**Exercise 1 -** Familiarisation with model

Take the model and set it up for the following scheme.

Use values and costs from a specific area on the data sheet.

Set up the model for the following scheme:

Units 25

Affordable Housing 30%

SHMA indicates need for larger market units and smaller affordable units

Gross Area 1.2ha

Net Area 0.85ha (30% openspace)

Building Standards No additional environmental standards.

Infrastructure CIL £40/m2 plus £2300 per unit

Developers Profit 20% GDV

**Residual Valuation – Exercise 2**

Familiarisation with model / Development Management

Stingy Builders Ltd have submitted a planning application as say that it is not possible to meet the affordable housing target. They have submitted a very complicated and detailed viability appraisal however are unwilling to discuss it – saying ‘*it is all there, turn us down and we will appeal*!’

Please open a fresh copy of the model – as sent out.

The site is 4.75ha and the scheme is for:

|  |  |  |  |
| --- | --- | --- | --- |
| **Market** | Beds |  |  |
| Terrace | 2 | 5% | 3 |
|   | 3 | 10% | 6 |
|  |  |  |  |
| Semi | 2 | 10% | 6 |
|   | 3 | 10% | 6 |
| Det | 3 | 25% | 15 |
|   | 4 | 25% | 15 |
|   | 5 | 15% | 9 |
|   |  | **100%** | 60 |
| **Affordable** |  |  |   |
| Flat | 1 | 20% | 8 |
|   | 2 | 25% | 10 |
| Terrace | 2 | 20% | 8 |
|   | 3 | 25% | 10 |
|  Semi | 3 | 10% | 4 |
|   |  | **100%** | 40 |
|   |   |   | **100** |

The developer says that there are site abnormal costs of £1,000,000. The policy requirement is for 40% affordable, subject to viability testing. In addition you have a CIL of £75/m2 and there are site specific s106 requirements of £3000 per unit.

Affordable housing is as Affordable Rent is worth £1100/m2

1. Insert the site details in ‘Site Make Up’.
2. Check BCIS prices are locally correct.
3. Go to the FULL RV sheet and work through the grey boxes.
4. Ensure the phasing is correct
5. Run the macro

**BASE RESIDUAL VALUE £……………………………….**

Is the site viable?

Try altering the affordable amount and/or values, profit and land value

**Residual Valuation – Exercise 2. Based on the HDH Single Site Viability Model**

Please open the model used in Exercise 2

Check Shared Ownership 0%

Affordable Rent 0%

Alternative Use Value £25,000

Uplift 20% + £400,000

CFSH £0

Over extra 1 £0

Infrastructure 15%

Make locally appropriate. Adjust BCIS and Price from sheet

1. **BASE RESIDUAL VALUE – THE STARTING POINT = £……………………………….**

How does this relate to others on your table?

Add in Affordable Housing requirement, 10% Shared Ownership and 25% Affordable Rent

1. **RESIDUAL VALUE – with affordable = £……………………………….**

Add in £45/m2 CfSH4

1. **RESIDUAL VALUE – with affordable and CfSH4 = £……………………………….**

Good news a housing boom – increase prices by 10%

1. **RESIDUAL VALUE – with affordable and CfSH4. PRICES PLUS 10%= £…………..**

Global Warming caused by boom – all build to CfSH6 – increase CfSH to £350/m2

1. **RESIDUAL VALUE – with affordable and CfSH6. PRICES PLUS 10%= £…………..**

False alarm – adjust CfSH back to £50.m2

And finally your members want to know what the maximum affordable ask could be. Change Shared ownership to 0% and adjust the Affordable Rent up in 5% steps until the Residual value falls below the viability threshold:

Affordable Rent Residual Value

0% £

5% £

10% £

15% £

20% £

25% £

30% £

35% £

40% £

45% £

50% £

Aspirational Homes Ltd

Building The home that never quite lives up to expectations

Flash Lane

Old Town

Poshshire

Miss Planner

Naive District Council

Civic Centre

Slightly Down at Heel

Notsoposhshire

Yesterday

Dear Miss Planner

**Long Road**

I enjoyed meeting you last week and have since taken advice from my friend, Mr Shifty at Tame Surveyors who are a well known local firm. They, like me disagree with your contention that this site is capable of bearing any affordable housing – let alone your policy requirement of 30%. I have been in the building business for nearly a year now and the fact that I drive a Range Rover is clear evidence that I, and my friend Mr Shifty know this market.

I am afraid that your reference to the fact that the Local Plan and the policies in it has been through an examination just reinforces your misunderstanding of the situation. The Inspector was not a builder so could not possibly be expected to understand the workings of this business and when a site is viable and when not. Your reference to this and that is just a smoke screen and evidence shows that I am right. As I said (more than once) I am a builder, I know this business. Further, that nice Mr Boles wants houses built and we want to help him do that.

Mr Shifty has prepared the attached development appraisal for me. It is quite clear that whilst this shows that we can just about make this work, if we cut our profit to a very modest 30% profit (bearing in mind the difficult market in Notsoposhire). In spite of not making a profit we would build this site out if you granted consent without affordable housing.

I have thought about your idea of putting more houses on the site and making them smaller. I do not like this idea, clearly everybody would like a decent garden and at least one double garage.

I have instructed Mr Shifty not to include CIL and this is clearly not affordable at your rate of £50/m2.

We value the site for £2,000,000 . Your contention that this is too much is ridiculous. This is what we paid for it in 2006 and it is well known land prices have increased since then.

I hope that when you reply you will avoid using words like ‘competitive return’ and willing land owner. These are meaningless words. Profit is profit and that is why we build houses.

Yours sincerely

R Builder TW

PS Slick and Efficient District Council told me that The Planning Advisory Service have some excellent viability training, may I suggest you attend one of their courses before responding.

