investigation work. The LPA will be in a position to assess the validity and/or degree of risk attaching to those assumptions, which in turn will enable a sensible judgment to be made about deliverability, and the likely timing of delivery, for each site.

3.13 Accordingly, the Study to date has focused on high-level assessment of various site typologies; ranging from the development of single plots to developments of up to 10 dwellings; and of other small, medium and larger sized development scenarios. These typologies are shown in the following table.

Size Range	Unit No	Site Area		dph	dpa	----- Mix of dwelling types -----							
		ha	ac			1-bed		2-bed		3-bed		4-bed	
						N°	%	N°	%	N°	%	N°	%
Large single	1	0.067	0.17	15	6							1	5-bed
Small single	1	0.040	0.10							1	100%		
2 - 4 units	4	0.200	0.49	20	8					4	100%		
5 - 9 units	8	0.330	0.82	24	10					4	50%	4	50%
10 - 19 units	16	0.540	1.33	30	12			4	25%	6	38%	6	38%
20 - 50 units	34	1.000	2.47	34	14			8	24%	12	35%	14	41%
51 - 100 units	72	2.000	4.94	36	15		0%	16	22%	36	50%	20	28%
Over 100	120	3.240	8.00	37	15	4	3%	26	22%	60	50%	30	25%

These typologies were chosen/identified after

- an analysis of planning applications and consents since the LDP was adopted in 2015, to see how – in terms of site size/dwelling numbers – development proposals have been coming forward; and
- an analysis of s.106 settlements and requirements, which showed a degree of variation – in terms of £ per dwelling – according to site size. Sites of over 20 new homes tended to carry slightly heavier s.106 obligations than smaller sites of between 5 and 20 homes, for example.

3.14 Initial viability assessments were made across the complete range of site typologies, based on an average level of transfer values for any on-site affordable housing, to arrive at a preliminary view on the proportion of affordable homes that it would be viable for each size of site to deliver, by cross-subsidy from the sale of the greater proportion of open market dwellings. The result of these assessments is summarised in **Appendix B**.

3.15 Further assessments were then made for each typology, incorporating affordable housing transfer values at both the top end and the bottom of the range of values – i.e. for the Community Network Area (now Affordable Housing Action Area) with the highest median household income, and the one with the lowest median household income. This exercise produced the range of percentages shown in Policy AHOM1 of the Deposit Plan, reproduced here as follows:

- **sites comprising 10 – 19 homes will be required to provide an affordable housing contribution of 10% – 15%;**
- **sites comprising 20 – 50 homes will be required to provide an affordable housing contribution of 17% – 23%;**
- **sites of 51 homes or more will be required to provide an affordable housing contribution of 20% – 25%.**

**The higher percentage in each range applies to sites in the Council’s Affordable Housing Action Area with the highest median household income; and the lower percentage to the Affordable Housing Action Area with the lowest median household income.**

The percentages above relate to the expected on-site provision of affordable homes that the high-level assessments showed to be viable.

## 4) High-Level Viability Assessments

4.1 As described in Section 3, high-level financial assessments to inform the general (rather than more site-specific) policies regarding affordable housing and other s.106 obligations, and what level of such obligations can be expected to be viable, have been undertaken using the Regional Viability Model. The following paragraphs describe the evidence base for the inputs used in these High-Level assessments.

### Gross Development Value

4.2 Data on the prices at which houses have sold in different parts of the County is available from HM Land Registry's website, and can be readily downloaded for further analysis. Other relevant information is also available from the EPC Register, other websites such as Rightmove and Zoopla, as well as from an LPA's own records. However, careful and thorough analysis of this data is necessary to provide a reliable and robust evidence base for viability assessments. One must also recognise that there are often differentials in the popularity of specific housing areas, sometimes not all that far apart geographically, which have a bearing on the market values that are likely to be achieved on a particular development site.

4.3 Housing values can also be affected/enhanced by good design, and by creating attractive living environments that are well-serviced and sustainable (i.e. by "place-making"). Well-conceived and well-executed housing developments, in particular, will usually command higher values/selling prices than those achieved for second-hand stock.

4.4 The MSWWR database of housing values has focused on "new build" evidence, as well as prices paid in the last 2 – 3 years on other recent residential developments for modern, second-hand stock. A summary of the main outputs from this database, concentrating on those sites that offer a robust sample of evidence, is set out in **Appendix C**. It is recognised that there are gaps in the geographical coverage of the current data; not least because the pattern of new housing development differs from one area to another. Over the course of the next 12 months, and beyond that into the future, other new sites and evidence will be added to this database, to complete the picture. It will also be important that the database is kept regularly up to date in this way.

4.5 The values (in £ psm) applied to the open market homes in the high-level assessments are shown in **Appendix B**; and vary between £2,050 psm (£190 psf) and £2,300 psm (£213 psf) according to the size of site and volume of dwellings. It is considered that this range of values is well supported by the evidence at Appendix C.

4.6 Carmarthenshire has its own way of determining the transfer values for **affordable housing**, based on median household incomes in different parts of the County; rather than by fixing values by reference to the Welsh Government's Acceptable Cost Guidance – the method predominantly used elsewhere. The Council divided the county into six Community Network Areas (CNA's), based on this assessment of median household incomes. Within those CNA's, transfer values have been set by use of a multiplier, applied to the median household income for each CNA. The same transfer value has been applied to a given type/size of affordable dwelling in each CNA, irrespective of whether it is for social rent or intermediate (generally Low-Cost Home Ownership) tenure. The median household incomes within each CNA have been reviewed/reassessed annually, and transfer values updated on the Council's webpage entitled "Section 106 : Affordable homes".

4.7 The Council has decided, since the High-Level Viability Assessments were undertaken for this Report, that it will replace/redefine the six CNA's as 4 Affordable Housing Action Areas (AHAA's).

This is unlikely to affect the overall range of results from which the preliminary conclusions in this Report are drawn. The target levels for affordable housing set out in Policy AHOM1 of the Revised LDP still set a higher percentage in each range to be applied to sites in the AHAA with the highest median household income; and a lower percentage to be applied in the AHAA with the lowest median household income.

4.8 These High-Level Viability Assessments have been based on transfer values set at the end of 2018, and shown in the screenshot of the Council’s webpage at **Appendix D**. Those values might need to be reviewed on the basis of later figures that are available, if there is a significant change in the transfer values prior to publication of the Submission Draft version of the Revised LDP.

### Rate of Sales and Development Programme

4.9 The rate at which new homes may be sold on the open market will vary from site to site, depending not only the demand for new homes in any given location (which will also determine their selling price), but also very often on the size of the site being developed. A higher volume of sales each year will normally be achieved on the larger sites; although this is also influenced by the market knowledge of the larger/volume housebuilders, who will tend to build on sites where they expect a higher volume of demand.

4.10 Where possible, developers will try to match the rate at which they build to the rate at which the new homes can be sold; but this is not always possible to achieve, particularly when there are fluctuations in the market and/or when macroeconomic conditions create market uncertainty. This is one area of risk for a developer that may not always be readily appreciated or understood; and which is one of the things that need to be reflected in the percentage margin/return that is allowed to the developer.

4.11 On a majority of new housing developments, there will be an “overhang” period between the date on which final construction works are completed, and the date on which the last market sale is completed. The Viability Models created for the MSWWR Commission both contain features that allow the user to specify the anticipated/assumed development period, and to decide whether or not to link that with the rate at which houses are likely to sell, and to include allowance for the “overhang” period just mentioned.

4.12 A broad analysis of the rate at which new homes have sold in recent years has been made as part of this Study; and the sales rates shown at **Appendix B** are a reflection of the conclusions drawn from that exercise. It can be seen that these rates vary according to the number of dwellings in each site typology.

4.13 The rate at which affordable homes within a mixed tenure scheme are delivered will not necessarily be the same as the rate at which the open market dwellings are sold. It will often be a requirement of the s.106 obligation for the affordable housing to be delivered before all the open market homes are occupied. High-level assessments undertaken with the Regional Viability Model assume that the rate of delivery for the affordable homes will broadly match the rate at which open market dwellings are occupied on the site, but without the “overhang” mentioned in 4.10 above. This is considered to be a reasonable reflection of the way in which most s.106 obligations operate.

### Development Costs

4.14 The Building Cost Information Service (BCIS) runs a database on construction costs drawn from development schemes across the UK, which provides subscribers with adjusted cost estimates for a particular locality/area. Thus, BCIS data on Average Prices for Residential Facilities is commonly



used as a guide to establish the basic cost of building houses (often referred to as “plot cost”) in a given area. It is generally accepted as offering a useful and reliable basis for FVA’s, but its data outputs require proper interpretation for three main reasons:

- a) the data is presented as a range of costs; and whilst it may have been customary to adopt the mean or the median rate (from this range) as a natural starting point, it is a fact that cost rates vary according to the complexity and scale of each development, as well as according to the underlying characteristics/nature of each site.
- b) the national/volume housebuilders do not generally contribute to the database; yet those companies are best able to achieve economies of scale. The absence of data from their developments not only reduces the direct relevance of the BCIS data to larger development sites, many of which are controlled and/or build out by these larger companies; but also, because the BCIS database is not a complete and fully-balanced industry dataset, it could be said that the median, upper and lower quartile cost rates would present a different picture if cost information from those larger companies were included.
- c) data is often submitted to BCIS with differing degrees of detail; and examination of the more detailed cost analyses for individual sites sometimes reveals a degree of inconsistency in the way that costs are set out/recorded on the database.

4.15 For some, more rural, locations there is another issue with the BCIS database; namely that the information available is based on a very small sample of sites/schemes, sometimes only in single figures. This highlights the need for viability assessments to be further informed by local evidence drawn from other studies, including site-specific viability appraisals undertaken with developers and site promoters as part of a collaborative, plan-making exercise.

4.16 The High-Level assessments carried out for this Study have been based on evidence drawn from the above combination of sources; reflecting all the above observations. The cost rates shown in **Appendix B** for each site typology, and the range of those cost rates, reflect the way in which build costs vary according to the size of a development project, with rates being generally higher for the small sites than for the larger ones. This range of costs has been also been presented and discussed at stakeholder workshops across the region.

4.17 Both the site-specific DVM and the Regional Viability Model require the user to make some allowance for additional build costs relating to **extra Building Regulations requirements** in Wales, which are not currently reflected in the more general BCIS cost rates drawn from the UK as a whole. These specifically relate to the costs of providing sprinkler systems in new homes, and ULEV charging points. Although there is some evidence indicating that developers are finding ways to reduce the cost of sprinkler systems, a combined allowance of £3,500 per dwelling has been made for the extra Building Regulations requirements mentioned here, throughout this Study.

4.18 In addition to the basic cost of building houses (“plot cost”), there are costs associated with servicing each dwelling (e.g. access roads, utility and drainage connections, garages and/or parking areas, gardens and boundary features – known collectively as “**external costs**”), as well as the costs of providing appropriate infrastructure for the development (often secured by s.106 obligations). In most of the high-level assessments, external costs were calculated at 15% of plot costs; but for the two largest site typologies, this was adjusted (upwards) to £15,000 per dwelling to keep it more in line with the allowances per dwelling on smaller sites. For the single dwelling site typologies, the allowance for external costs has been taken at £20,000.

4.19 On larger sites, the amount/cost of appropriate infrastructure may be quite large; such that what are commonly called the “**opening up**” costs of a major/strategic development site can have a significant impact on the overall land value per acre (or hectare). This is an important factor to be taken into account when one is considering what value represents an acceptable return to the landowner. It is unrealistic for a landowner to expect the same value per acre/hectare from a site that requires substantial “opening up” expenditure on infrastructure, as one might expect from a site that is already serviced with the necessary infrastructure.

4.20 On this basis, and because such infrastructure costs are normally quite site-specific, the high-level assessments undertaken for this Study have assumed that the land/site value adopted for each assessment is inclusive of what are commonly called “abnormal” site costs; in other words, the assumption is that such costs will be deducted from the price actually paid to the landowner. This may not always be the case in practice; some sites will not come forward at all, unless a minimum level of value is received by the landowner. However, it is considered that sites to which “abnormal” costs are most likely to apply will normally fall into the category of “key sites”, which will be subject to more site-specific appraisal; and/or that, if there are good reasons for such a site to be developed, it may be considered as a case to which the “exceptional circumstances” referred to in the Draft LDP Manual Ed.3 apply, and in which viability considerations might justify a departure from normal policy requirements.

4.21 Accordingly, whilst the high-level assessments in this Study contain an allowance for normal **s.106 obligations**, which a developer can anticipate from the policies in the LDP and any relevant Supplementary Planning Guidance, they do not make allowance for “abnormal” obligations. The level of s.106 obligations assumed for the purpose of the high-level assessments is shown (in £ per dwelling) against each typology in **Appendix B**; and is consistent with the level of s.106 obligations obtained/agreed on planning consents since the beginning of 2015.

4.22 Further allowances need to be made in an FVA for external professional fees (or in-house costs) relating to the planning and design of the development, and of individual dwellings; and for construction warranties and the design/implementation of other site infrastructure. Expressed as a percentage of construction costs, these costs will typically range between 4% on a site where house types are drawn from a range of standard designs; to around 12% on a single dwelling site, where more bespoke design work will often be involved. This range of costs/percentages has been applied to the different site typologies in the way set out in **Appendix B**.

4.23 It is also customary to include a **contingency sum** as a buffer against unexpected variations in construction costs. An allowance of 5% on total construction costs has been included in all this high-level assessment work.

4.24 In a similar way, an allowance of 2.5% on the estimated gross revenue from open market sales has been made in all the appraisals to cover **marketing and sale costs**; plus legal costs, calculated at £600 per dwelling on both open market and affordable homes.

4.25 The **cost of funding/financing** the development has been calculated using an “all-in” interest rate of 6% p.a. in all the appraisals. This follows the approach typically adopted/accepted in many Planning Appeal decisions. Although it could be argued to be a slightly simplistic way of calculating such costs – which, in reality, will normally be broken down between separate charges for monthly interest on the sum being borrowed at any given time, plus arrangement/exit/facility fees, and monitoring fees – applying a (higher) “all-in” rate of interest has become accepted as a convenient and less complicated way of arriving at much the same result.

4.26 The use of a single rate in the appraisal of all site typologies reflects a recommendation in the RICS Guidance Note (GN 94/2012) that *“the nature of the applicant should normally be disregarded [in an FVA], as should benefits or disbenefits that are unique to the applicant. The aim should be to reflect industry benchmarks in both development management and plan-making viability testing.”* The larger, volume housebuilders will typically have access to funds at a lower rate than 6% p.a.; so for larger sites, it could be argued that the use of that rate in these high-level assessments will give them an extra margin or “buffer”.

4.27 Smaller businesses may have to pay more than 6% for funds, particularly if they lack sufficient equity and/or track record to obtain more competitive rates. But then again, there are other SME’s who will have built up sufficient reserves to be borrowing quite small sums in proportion to overall scheme costs.

### Land/Site Value

4.28 Both the DVM and the Regional Viability Model require the user to supply an estimated land price (or site value) in the first instance, although this estimate can be changed in the course of finalising the appraisal, if it is appropriate to do so.

4.29 The Draft LDP Manual states that the land value should be “sufficient to encourage a land owner to sell, at least 20% above Existing Use Value”. In practical terms, stakeholders attending the workshop(s) saw little merit or relevance in relating development land values to Existing Use Value; and made it clear that a 20% uplift on agricultural land values would certainly not be “sufficient to encourage a landowner to sell”.

4.30 General market evidence across the County, including that from the sale records of land by the County Council, indicates that residential development and prices mainly fall within a range from £150,000 to £200,000 per net developable acre.

4.31 At the Stakeholder workshop in Llanelli on 17<sup>th</sup> October, it was proposed by BHL that the high-level assessments in this Study would be run on the basis of an average land value of £175,000 per net developable acre, applied to all site typologies. There was general consensus that this was a fair figure to use in the assessments, albeit that some stakeholders said that this level of value could be “challenging” for the viability of many schemes; and that “landowner expectations” were frequently an obstacle to sites coming forward for development.

4.32 A land value of £175,000 per acre corresponds to the figures of c.£432,500 per hectare shown in the table at Appendix B. This rate was lifted slightly, to £500 – 525,000 per hectare, for the single plot typologies; which is equivalent to some £200 – 212,000 per acre.

4.33 All the appraisals include an allowance of 1.5% on top of this land price (or site value) for fees connected with a land purchase; together with the appropriate amount for Land Transaction Tax, which the Models calculate on the basis of the current LTT rates.

### Development Profit and Viability

4.34 In the case of larger and/or more complex development sites, current practice would accept that a development proposal is “viable” if it is expected to achieve a return for the developer of 20% on the gross development value of all open market housing in the scheme, plus a return of 6% on the total development cost of all the affordable housing. Depending on the proportion of affordable housing that the development is expected to deliver, the combination of these separate returns will produce a “blended margin” that will vary between around 17% on GDV (where the proportion of

affordable housing is 35% or more) and around 19% on GDV (where the proportion of affordable housing is only 10%-15% of the overall development, for example).

4.35 For smaller and medium-sized sites, it is normally considered that a developer's profit margin should be within a range of between 15%-20% on GDV for a scheme to be considered "viable"; the appropriate percentage within that range being determined both by normal market forces – it is not uncommon for there to be stronger competition between developers for smaller sites than for some large sites – and by the degree of risk attaching to the scheme.

4.36 As referred to earlier, the RICS Guidance Note (GN 94/2012) on Financial Viability in Planning refers to the concept of "a market risk adjusted return to the developer", in the context of deciding what should amount to an "acceptable market level" of return for Viability purposes. As stated in para. 3.3.2 of the Guidance Note, *"a small scheme constructed over a shorter timeframe may be considered relatively less risky, and therefore attract a lower profit margin, given that the exit position is more certain, than a large redevelopment spanning a number of years where the outturn is considerably more uncertain."*

4.37 This position is reflected in the range of "target" profit margins (as a percentage of the GDV from open market sales) shown against each site typology in **Appendix B**; which are considered to be a fair representation of the "market risk adjusted returns" that it would be reasonable to expect in each case. The range is essentially from 15% on GDV for sites of between 2 – 4 dwellings, rising to 18% on GDV for sites of between 20 – 50 units; and 20% on GDV for sites of over 50 dwellings. A separate rate of 10% on GDV has been used for single dwelling sites, where more often than not the "developer" will be a private individual doing a custom build, with or without help from a building contractor. A margin of 10% on GDV is considered appropriate for that case, more as an additional "buffer" against unexpected costs than as a profit/gain that is likely to be realised. However, it is also considered that a 10% margin is appropriate and adequate to those cases where a contractor is building a new single home on a more speculative basis.

4.38 When "blended" with the lower rate of return normally expected/accepted on the affordable homes (see para 4.34 above), the main target margins on open market sales, described in para. 4.37, are slightly reduced in percentage terms. The Blended Margin percentages shown in Appendix B are those generated from the high-level assessments made for each site typology. In all the appraisals undertaken, the target margin on open market sales was achieved, using the percentages of on-site affordable housing and other s.106 obligations that are shown against each typology in Appendix B. In other words, the high-level assessments all suggest that those levels of affordable housing and other s.106 obligations should be viable for developments within the complete range of assumed site typologies.

4.39 That conclusion is based on average transfer values for the affordable housing – see para 3.14 above. As described in para 3.15, further high-level assessments were then carried out for the 3 site typologies ranging from 10 – 100 dwellings, using transfer values for the Community Network Areas with the lowest and highest median household income levels, to see what impact that would have on the percentage of affordable housing that could be considered viable by comparison with the "average" results from the first set of assessments. This produced/informed the range of on-site affordable housing percentages that are set out in Policy AHOM1 – see para 3.15 above.

4.40 By way of illustration, the results from the further high-level assessments described in para. 4.39, for the 72-unit site typology, are summarised in the middle section of Appendix B. A sample of

other individual appraisals is at Appendix E, as an illustration of typical inputs to, and outputs from, the Regional Viability Model.

4.41 It was further concluded from these high-level assessments that the percentage of on-site affordable housing that would be viable on sites of less than 10 dwellings, would yield very little in terms of the number of on-site affordable homes; one might get at most one affordable home out of a site of 8 or 9 new dwellings. It was therefore decided to make a policy shift towards sites of less than 10 dwellings (rather than the current threshold of 5 units) making financial contributions to provide affordable housing off-site; with on-site provision of affordable homes being limited to sites of 10 dwellings or more.

## 5) Summary and Conclusions

5.1 The revised affordable housing targets set out in Policy AHOM1 of the Deposit Plan are derived from, and are supported by, the high-level assessments described in previous sections of this report.

5.2 Unlike the current targets set by Policy AH1 in the current LDP, which vary between different geographical areas, the percentage targets in Policy AHOM1 are determined more by site size (in terms of the number of dwellings that the site will deliver). Variations to reflect different levels of market value and of household incomes are accounted for by the range of percentages for each category of site, in the proposed new policy. The higher percentages will apply to the Affordable Housing Action Area with the highest median household income, and the lower percentage to the Action Area with the lowest median household income.

5.3 Given that any single percentage figure, when applied to the number of dwellings proposed for a particular site, will rarely compute a round number of affordable homes to be provided; having a range of percentages will allow the Council to take a pragmatic view of whether each development proposal complies with Policy AHOM1, by whether the number of affordable homes proposed is (a) within the percentage range that is relevant for the size of that development, and (b) at a generally appropriate level within that range according to its location (by Affordable Housing Action Area).

5.4 The high-level assessments that have been carried out also concluded that it is not likely to be viable, in current market conditions, for smaller sites of less than 10 dwellings to make a meaningful contribution to onsite affordable housing; and that it would be better for all sites of that smaller size – not just those of less than 5 units – to make a financial contribution for the provision of affordable housing off-site.

5.5 There is further work to be done to establish site-specific affordable housing percentages for key sites (including existing allocations) across the LDP's main settlements. This work is expected to be done during the consultation period for the Deposit Plan; and to be informed by landowners and site promoters responding to the requirements of PPW 10, as set out in section 2 of this report.

5.6 The response from engagement with stakeholders in the last 6 months, firstly in connection with the regional work under the MSWWR Commission, and secondly on more detailed issues associated with this Viability Study, has been both worthwhile and instructive. BHL believes there is scope for ongoing discussions that should make a positive contribution to this review of the current LDP, as well as future reviews thereafter. The Draft LDP Manual proposes the creation of Viability Study Groups and this report recommends that Carmarthenshire County Council should be one of the first LPA's to adopt that proposal.

5.7 This Report is made for Carmarthenshire County Council, as part of the evidence base for the Council's Revised LDP, for the purposes of establishing the viability of its LDP policies on affordable housing and other s.106 obligations. The Report has been prepared with all reasonable skill, care and diligence, and in a manner consistent with the RICS Practice Statement and Guidance Note for Surveyors acting as Expert Witnesses. Nevertheless, no duty of care can be accepted to third parties for the whole or any part of its contents.

*Andrew Burrows MA FRICS*

Director

**Burrows-Hutchinson Ltd**

30<sup>th</sup> November 2019

# APPENDICES

## APPENDIX A

Stakeholders' Workshop on 17<sup>th</sup> October 2019

at The Beacon, Llanelli

BHL Presentation and Meeting Notes

**Cynllun Datblygu Lleol  
Diwygiedig Sir Gâr  
Carmarthenshire Revised  
Local Development Plan**

**Gweithdy Rhanddeiliaid  
Hyfywedd  
Viability Stakeholder Workshop**

Y Goleudy, Llanelli 17 Hydref 2019  
*The Beacon, Llanelli 17<sup>th</sup> October 2019*

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**Amserlen y Gweithdy  
Workshop Timetable**

1. Cyflwyniad	1. Introduction
2. Prisiau tai newydd ac ardaloedd rhwydwaith cymunedol	2. New house prices and community network areas
3. Costau adeiladu	3. Build costs
4. Rheoliadau adeiladu a gofynion polisi lleol	4. Building regulations and local policy requirements
5. Rhwymedigaethau Adran 106	5. S.106 obligations
6. Ffioedd a Cyllid	6. Fees & Finance
7. Gwerthoedd Tir Datblygu	7. Development Land Values
8. Elw Datblygwyr	8. Developer Profit Margins
9. Unrhyw gwestiynau?	9. Any questions?

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**Dogfennau a gyhoeddir ar gyfer ymgynghoriad  
cyhoeddus  
Documents published for public consultation**

• Y Strategaeth a Ffefrir	• Preferred Strategy
• Yr Adroddiad Adolygu	• Review Report
• Cofrestr y Safleoedd Ymgeisio	• Candidate Site Register
• Yr Arfarniad Cynaliadwyedd	• Sustainability Appraisal
• Yr Arfarniad Rheoliadau Cynefinoedd	• Habitats Regulations Appraisal

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**Datblygu Cynllun Adnau  
Deposit Plan Development**

- PCC Rhifyn 10 – fel rhan o ddangos y gallu i gyflawni, mae'n rhaid asesu hyfywedd ariannol cyn dyrannu safleoedd.
- Mae Polisi Cynllunio Cymru 10 hefyd yn gofyn am arfarniad lefel uchel o hyfywedd ar draws y cynllun cyfan
- PPW Edition 10 – as part of demonstrating deliverability, financial viability must be assessed prior to allocating sites.
- PPW 10 also requires a high level plan-wide viability appraisal

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**Datblygu Cynllun Adnau  
Deposit Plan Development**

- Llawlyfr CDLI 2 – dylai profion hyfywedd gynnwys gofynion polisi a seilwaith
- Asesiadau o'r Farchnad Dai Lleol – i ddod yn fuan
- LDP Manual 2 – viability testing should include policy requirements and infrastructure
- LHMA – due imminently

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**Comisiwn Hyfywedd Rhanbarthol Canolbarth a De-orllewin Cymru - Andrew Burrows (Burrows-Hutchinson Ltd)**

**Regional Mid and South West Wales Viability Commission – Andrew Burrows (Burrows-Hutchinson Ltd)**

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- Cronfa Ddata Prisiau Tai Rhanbarthol
- Modelau hyfywedd safle-benodol a lefel uchel
- Hyfforddiant a throsglwyddo gwybodaeth
- Mae modelau yn cael eu defnyddio ar gyfer asesiadau hyfywedd lefel uchel a safle-benodol yn adolygiadau CDLl'au Siroedd Gaerfyrddin a Penfro
- *Regional House Price Database*
- *Site-specific and high-level viability models*
- *Training and knowledge transfer*
- *Models are being used for high-level and site-specific viability assessments in both Carmarthenshire and Pembrokeshire LDP Reviews*

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Dylai Cynlluniau Lleol ddangos gweledigaeth ar gyfer ardal yng nghyd-destun dealltwriaeth o amodau economaidd lleol a realiti'r farchnad. Dylai uchelgeisiau gael eu profi yn erbyn y tebygolrwydd realistig o'u cyflawni

*Local Plans should present a vision for an area in the context of an understanding of local economic conditions and market realities. Ambition should be tested against the realistic likelihood of delivery*

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Development Viability MSWW Region

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PPW 10, para. 4.2.19

"As part of demonstrating the deliverability of housing sites, financial viability must be assessed prior to their inclusion as allocations in a development plan.

At the 'Candidate Site' stage of development plan preparation land owners/developers must carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites.

At the 'Deposit' stage, there must be a high level plan-wide viability appraisal undertaken to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements.

In addition, for sites which are key to the delivery of the plan's strategy a site specific viability appraisal must be undertaken through the consideration of more detailed costs, constraints and specific requirements."

Sept / Oct 2019 MSWWR - Viability in Planning 10

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### Yr Egwyddorion Cyffredinol Overarching Principles

- Hyder wrth gyflawni
- Tryloywder y dystiolaeth
- Cysondeb o ran dull
- Cydweithio er mwyn sicrhau'r canlyniad iawn
- *Confidence in delivery*
- *Transparency of evidence*
- *Consistency of approach*
- *Collaboration to achieve the right result*

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MSWWR REGIONAL HOUSE PRICE DATABASE SUMMARY as at September 2019

Location/Development	Postcode	CNA	Sales	N° OM	Period	Avg GIA	Avg Price	Avg Epsm	Max Epsm
Lwynygern, Hendy	SA4 0AA	Am	84	12/16 - 11/18	79.5	£150,279	£1,891	£2,493	
Cefneithin, Cross Hands	SA14 7BZ	Gw	82	09/15 - 12/18	79.6	£143,936	£1,809	£2,191	
Cae Coch, Drefach, Cross Hands	SA14 7AL	Gw	11	07/18 - 12/18	127.4	£284,773	£2,236	£2,731	
Maes-Y-Glo etc, Llanelli	SA14 9QA	LI	34	06/18 - 12/18	93.8	£189,810	£2,024	£2,197	
Ffordd-Y-Meillion, Llanelli	SA15 2EX	LI	49	11/16 - 12/17	83.6	£173,782	£2,078	£2,564	
Parc-Y-Mynydd, Ammanford	SA18 3LP	Am	20	07/15 - 12/17	107.9	£212,092	£1,966	£2,623	
Maes Pedr, Carmarthen	SA31 3BR	Ta	113	09/15 - 12/18	82.3	£159,649	£1,939	£2,294	
Maes Lewis Morris, Llanguunor	SA31 2PL	Ta	44	12/13 - 08/18	99.9	£202,230	£2,024	£2,270	
Parc Llwyn Celyn, St Clears	SA33 4EB	Ta	58	01/14 - 11/18	100.7	£191,098	£1,898	£2,151	
Dan-Y-Oderwen, Rhydgaeau	SA32 7DQ	Ty	4	08/17 - 10/18	225.3	£394,188	£1,750	£2,145	
			557						

Average values (Epsm) have been highlighted in red if they exceed £2,000, and in blue if they are less than £1,500  
 Maximum values (Epsm) have been highlighted in red if they exceed £2,200, and in blue if they are less than £1,800

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## Ardaloedd is-farchnad *Sub-market areas*

- Adolygiad ar sail Ardaloedd Rhwydwaith Cymunedol nid "ardaloedd is-farchnad"
- Mannau penodol?
- Teifi / Gwendraeth – "Cyfartaledd teg" ar gyfer gwerthoedd tai fforddiadwy.
- Unrhyw sylwadau eraill?


- *Review based on CNA's not "sub-market areas"*
- *Hotspots?*
- *Teifi/Gwendraeth a "fair average" for AH values*
- *Any other comments?*



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## Costau Adeiladu Mynegeion lleoliadol BCIS

### *Build Costs BCIS locational indices*


Nodir maint y sampl

- ▼ Dyfed (92; sample 48)
- Ceredigion (94; sample 18)
- Preseli (85; sample 4)
- South Pembrokeshire (87; sample 4)
- Llanelli (94; sample 7)
- Dinefwr (91; sample 13)


Cymru yn gyffredinol (89; sampl 410)      Wales generally (89; sample 410)



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## *Mathau o Safle Lefel Uchel a Chostau Adeiladu - Arfaethedig*

### *Proposed High-Level Site Types and Build Costs*


Size Range	Unit No	Site Area		Build Cost £ psm	% of Median Rate
		ha	ac		
Large single	1	0.067	0.17	£1,250	130%
Small single	1	0.040	0.10	£1,175	122%
2 - 4 units	4	0.200	0.49	£1,110	115%
5 - 9 units	8	0.330	0.82	£1,060	110%
10 - 19 units	16	0.540	1.33	£1,015	105%
20 - 50 units	34	1.000	2.47	£965	100%
51 - 100 units	72	2.000	4.94	£920	95%
Over 100	120	3.240	8.00	£870	90%
Median rate				£965	



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## *Costau - Adeiladu / Plot, Allanol ac anarferol*

### *Build/Plot, External and Abnormal Costs*

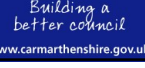
- Arbedion maint
- Costau safleoedd allanol, 15% o Gostau Adeiladu/plot
- Costau annormal wedi'u hadlewyrchu yng ngwerth y tir
- Economies of scale
- External site costs at 15% of Build/Plot Costs
- Abnormal costs reflected in land value



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- Safonau gofod
- Systemau Draenio Cynaliadwy
- Chwistrellwyr = £1350 fesul fflat, £1850 fesul tŷ
- Pwynt gwefru ULEV = £400
- Cyfanswm o £1750 fesul fflat a £2250 fesul tŷ
- Space standards (NDSS)
- SUDS
- Sprinklers = £1350 per flat, £1850 per house
- ULEV charging point = £400
- Total per flat £1750 and per house £2250



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## *Rwymedigaethau Adran 106 (seiliedig ar fonitro hanesyddol)*

### *S.106 Obligations (based on historic monitoring)*


Size Range	Unit No	Site Area		s.106/ dwelling
		ha	ac	
Large single	1	0.067	0.17	£10,250
Small single	1	0.040	0.10	£10,250
2 - 4 units	4	0.200	0.49	£6,500
5 - 9 units	8	0.330	0.82	£2,000
10 - 19 units	16	0.540	1.33	£2,000
20 - 50 units	34	1.000	2.47	£2,500
51 - 100 units	72	2.000	4.94	£2,500
Over 100	120	3.240	8.00	£3,000



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### Ffioedd Proffesiynol Professional Fees

- Amrywio o 4% i 8% ar gyfer dylunio - gan ddibynnu ar faint a chymhlethdod y safle
- Gan gynnwys gwarantau
- Pen uchaf yr ystod hon ar gyfer seilwaith ffisegol
- *Varying from 4% to 8% for design - depending on site size and complexity*
- *Includes warranties*
- *Upper end of this range for physical infrastructure*

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### Cyllido y Datblygiad Development Finance

- Cyfraddau benthycwyr yn amrywio (e.e. ecwiti / benthyciad i werth, ac ati)
- Gwahanol ddulliau o ariannu'r cynllun
- Cyfradd nodweddiadol "all-in" o 6% y flwyddyn. (debyd), 0.5% ar falensau credyd
- *Lenders' rates vary (e.g. equity/loan to value, etc)*
- *Different methods of financing a scheme*
- *Typical "all-in" rate of 6% p.a. (debit), 0.5% on credit balances*

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### Gwerthoedd Tir Datblygu Development Land Values

- Gwerth Defnydd Presennol + 20%? (Llawlyfr Drafft CDLI 3)
- Tystiolaeth o Werthiannau Lleol
- *Existing Use Value + 20%? (LDP Draft Manual 3)*
- *Local Sales evidence*

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### Gwerthoedd Tir Datblygu Development Land Values

- Ar hyn o bryd mae'n gweithio ar gyfartaledd o £175,000 yr erw (a gellir ei ddatblygu –net)
- Ystod o werthoedd rhwng £150,000 a £200,000 fesul erw (gan ddibynnu ar leoliad a gwerthiannau)
- *Currently working on an average £175,000 per net developable acre*
- *Range from £150k to £200k per acre (depending on location and OM sales values).*

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### Elw Datblygwyr Developer Profit Margins

- Rhaid addasu'r risg yn unol â'r farchnad
- Fel arfer 15%-20% ar werth datblygu gros ar gyfer gwerthiannau memorandwm cynnig
- 6% ar gost Tai Fforddiadwy
- Must be 'market risk adjusted'
- Typically 15% - 20% on GDV for OM sales
- 6% on cost for Affordable Housing

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### Diolch i chi am ddod Thank you for attending

Tîm Blaen-Gynllunio

Forward Planning Team

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<https://www.sirgar.llyw.cymru/cartref/gwasanaethaur-cyngor/cynllunio/cynllun-datblygu-lleol-2018-2033/#.XaYx--SQzIU>

<https://www.carmarthenshire.gov.uk/es/home/council-services/planning/local-development-plan-2018-2033/#.XaYxzuSQzIU>

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## **Stakeholder Workshop on Affordable Housing Viability**

**The Beacon, Dafen, Llanelli – 17<sup>th</sup> October 2019**

### **Attendees**

Andrew Burrows - Burrows-Hutchinson Ltd  
Ian Llewelyn – Carmarthenshire CC  
Neil Bateman Carmarthenshire CC  
Owain Enoch – Carmarthenshire CC  
Simon Clement – Carmarthenshire CC  
Andrew Vaughan Harries – Hayston Development & Planning Ltd  
Dale Bowler – W.A Bowler Ltd  
David Darkin – Darkin Architects  
Dyfan Williams – Coastal Housing group  
Dylan Roberts – Bro Myrddin HA

Liam Williams – DR Design  
Gordon Russell – Chartered Architect  
Jon Harvey – Family Housing  
Jonathan Hickin – Tai Wales & West Housing  
Kevin Matthews – Huw Griffiths Architects Limited  
Mark Stephens, Chartered Architect  
Richard Banks – JCR Planning  
Kate Harrison – Persimmon Homes West Wales  
Will Lloyd Davies – Arbenigol Property Dev. Consultants

### **Introductions**

Ian Llewelyn made introductions and welcomed everybody. Overview of plan progress to date and timeline, emphasis on consensus building and feeding in evidence.

Andrew Burrows (AB) provided an introduction and overview of the purpose of the Mid and South West Wales Viability commission. Outputs will include informing planning policy (notable contributions), Regional Database of House Prices, High-Level and Site-Specific appraisal models and the formation of a viability resource/team of assessors.

Reference to PPW ed 10 para 4.2.19 – emphasis on viability before sites are allocated/re-allocated in the Plan. Collaboration, and public confidence in the process, are important aspects.

### **Community network areas (slide 11 on handout)**

Overview provided of the 6 areas and their importance

**Q.** Are these area up for review? Can we go off average house values instead?

Llangennech and Hendy, Llansteffan and Ferryside cited as examples – different affordable housing (AH) %age requirements within close geographic areas. Cited some very local examples also – Machynys v Morfa / Seaside ? How far do we go?

**A.** The challenge we have is that these Community Network Areas are the areas used by housing dept, and are sensibly based on household income statistics, reviewed annually. CCC are open to considering a review of these – but need to maintain a consistent and robust methodology.

**Q.** Could you do it as average house value instead of community network area?

**A.** There's also variation - hotspots and low spots within each community network area; so there could be shortcomings or inequalities in any alternative approach. (Note: concern was also raised about the accuracy/application of ACGs, although it is recognised that they affect grant award to RSL's).

**Q.** Concern at what level of detail a high level approach will provide and that this work is being done a little late in the day given that deposit going to Council in November.

**A.** In tandem with the high-level work we are doing some site-specific site work. Reference was made to the experiences in Swansea. CCC will review delivery of housing (excluding RSL schemes) against the differing %age requirements for AH in different areas of the County.

### **Regional house price database tabled (slide 12 on handout)**

A large piece of work which has been done and will continue. We are looking at prices paid for new developments. Most important element of a viability appraisal is the gross development value that is likely to be achievable.

Reference was made to the range of values - even for sites quite close to each other geographically.

**Q.** These examples are fine for larger developments, typically by national housebuilders, but you won't get these prices for an 8-10 unit development. How about in Llanelli – centre v the outskirts – very different values in the centre / redevelopment as opposed to Llanelli Rural Council administrative area. More challenging in the town centres – tend to be brownfield. It is also important that we look at market demand – north / west of Carmarthen and north of Tycoes questionable. We know the settlements where houses are going to sell most quickly (X minutes/miles from M4/A48). Developments in places like Llandovery with 20-30% affordable housing contributions are not viable.

**A.** All these points understood in principle – please follow up with an email if you want/are able to provide evidence.

### **Site-specific Issues**

**Q.** Brownfield / challenging sites – will we be able to vary AH/s.106 contributions?

**A.** – Emphasis on developer to provide the information – model and training will allow us to review assessments. The Draft LDP Manual and PPW 10 dictate that our approach should be to work with site promoters to make sure all those issues are addressed at Plan-making stage.

### **Build Costs (slides 15 and 16 on handout)**

Small size of BCIS sample size noted. This is a weakness, as a large proportion of the build costs are simply not available. The data on slide 16 relates to AB's research and evidence from site-specific assessments (large and small), as BCIS data is too scant to rely on. Acknowledged by attendees that the real world costs are different to BCIS. National housebuilders, who can achieve economies of scale, don't contribute to the BCIS.

**Q.** Query raised over whether build costs on slide 16 cover design costs, gardens, services etc? Developer offered to provide his own data that would point to different figures for build costs from a local builder perspective.

**A.** The slide only covers "plot costs" (which, like BCIS, include contractor's OH&P and prelims. Other costs e.g. externals and abnormal costs, are dealt with on slide 17. SMEs are the way forward for more rural counties like Carms, where the volume builders do not

play a major role, so any evidence on build costs would be valuable, much appreciated and would be treated confidentially.

**Q.** Concern that Swansea have placed too much reliance on the nationals (strategic sites). Also please note that the build costs of nationals are lower.

**A.** – Nationals have a role to play, but CCC Revised Plan will seek to provide opportunities for SMEs too. It should be noted that CCC Revised Plan strategic sites are not purely housing, i.e. the Wellness and Life Science Village and Yr Egin – both of which have a City Deal focus.

**Q.** – Volume builders have low build costs, incentives, premiums, low land costs – for schemes under 20-25 we need help. Is 5 too low a threshold for contributions to be made?

**A.** Comments noted. Reference was made to slide 16 where proposed costs (high level) based on site types was presented. Median £965 per square metre. RSL procurement rules referred to as often leading to higher costs.

**Q.** Build costs going up and house prices not matching – especially over a long term plan up to 2033.

**A.** The plan will include monitoring and can respond. We want a Plan to get through Examination, so it must be evidence-based. Benefit of today is that you can contribute to that process – please send evidence, in confidence, which can be taken on board as appropriate in the high-level testing that is now being carried out. Also, for specific sites we want viability assessments to be produced and we will expect this. It is hoped that the MSWWR Development Viability Model will be available to site promoters soon, dependent on decisions over how best to instruct users on the workings of the Model (e.g. screencasts, workshops etc)..

From the comments that followed, it was clear that many in the private sector are keen to engage with that initiative.

### **Sprinklers & SUDs (slide 19)**

**Q.** General view that the additional cost allowed for sprinklers should be between £3,000 - £4,000 per plot (i.e. more than the figures shown on slide 19, which it was acknowledged do not include pump costs, if water pressure is inadequate).

**Q.** Need for the local authority to allow off-site SUDs so it won't affect the amount of plots that can be developed on a site, thereby making schemes more viable. However, the impact of SUDs on development density may be unavoidable on constrained sites. Example given of a recent development of 9 units in Penygroes, where commuted sum of £4,000 per plot was required to cover ongoing maintenance of SUD system.

**A.** Above points all noted, with comment that further, balanced evidence is always useful in the formulation of planning policy.

### **Section 106 obligations analysis (slide 21)**

Slide 21 is a summary of evidence drawn from agreed s.106 contributions in recent years, broken down between different site sizes/unit numbers.

**Q.** Reference was made to the capacity of applicants on smaller scale sites to challenge s106. Could s.106 contributions be based on number of units, as opposed to area. Single plots are often built by people who will occupy the house themselves. They are more likely to 'take the hit' for S.106 costs, but sometimes have to concede on other costs (e.g unfinished driveways) or sometimes they are unable finish the build because their budgets have been exceeded.

**A.** Reference was made to the Examination last time in relation to single unit contributions. CCC is aware of a perception of it being a tax. We have tried to mitigate the impact by phased payments etc. We are exploring a cut off or sliding scale based on size of the dwelling. When you pay it is important too – disposal or transfer 50%.

**Q.** We have concerns with the floorspace policy for 1 unit. We need incentives and help.

**A.** Please give us evidence. People are paying the sums required by current policy as you can see, so we need evidence.

**Q.** The reason people are paying is because they don't know how, and/or don't have the resource, to challenge. Please review where developments haven't gone forward on a geographic basis.

**Q.** Concern was also raised over geographical differences for AH policy requirements. Location has a big impact on ability to contribute to AH generally.

**A.** We will try to look at these issues, and would also welcome evidence of specific instances where this has been an issue.

### **Professional fees (slide 23)**

Cost of professional fees will be higher on small schemes, and can be more than 8%. Warranties on small sites can also cost 2% (rather than an average 1%) of construction costs.

### **Development Finance (slide 24)**

General acceptance of rate proposed, with caveat that larger schemes will usually be financed at a lower rate, and higher rates can apply in some circumstances on smaller sites. Example given of total interest and funding fees quoted by the Development Bank of Wales reaching 18.6% on a relatively small loan for 12 months. The difficulties facing smaller developers in accessing finance were also noted.

### **Development Land Values (slides 26 and 27)**

**Q** Landowners often unwilling to change their expectations on land price/value, even in the face of clear evidence of abnormal development costs, contributions etc. An unrealistic attitude/approach to such issues can be the biggest hindrance to bringing forward a development.

**A.** Dealing with this issue is one of the main purposes of the MSWWR Viability commission; and the Viability Models we now have will enable us to exclude sites that are not likely to be deliverable, for this or any other financial reason.

Reference was made to LDP Manual ed 3, with little support for a "formula" of EUV + "at least 20%". Unrealistic to expect a farmer to sell at agricultural value + 20%, although most developers would welcome lower land price expectations.

An average figure of 175k per net developable acre was considered a reasonable basis for high-level testing (general policy purposes); recognising nevertheless that values do vary above and below this figure according to location and prevailing market demand/open market sales values. It was suggested that the range could be from £80k per net acre for a brownfield site, to £350k per net acre for a clean greenfield site in one of the better value areas of the County.

There was a feeling that whatever benchmark land values are employed in high-level testing of LDP policies (for viability) should be given wider publicity amongst the landowning fraternity, so that unrealistic expectations are reduced. It was also suggested that LPA's or WG should be prepared to CPO landowners who prevent sites coming forward through unrealistic expectations on land value. Those attending were asked to provide whatever evidence they could, confidentially if necessary, to support the determination of appropriate and viable planning policies.

### **Developer Profit margins (slide 29)**

AB explained the background in Planning/Valuation Guidance Notes, as well as some Appeal decisions, for the margins shown on slide 29. There was general acceptance of these, including the fact that market competition and the degree of risk inherent in smaller schemes tends to push margins to the lower end of the range shown. However, the point was also made that margins on some small sites may need to be higher in percentage terms to achieve a figure that is in any sense worthwhile, and which will encourage SME's to progress them and to grow.

### **Other General Issues**

**Q.** Will there be flexibility to re visit an appraisal halfway through a development if circumstances change?

**A.** There will be scope to re-visit a previous viability appraisal, where there is a genuine case for doing so – but as a point of policy, WG and LPA's are trying to get away from this, because of the delays it causes, the costs, and public perception of viability being used as an easy excuse to escape financial commitments that a development ought to be able to make – or it shouldn't have been considered/accepted in the first place. This is why it is important that evidence of viability is in place at the Plan-making stage.

The workshop closed at 12.30, with some staying to continue discussions for another 30-40 minutes. All those attending were encouraged again to make further contributions by email, in confidence where necessary/appropriate; and were thanked for their contributions to the workshop too.



## APPENDIX B

### Summary of High-Level Viability Assessments

Summary of High-Level Viability Assessments

Carmarthenshire County Council - LDP Review

VIABILITY EVIDENCE - Appendix B

Size Range	Unit No	Site Area		OMV £ psm	OM Sales p.a.	AH % on site	s.106/ dwelling	Build Cost £ psm	% of Median Rate	Prof Fees %	Land Price	Land Value £/ha	Developer's Profit		Comment
		ha	ac										Target % OM GDV	Blended Margin	
Large single	1	0.067	0.17	£2,300		0.0%	£10,250	£1,250	130%	12%	£35,000	£522,388	10.0%	13.2%	s.106 cost primarily
Small single	1	0.040	0.10	£2,300		0.0%	£10,250	£1,175	122%	12%	£20,000	£500,000	10.0%	11.3%	AH commuted sum
2 - 4 units	4	0.200	0.49	£2,250	8	0.0%	£6,500	£1,110	115%	9%	£86,500	£432,500	15.0%	15.3%	for these 3 site sizes
5 - 9 units	8	0.330	0.82	£2,100	8	12.5%	£2,000	£1,060	110%	8%	£145,000	£439,394	16.0%	15.9%	
10 - 19 units	16	0.540	1.33	£2,050	16	12.5%	£2,000	£1,015	105%	7%	£233,500	£432,407	17.0%	16.3%	
20 - 50 units	34	1.000	2.47	£2,050	24	20.0%	£2,500	£965	100%	6%	£432,500	£432,500	18.0%	17.2%	
51 - 100 units	72	2.000	4.94	£2,050	30	25.0%	£2,500	£920	95%	5%	£865,000	£432,500	20.0%	18.5%	
Over 100	120	3.240	8.00	£2,050	36	25.0%	£3,000	£870	90%	4%	£1,400,000	£432,099	20.0%	18.4%	

Extra allowance for Bldg Regs/unit

**£3,500**

Median build cost **£965**

72-unit scheme run for 3 different CNA's : Llanelli (low), Gwendraeth (medium), Tywi (high)															
51 - 100 units	72	2.000	4.94	£2,050	30	<b>20.0%</b>	£2,500	£920	95%	5%	£865,000	£432,500	20.0%	18.8%	Llanelli
51 - 100 units	72	2.000	4.94	£2,050	30	<b>23.6%</b>	£2,500	£920	95%	5%	£865,000	£432,500	20.0%	18.6%	Gwendraeth
51 - 100 units	72	2.000	4.94	£2,050	30	<b>26.4%</b>	£2,500	£920	95%	5%	£865,000	£432,500	20.0%	18.2%	Tywi

Note: External costs increased to £15k/unit, 16.6% of build costs, for this site typology

s.106 contributions by Site Size		Allowance made
Large single	1	£10,250 per dwelling
Small single	1	£10,250 per dwelling
2 - 4 units	4	£6,500 per dwelling
5 - 9 units	8	£2,000 per dwelling
10 - 19 units	16	£2,000 per dwelling
20 - 50 units	34	£2,500 per dwelling
51 - 100 units	72	£2,500 per dwelling
Over 100	120	£3,000 per dwelling

**NOTES:**

Figures in red have been revisited/revised since mid-October, in part to take account of feedback from Stakeholder Workshop on 17 October. Where changes have been made that would affect previous High-Level Appraisals, those appraisals have been re-run.

## APPENDIX C

### Summary and Analysis of New House Prices

## MSWWR REGIONAL HOUSE PRICE DATABASE

SUMMARY as at September 2019

Location/Development	Postcode	CNA	N° OM		Sales		Av GIA	Avge Price	Av £psm	Max £psm	Developer
			Sales	Period	Av GIA	Avge Price					
Llwyngwern, Hendy	SA4 0AA	Am	84	12/16 - 11/18	79.5	£150,279	£1,891	£2,493			
Cefneithin, Cross Hands	SA14 7BZ	Gw	82	09/15 - 12/18	79.6	£143,936	£1,809	£2,191	Persimmon		
Cae Coch, Drefach, Cross Hands	SA14 7AL	Gw	11	07/18 - 12/18	127.4	£284,773	£2,236	£2,731	Haywood Homes		
Maes-Y-Glo etc, Llanelli	SA14 9QA	Lla	34	06/18 - 12/18	93.8	£189,810	£2,024	£2,197			
Ffordd-Y-Meillion, Llanelli	SA15 2EX	Lla	49	11/16 - 12/17	83.6	£173,782	£2,078	£2,564			
Parc-Y-Mynydd, Ammanford	SA18 3LP	Am	20	07/15 - 12/17	107.9	£212,092	£1,966	£2,623			
Maes Pedr, Carmarthen	SA31 3BR	Ta	113	09/15 - 12/18	82.3	£159,649	£1,939	£2,294	Persimmon		
Maes Lewis Morris, Llangunnor	SA31 2PL	Ta	44	12/13 - 08/18	99.9	£202,230	£2,024	£2,270	Redrow		
Parc Llwyn Celyn, St Clears	SA33 4EB	Ta	58	01/14 - 11/18	100.7	£191,098	£1,898	£2,151			
Dan-Y-Dderwen, Rhydargaeau	SA32 7DQ	Ty	4	08/17 - 10/18	225.3	£394,188	£1,750	£2,145			
			<b>499</b>								

Average values (£psm) have been highlighted in red if they exceed £2,000, and in blue if they are less than £1,500

Maximum values (£psm) have been highlighted in red if they exceed £2,200, and in blue if they are less than £1,800

September 2019

Carmarthenshire

## APPENDIX D

Council's Webpage re: Affordable Housing Values

## Section 106: Affordable homes

If you agree to provide affordable homes as part of your planning application, it will be formalised as a section 106 agreement. This will state either the percentage of affordable homes you agree to provide (outline applications) or the actual plots and house types (full or reserved matters applications).

The sale prices of these homes will be restricted both at initial sale and at all future sales, based on multiples of the gross median household income in the six community network areas of Carmarthenshire.

These figures are updated in November each year, and are currently:

Community Network	Median household income	1 bedroom apartment	2 bedroom apartment/house	3 bedroom house	4 bedroom house
Aman	£25,083	£52,806	£66,007	£79,208	£92,410
Gwendraeth	£26,549	£55,893	£69,866	£83,839	£97,813
Llanelli	£23,118	£48,669	£60,837	£73,004	£85,172
Taf Myrddin	£27,484	£57,861	£72,326	£86,791	£101,256
Teifi	£25,919	£54,567	£68,208	£81,850	£95,491
Tywi	£29,103	£61,269	£76,586	£91,904	£107,221

### Notes:

- 1) Based on household incomes data supplied by postcode by CACI Paycheck, November 2018
- 2) Based on 3 times median income plus 5% deposit for typical 3 bedroom house



### Affordable Housing (SPG)

Information relating to the LDP policies for Affordable Housing and the associated SPG.

SUPPLEMENTARY PLANNING GUIDANCE (SPG)

## APPENDIX E

### Examples of High-Level Appraisal Results

Main Inputs & Key Variables					Collect / Update GIA's and CNA values		
Unit Nos.			GIA's in m <sup>2</sup>		Overall	Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
1	0	5b9p house	153.3	153.3	100.0%	£ 1,250	£353,000
ComNtwkArea			0	100.0%			
Percentage of Affordable Homes			0.0%		OMV per m <sup>2</sup> £ 2,300 £214 psf		
Sales GIA's			OM 153.3 m <sup>2</sup>	AH 0.0 m <sup>2</sup>			
Net to gross ratio for flats			90.0%		Total Build (m <sup>2</sup> ) 153.3		
Allowance for External Site Costs			8.6% of Build Costs, or £/unit		£ 20,000		
Site/Sales Agency & Marketing Costs			1.00% of OM Sales				
Legals on all Units			£1,000 per dwelling				
AH transfer values are set by Community Network Areas, irrespective of Tenure							
Extra cost/unit (if any) for additional Building Regs requirements			£3,250				
Contingency on all construction & physical infrastructure costs			5.00%				
s.106 Obligations			£10,250 per dwelling -		or CIL psm (excl AH)		
Abnormal Site Costs (if any)			per acre				
Opening-up Costs (if any)			per acre				
Net Developable Site Area			Land Price		£35,000		
0.17 acres 0.07 hectares			£211,408 per acre		£522,388 per hectare		
Housing Density			14.9 units/hectare		and 2,288 sq.m/hectare		

High-Level Appraisal					
Gross Development Value		Units (N <sup>o</sup> )		% GDV	
Open Market Homes		1	£	352,590	
Soc. Rented Homes	50.0%	0	£	-	
Intermediate Homes	50.0%	0	£	-	
<b>Total Revenue</b>		<b>1</b>	<b>£</b>	<b>352,590</b>	<b>100.0%</b>
Land Cost/Value (incl fees)	2.50%		£	35,875	10.2%
Pre-Construction Costs	(if applicable)				
Physical Infrastructure					
Normal External Costs	£/unit	£ 20,000	£	21,000	6.0%
Abnormal Site Costs	£/unit	£ -	£	-	
Opening-up Costs	£/unit	£ -	£	-	
Professional Fees		0.00%	£	-	
Planning Obligations / CIL	£/unit	£ 10,250	£	10,250	2.9%
Housing Construction					
Building Costs	£/unit	£ 204,619	£	204,619	58.0%
Professional Fees		12.00%	£	24,554	7.0%
Sale & Marketing Costs			£	4,526	1.3%
Finance Costs					
Interest rates (p.a.)	Debit	Credit			
	6.00%	0.50%	£	5,225	1.5%
<b>Total Development Costs</b>			<b>£</b>	<b>306,049</b>	
Blended Margin on Total GDV		13.2%	<b>Profit £ 46,541</b>		
Overall Profit on Cost		15.21%	(see benchmark below)		
Target/Benchmark Profit					
based on open market sales @		10.00%	£	35,259	
and on affordable housing cost @		6.00%	£	-	
<b>Surplus/(Shortfall) on Target Profit</b>			<b>£</b>	<b>11,282</b>	<b>32.00%</b>
<b>Total Equity &amp; Borrowing (Capital Employed)</b>			<b>£</b>	<b>255,553</b>	<b>83.50%</b>

Development Programme		9 months in total	
Pre-Construction period	2 months	Estate/Mixed	
Construction period	7 months	starting in Month 3	
Sales rate (OM homes)	12 per year	Overhang months	
Sales period (OM & AH)	1 months	starting in Month 9	

**Create / Update Sensitivity Tables**

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	50.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)



Main Inputs & Key Variables				Collect / Update GIA's and CNA values			
Unit Nos.		GIA's in m <sup>2</sup>		Overall	Build	Approx.	
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
1	0	3b5p house	94.0	94.0	100.0%	£ 1,175	£216,000
1		0	ComNtwkArea		0	100.0%	
<b>Percentage of Affordable Homes</b>			0.0%		<b>OMV per m<sup>2</sup></b> £ 2,300 £214 psf		
<b>Sales GIA's</b>		OM	94.0 m <sup>2</sup>	AH	0.0 m <sup>2</sup>		
<b>Net to gross ratio for flats</b>			90.0%		<b>Total Build (m<sup>2</sup>)</b> 94.0		
<b>Allowance for External Site Costs</b>			8.6%		of Build Costs, or £/unit £ 20,000		
<b>Site/Sales Agency &amp; Marketing Costs</b>			1.00%		of OM Sales		
<b>Legals on all Units</b>			£1,000 per dwelling				
<b>AH transfer values are set by Community Network Areas, irrespective of Tenure</b>							
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>			£3,250				
<b>Contingency on all construction &amp; physical infrastructure costs</b>			5.00%				
<b>s.106 Obligations</b>			£10,250 per dwelling -		or CIL psm (excl AH)		
<b>Abnormal Site Costs (if any)</b>			per acre				
<b>Opening-up Costs (if any)</b>			per acre				
<b>Net Developable Site Area</b>			Land Price		£20,000		
0.10 acres		0.04 hectares		£202,347 per acre		£500,000 per hectare	
Housing Density		25.0 units/hectare		and		2,350 sq.m/hectare	

High-Level Appraisal				
Gross Development Value	Units (N <sup>o</sup> )			% GDV
Open Market Homes	1	£	216,200	
Soc. Rented Homes	50.0%	0	£	-
Intermediate Homes	50.0%	0	£	-
<b>Total Revenue</b>	<b>1</b>	<b>£</b>	<b>216,200</b>	<b>100.0%</b>
Land Cost/Value (incl fees)	2.50%	£	20,500	9.5%
Pre-Construction Costs	(if applicable)			
<b>Physical Infrastructure</b>				
Normal External Costs	£/unit	£ 20,000	£ 21,000	9.7%
Abnormal Site Costs	£/unit	£ -	£ -	
Opening-up Costs	£/unit	£ -	£ -	
Professional Fees	0.00%	£	-	
Planning Obligations / CIL	£/unit	£ 10,250	£ 10,250	4.7%
<b>Housing Construction</b>				
Building Costs	£/unit	£ 119,385	£ 119,385	55.2%
Professional Fees	12.00%	£	14,326	6.6%
Sale & Marketing Costs		£	3,162	1.5%
<b>Finance Costs</b>				
Interest rates (p.a.)	Debit	Credit		
	6.00%	0.50%	£ 3,164	1.5%
<b>Total Development Costs</b>			<b>£ 191,788</b>	
Blended Margin on Total GDV	11.3%	<b>Profit</b>		<b>£ 24,412</b>
Overall Profit on Cost	12.73%	(see benchmark below)		
<b>Target/Benchmark Profit</b>				
		£	21,620	
based on open market sales @	10.00%	£	21,620	
and on affordable housing cost @	6.00%	£	-	
<b>Surplus/(Shortfall) on Target Profit</b>			<b>£ 2,792 12.92%</b>	
<b>Total Equity &amp; Borrowing (Capital Employed)</b>			<b>£ 156,284 81.49%</b>	

Development Programme		9 months in total
Pre-Construction period	2 months	Estate/Mixed
Construction period	7 months	starting in Month 3
Sales rate (OM homes)	12 per year	Overhang months
Sales period (OM & AH)	1 months	starting in Month 9

**Create / Update Sensitivity Tables**

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	50.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)

Main Inputs & Key Variables						Collect / Update GIA's and CNA values	
Unit Nos.		GIA's in m <sup>2</sup>		Overall	Build	Approx.	
OM	AH	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV	
4	3b5p house	94.0	94.0	100.0%	£ 1,110	£212,000	
4	0	ComNtwkArea 0		100.0%			
<b>Percentage of Affordable Homes</b>		<b>0.0%</b>		<b>OMV per m<sup>2</sup></b>	<b>£ 2,250</b>	£209 psf	
<b>Sales GIA's</b>		<b>OM 376.0 m<sup>2</sup></b>	<b>AH 0.0 m<sup>2</sup></b>				
<b>Net to gross ratio for flats</b>		<b>90.0%</b>		<b>Total Build (m<sup>2</sup>)</b>	<b>376.0</b>		
<b>Allowance for External Site Costs</b>		<b>15.0%</b>		of Build Costs, or £/unit			
<b>Site/Sales Agency &amp; Marketing Costs</b>		<b>2.50%</b>		of OM Sales			
<b>Legals on all Units</b>		<b>£600</b> per dwelling					
<b>AH transfer values are set by Community Network Areas, irrespective of Tenure</b>							
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>		<b>£3,500</b>					
<b>Contingency on all construction &amp; physical infrastructure costs</b>		<b>5.00%</b>					
<b>s.106 Obligations</b>		<b>£6,500</b>		per dwelling - or CIL psm (excl AH)			
<b>Abnormal Site Costs (if any)</b>		per acre					
<b>Opening-up Costs (if any)</b>		per acre					
<b>Net Developable Site Area</b>		<b>Land Price</b>		<b>£86,500</b>			
<b>0.49</b> acres		<b>0.20</b> hectares		£175,030 per acre £432,500 per hectare			
Housing Density		20.0 units/hectare		and 1,880 sq.m/hectare			

High-Level Appraisal					
Gross Development Value		Units (N <sup>o</sup> )		% GDV	
Open Market Homes		4	£	846,000	
Soc. Rented Homes	50.0%	0	£	-	
Intermediate Homes	50.0%	0	£	-	
<b>Total Revenue</b>		<b>4</b>	<b>£</b>	<b>846,000</b>	<b>100.0%</b>
Land Cost incl LTT & fees @	<b>1.50%</b>		£	87,798	10.4%
Pre-Construction Costs	(if applicable)				
Physical Infrastructure					
Normal External Costs	£/unit	£ 16,176	£	67,939	8.0%
Abnormal Site Costs	£/unit	£ -	£	-	
Opening-up Costs	£/unit	£ -	£	-	
Professional Fees		<b>9.00%</b>	£	6,115	0.7%
Planning Obligations / CIL	£/unit	£ 6,500	£	26,000	3.1%
Housing Construction					
Building Costs	£/unit	£ 113,232	£	452,928	53.5%
Professional Fees		<b>9.00%</b>	£	40,764	4.8%
Sale & Marketing Costs			£	23,550	2.8%
Finance Costs					
Interest rates (p.a.)	Debit	Credit			
	<b>6.00%</b>	<b>0.50%</b>	£	11,881	1.4%
<b>Total Development Costs</b>			<b>£</b>	<b>716,974</b>	
Blended Margin on Total GDV	<b>15.3%</b>	<b>Profit</b>		<b>£ 129,026</b>	
Overall Profit on Cost	<b>18.00%</b>	(see benchmark below)			
<b>Target/Benchmark Profit</b>					
			£	<b>126,900</b>	
based on open market sales @	<b>15.00%</b>		£	126,900	
and on affordable housing cost @	<b>6.00%</b>		£	-	
<b>Surplus/(Shortfall) on Target Profit</b>			<b>£</b>	<b>2,126</b>	<b>1.68%</b>
<b>Total Equity &amp; Borrowing (Capital Employed)</b>			<b>£</b>	<b>380,253</b>	<b>53.04%</b>

Development Programme		14 months in total	
Pre-Construction period	<b>2</b> months	<b>Estate/Mixed</b>	
Construction period	12 months	starting in Month 3	
Sales rate (OM homes)	<b>8</b> per year	Overhang <b>0</b> months	
Sales period (OM & AH)	6 months	starting in Month <b>9</b>	

**Create / Update Sensitivity Tables**

Sensitivity	
House Price Factor	<b>100.00%</b> (open market sales only)
Proportion of Social Rent	<b>50.00%</b> (affordable housing)
Construction Cost Factor	<b>100.00%</b> (housing & physical infrastructure)
Land Value/Price	<b>100.00%</b> (land value & associated costs)

Main Inputs & Key Variables				Collect / Update GIA's and CNA values			
Unit Nos.		GIA's in m <sup>2</sup>		Overall	Build	Approx.	
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
5	4	2b4p house	83.0	83.0	26.5%	£ 965	£170,000
5	2	3b4p house	88.0	88.0	20.6%	£ 965	£180,000
4		3b5p house	94.0	94.0	11.8%	£ 965	£193,000
14		4b6p house	110.0	110.0	41.2%	£ 965	£226,000
<u>28</u>		<u>6</u>	<u>ComNtwkArea</u>		<u>3</u>	<u>100.0%</u>	

<b>Percentage of Affordable Homes</b>	<b>17.6%</b>	<b>OMV per m<sup>2</sup></b>	<b>£ 2,050</b>	£190 psf
<b>Sales GIA's</b>	<b>OM 2,771.0 m<sup>2</sup></b>	<b>AH 508.0 m<sup>2</sup></b>		
<b>Net to gross ratio for flats</b>	<b>90.0%</b>	<b>Total Build (m<sup>2</sup>)</b>	<b>3,279.0</b>	
<b>Allowance for External Site Costs</b>	<b>15.0%</b>	of Build Costs, or £/unit		
<b>Site/Sales Agency &amp; Marketing Costs</b>	<b>2.50%</b> of OM Sales			
<b>Legals on all Units</b>	<b>£600</b> per dwelling			
<b>AH transfer values are set by Community Network Areas, irrespective of Tenure</b>				
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>	<b>£3,500</b>			
<b>Contingency on all construction &amp; physical infrastructure costs</b>	<b>5.00%</b>			
<b>s.106 Obligations</b>	<b>£2,500</b>	per dwelling -	<b>or CIL</b>	psm (excl AH)
<b>Abnormal Site Costs (if any)</b>	per acre			
<b>Opening-up Costs (if any)</b>	per acre			
<b>Net Developable Site Area</b>	<b>Land Price</b>	<b>£432,500</b>		
<b>2.47</b> acres	<b>1.00</b> hectares	£175,030 per acre	£432,500 per hectare	
<b>Housing Density</b>	<b>34.0 units/hectare</b>	and	<b>3,279 sq.m/hectare</b>	

High-Level Appraisal				
Gross Development Value	Units (N <sup>o</sup> )	% GDV		
Open Market Homes	28	£	5,680,550	
Soc. Rented Homes	50.0%	3	£	194,678
Intermediate Homes	50.0%	3	£	194,678
<b>Total Revenue</b>	<b>34</b>	<b>£</b>	<b>6,069,906</b>	<b>100.0%</b>
Land Cost incl LTT & fees @	<b>1.50%</b>	£	449,113	7.4%
Pre-Construction Costs	(if applicable)			
Physical Infrastructure				
Normal External Costs	£/unit	£	14,485	£ 517,110 8.5%
Abnormal Site Costs	£/unit	£	-	£ -
Opening-up Costs	£/unit	£	-	£ -
Professional Fees		<b>6.00%</b>	£	31,027 0.5%
Planning Obligations / CIL	£/unit	£	2,500	£ 85,000 1.4%
Housing Construction				
Building Costs	£/unit	£	101,394	£ 3,447,397 56.8%
Professional Fees		<b>6.00%</b>	£	206,844 3.4%
Sale & Marketing Costs			£	162,414 2.7%
Finance Costs		Debit	Credit	
Interest rates (p.a.)		<b>6.00%</b>	<b>0.50%</b>	£ 89,124 1.5%
<b>Total Development Costs</b>			<b>£</b>	<b>4,988,027</b>
Blended Margin on Total GDV	<b>17.8%</b>	<b>Profit</b>	<b>£ 1,081,879</b>	
Overall Profit on Cost	<b>21.69%</b>	(see benchmark below)		
		<b>Target/Benchmark Profit</b>	<b>£ 1,045,860</b>	
		based on open market sales @	<b>18.00%</b>	£ 1,022,499
		and on affordable housing cost @	<b>6.00%</b>	£ 23,361
		<b>Surplus/(Shortfall) on Target Profit</b>	<b>£</b>	<b>36,019 3.44%</b>
<b>Total Equity &amp; Borrowing (Capital Employed)</b>		<b>£</b>	<b>1,895,243</b>	<b>38.00%</b>

Development Programme	23 months in total	
Pre-Construction period	<b>3</b> months	<b>Estate/Mixed</b>
Construction period	18 months	starting in Month 4
Sales rate (OM homes)	<b>24</b> per year	Overhang <b>2</b> months
Sales period (OM & AH)	14 months	starting in Month <b>10</b>

**Create / Update Sensitivity Tables**

Sensitivity	
House Price Factor	<b>100.00%</b> (open market sales only)
Proportion of Social Rent	<b>50.00%</b> (affordable housing)
Construction Cost Factor	<b>100.00%</b> (housing & physical infrastructure)
Land Value/Price	<b>100.00%</b> (land value & associated costs)

Main Inputs & Key Variables				Collect / Update GIA's and CNA values			
Unit Nos.		GIA's in m <sup>2</sup>		Overall	Build	Approx.	
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m <sup>2</sup>	OMV
6	10	2b4p house	83.0	83.0	22.2%	£ 920	£170,000
9	9	3b4p house	88.0	88.0	25.0%	£ 920	£180,000
18		3b5p house	94.0	94.0	25.0%	£ 920	£193,000
20		4b6p house	110.0	110.0	27.8%	£ 920	£226,000
<u>53</u>		<u>19</u>	<u>ComNtwkArea</u>		<u>6</u>	<u>100.0%</u>	

<b>Percentage of Affordable Homes</b>	<b>26.4%</b>	<b>OMV per m<sup>2</sup></b>	<b>£ 2,050</b>	£190 psf
<b>Sales GIA's</b>	<b>OM 5,182.0 m<sup>2</sup></b>	<b>AH 1,622.0 m<sup>2</sup></b>		
<b>Net to gross ratio for flats</b>	<b>90.0%</b>	<b>Total Build (m<sup>2</sup>)</b>	<b>6,804.0</b>	
<b>Allowance for External Site Costs</b>	<b>16.6%</b>	of Build Costs, or £/unit	<b>£ 15,000</b>	
<b>Site/Sales Agency &amp; Marketing Costs</b>	<b>3.00%</b> of OM Sales			
<b>Legals on all Units</b>	<b>£600</b> per dwelling			
<b>AH transfer values are set by Community Network Areas, irrespective of Tenure</b>				
<b>Extra cost/unit (if any) for additional Building Regs requirements</b>	<b>£3,500</b>			
<b>Contingency on all construction &amp; physical infrastructure costs</b>	<b>5.00%</b>			
<b>s.106 Obligations</b>	<b>£2,500</b>	per dwelling -	<b>or CIL</b>	psm (excl AH)
<b>Abnormal Site Costs (if any)</b>				per acre
<b>Opening-up Costs (if any)</b>				per acre
<b>Net Developable Site Area</b>	<b>4.94</b>	acres	<b>2.00</b>	hectares
			<b>£175,030</b>	per acre
				<b>£432,500</b> per hectare
<b>Housing Density</b>	<b>36.0 units/hectare</b>		<b>and 3,402 sq.m/hectare</b>	

High-Level Appraisal				
Gross Development Value	Units (N <sup>o</sup> )			% GDV
Open Market Homes	53	£	10,623,100	
Soc. Rented Homes	50.0%	10	£ 796,498	
Intermediate Homes	50.0%	9	£ 796,498	
<b>Total Revenue</b>	<b>72</b>	<b>£</b>	<b>12,216,096</b>	<b>100.0%</b>
Land Cost incl LTT & fees @	<b>1.50%</b>		£ 909,725	7.4%
Pre-Construction Costs	(if applicable)			
Physical Infrastructure				
Normal External Costs	£/unit	£ 15,000	£ 1,134,000	9.3%
Abnormal Site Costs	£/unit	£ -	£ -	
Opening-up Costs	£/unit	£ -	£ -	
Professional Fees		<b>5.00%</b>	£ 56,700	0.5%
Planning Obligations / CIL	£/unit	£ 2,500	£ 180,000	1.5%
Housing Construction				
Building Costs	£/unit	£ 94,962	£ 6,837,264	56.0%
Professional Fees		<b>5.00%</b>	£ 341,863	2.8%
Sale & Marketing Costs			£ 361,893	3.0%
Finance Costs		Debit	Credit	
Interest rates (p.a.)		<b>6.00%</b>	<b>0.50%</b>	
			£ 168,146	1.4%
<b>Total Development Costs</b>			<b>£ 9,989,591</b>	
Blended Margin on Total GDV	<b>18.2%</b>	<b>Profit</b>	<b>£ 2,226,505</b>	
Overall Profit on Cost	<b>22.29%</b>	(see benchmark below)		
		<b>Target/Benchmark Profit</b>	<b>£ 2,220,200</b>	
		based on open market sales @	<b>20.00%</b>	£ 2,124,620
		and on affordable housing cost @	<b>6.00%</b>	£ 95,580
		<b>Surplus/(Shortfall) on Target Profit</b>	<b>£ 6,305</b>	<b>0.28%</b>
<b>Total Equity &amp; Borrowing (Capital Employed)</b>		<b>£</b>	<b>2,995,697</b>	<b>29.99%</b>

Development Programme	30 months in total	
Pre-Construction period	<b>3</b> months	<b>Estate/Mixed</b>
Construction period	25 months	starting in Month 4
Sales rate (OM homes)	<b>30</b> per year	Overhang <b>2</b> months
Sales period (OM & AH)	21 months	starting in Month <b>10</b>

**Create / Update Sensitivity Tables**

Sensitivity		
House Price Factor	<b>100.00%</b>	(open market sales only)
Proportion of Social Rent	<b>50.00%</b>	(affordable housing)
Construction Cost Factor	<b>100.00%</b>	(housing & physical infrastructure)
Land Value/Price	<b>100.00%</b>	(land value & associated costs)