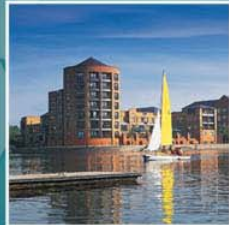
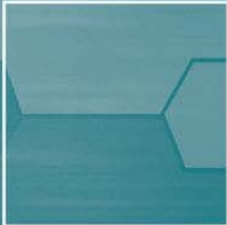


Birmingham City Council

Affordable Housing Viability Study

Final Report

29 October 2010



Entec

Creating the environment for business

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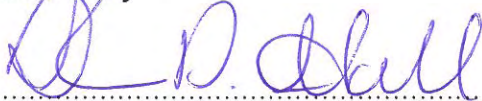
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Birmingham City Council

Affordable Housing Viability Study

Final Report

29 October 2010

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1. Introduction

1.1 Context to the Study

As part of developing the Local Development Framework, Birmingham City Council (the Council) is preparing its Core Strategy Development Plan Document (DPD), (hereafter referred to as the core strategy) to cover the period up to 2026.

The Council has commissioned this study to inform its approach providing affordable housing through the planning system against the concerns of Planning Policy Statement 3: Housing (PPS3)¹ and its accompanying document Delivering Affordable Housing. PPS3 stipulates that LDFs should set a plan wide target for the amount of affordable housing to be provided and that this target should reflect an assessment of the likely economic viability of land for housing in the plan area – an issue that is clearly paramount in the current economic downturn.

The study does not make policy. It is a technical report that focuses upon affordable housing as the main policy cost facing residential development and seeks to provide evidence so that the financial implications of affordable housing provision are understood in the framing of policy and in the Council's approach to balancing other requirements. The Council already arbitrates between affordable housing and other area and site specific needs in framing s.106 agreements also taking into account the need to accommodate abnormal costs such as demolition and remediation of land.

Although the study is based at a specific point in July 2009 it is not simply a snapshot assessment. It also identifies the economic conditions that apply over the lifetime of the core strategy and how their implications for the viability of affordable housing. This includes not only projected increases in house prices over a low point in the market but also those in costs expected in response to national policy to address climate change – the most obvious of these being the progressive implementation of the Code for Sustainable Homes (hereafter referred to as the "Code") up to 2016.

1.2 Objectives

The overarching objective of this study is to provide evidence to facilitate the framing of the Council's affordable housing policy. The mechanism by which this objective is met is through a residual valuation assessment of the residual values (the 'gap' between development revenues and costs) on comparable sites under comparable

¹ Paragraph 29, PPS3



assumptions across the City's housing markets as clearly the nature of development, house prices and development costs will vary with location.

The report is structured as follows:

- Section 2 reviews evidence for the demand for affordable housing;
- Sections 3 introduces the Three Dragons Development Appraisal Toolkit (DAT) and the residual valuation approach that forms the basis of the study methodology;
- Sections 4 to 6 address the methodology and provide evidence on the factors that influence development economics and how these vary across the City. Included is a review of economic predictions to inform potential recovery scenarios from the current low point in the market;
- Sections 7 and 8 address the study findings;
- Conclusions and recommendations are at Section 9.



2. The Demand for Affordable Housing

2.1 Regional Spatial Strategy

2.1.1 Status

The government revoked the Regional Spatial Strategy (RSSs) on 6th July 2010 although its provisions may still carry weight as a material consideration. Nevertheless the evidence compiled to support the extant RSS and the now abandoned Phase 2 Review includes evidence of which it is important to take account.

2.1.2 Evidence to the RSS Review

The extant RSS for the West Midlands was adopted in January 2008. It states that across the Metropolitan Urban Areas (including Birmingham) there is “poor quality and lack of choice” in affordable housing. Policy CF5 sought to address this by specifying an annual target of 6,000-6,500 affordable dwellings region-wide up to 2011. In addition, it also stated that authorities should consider whether local circumstances, in respect of the affordability gap and the likely viability of developments, suggested a need to seek an affordable element on sites below the threshold set out in national guidance (i.e. on developments of less than 15 houses).

Based upon the presented evidence, the Panel Report to the Phase 2 revision recommended significantly higher figures representing a very significant increase over the previous target. The Panel prescribed a regional target of 35% net (previously it was gross) provision which equates to 139,300 additional dwellings by 2026. The Panel also indicated that in the C1 Housing Market Area, of which Birmingham is part, that this target should be higher still.

The Panel also directed that sub-regional housing market assessments and other studies be kept up-to-date to help determine gaps in provision and the methods (varying proportion, type, tenure and size) by which provision can be made. As well as through new build, opportunities should also be sought within existing housing stock to help the creation of mixed communities.

2.2 Provision, Assessments and Strategies

In 2004/5 there were only 2,925 affordable completions against the West Midlands Regional Housing Strategy (WMRHS) annual target of 6,000 – 6,500. According to the RSS Annual Monitoring Report (AMR), this rose to



3,968 in 2006/7. A significant proportion of this provision has been met within Birmingham. Table 2.1 summarises completions between 2001 and 2009 from all sources

Table 2.1 Birmingham Affordable Housing Completions 2001-2009 (Gross)

Year	Low Cost Market	Social Rent	Shared Ownership	RSL Development & Other	Total Affordable Completions
2001-2002	51	57	44	364	516
2002-2003	30	72	39	434	575
2003-2004	16	22	37	703	778
2004-2005	64	120	134	414	732
2005-2006	136	60	158	718	1,072
2006-2007	110	51	60	462	683
2007-2008	73	67	74	615	829
2008-2009	62	90	74	574	800
TOTAL	542	539	620	4,284	5,985

Source: BLADES (Birmingham Land Availability and Development Enquiry Service), Birmingham CC

However the provision of 800 completions in 2008/9 needs to be seen in context of the Council's own 2007 Strategic Housing Market Assessment (SHMA) which states that in 2007, there were 20,444 pending applications to the housing list with a further 8,970 waiting to be transferred. Table 2.2 sets out the RSS's assessment of the gross need by type and size over the next five years which places the City's own requirements in context.

Table 2.2 5 Year Gross Housing Need by Housing Type and Size

Housing Need	Type of Affordable Housing		Totals	
	Intermediate Housing	Social Rented	Total	%
1 bedroom	4,690	5,496	10,186	17%
2 bedrooms	13,501	5,534	19,035	33%
3 bedrooms	6,780	3,163	9,943	17%
4+ bedrooms	11,873	7,535	19,408	33%
TOTAL	36,844	21,728	58,572	100%

Source: Birmingham Strategic Housing Market Assessment 2007



At regional level, a 2007/8 SHMA makes the following recommendations for policy in the C1 Housing Market Area which includes Birmingham:

- As the housing needs model implies affordable housing targets of up to 100%, current policies are justified and revisions that maximise supply should be taken as long as this does not impede viability and therefore, supply;
- As a minimum, affordable housing is required on housing sites with 15 or more dwellings or greater than 0.5ha in area. The evidence would support consideration of lower thresholds and higher housing targets than those in PPS3;
- As well as a strong need for smaller unit and for two and three bed properties in most area, there is, in particular, a demonstrable need for four bed properties in Birmingham.

2.3 Birmingham's Established Approach

All the above evidence implies an upward revision in the Council's 35% requirement in Policy 5.37 of its adopted UDP. Notwithstanding this, it is the Council's intention to continue to apply a flexible approach to any target. The Council has always sought to encourage development and has reduced or waived affordable provision where demonstrated that the site would not otherwise be viable. This fundamental approach will remain.





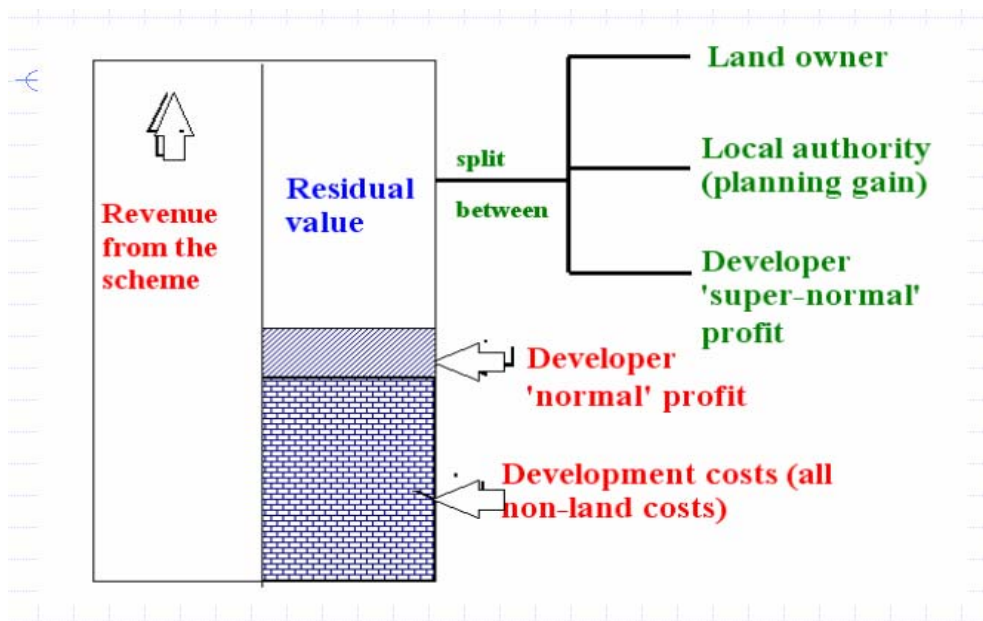
3. Overview of Methodology

3.1 Approach to Assessing Viability

Site viability is evaluated through application of the Three Dragons DAT which provides a residual valuation taking into account site specific factors. It allows the testing of different types and amounts of planning obligation and, in particular, the amount and mix of affordable housing. Assumptions, including house prices, housing delivery grant, density and build costs, can be altered to compare the results that these generate.

For a given set of assumptions, the main output of the DAT is the residual site value (R^S) which is that available to be shared between the developer and the landowner taking into account the potential revenue from a site (R^V) with the potential costs of development (NLC). **Plate 3.1** shows graphically this basic relationship $R^S = R^V - NLC$

Plate 3.1 Derivation of Residual Site Value



It is stressed that the evaluations cannot indicate whether a site will come forward. They do however show that the site offers sufficient returns to both landowner and developer to be viable should it do so.



3.2 The Elements that Impact upon Viability

First and foremost, the study produces assessments that, first and foremost, focus upon the impact of affordable housing. These ‘baseline’ assessments specify the effect of affordable housing upon viability should it be the prime policy objective without other potential issues or contributions being addressed. The left hand side of Table 3.1 specifies the factors included in these assessments.

The right hand side of Table 3.1 sets out other factors that are excluded from the ‘baseline’ assessments as they are site specific as they depend upon either site conditions (contamination), the adequacy of local infrastructure (school capacity) or timing (the stages in implementation of the Code). It is acknowledged that each of these can have a significant influence upon viability but can be taken into account as part of a flexible approach to securing developer contributions where they apply.

Table 3.1 Schedule of Revenue and Cost Influences on Viability

Revenue Items	Cost Items	Abnormal and Policy Costs	
House Prices (Area)	Base Development Costs	Code for Sustainable Homes Level	
Dwelling Mix	Overhead Costs	<u>Abnormal Site Costs</u>	<u>Other Contributions</u>
Rental Values	Affordable Proportion & Tenure	<ul style="list-style-type: none"> Flood Resilience 	<ul style="list-style-type: none"> Utilities
Level of Housing Grant		<ul style="list-style-type: none"> Contamination Demolition & Clearance 	<ul style="list-style-type: none"> Highways Social (Education / Leisure etc)

3.3 Stages to the Methodology

This methodology is summarised in **Figure 3.1**. Briefly this comprises the following stages:

Base upon an analysis of house prices, **Section 4** comprises an analysis of the existing housing market to identify and stratify the city into distinct housing sub-markets that will form the geographical basis for the assessments;

Section 5 compiles the majority of the evidence used by the DAT in respect of the common revenue and costs assumptions used by in the DAT ‘baseline’ assessments. This not only includes data on housing markets and house prices, basic build costs and generic overhead costs but also the sources of evidence for abnormal costs (e.g. contamination and flood risk) and future policy costs (e.g. the Code).



Section 6 summarises recent trends in house prices, land values and economic predictions to inform potential recovery scenarios from the current low point in the market;

Section 7 sets out Baseline Assessments of residual values that can be achieved across the City incorporating the impact of a range of affordable housing requirements. The views of stakeholders on these findings and the assumptions upon which they depend are at **Section 8**; and

Section 9 applies modelling of economic growth scenarios to these Baseline Assessments to evaluate potential over the period to 2026 and to anticipate policy costs associated with developer obligations and the phased introduction of the Code;

Section 10 considers the potential of small sites that do not current fall within the scope of the Council's current policy;

Findings and conclusions are at **Section 11**.

3.4 Sources of Evidence

The assumptions that have been incorporated into the DAT have been drawn from a combination of the following sources:

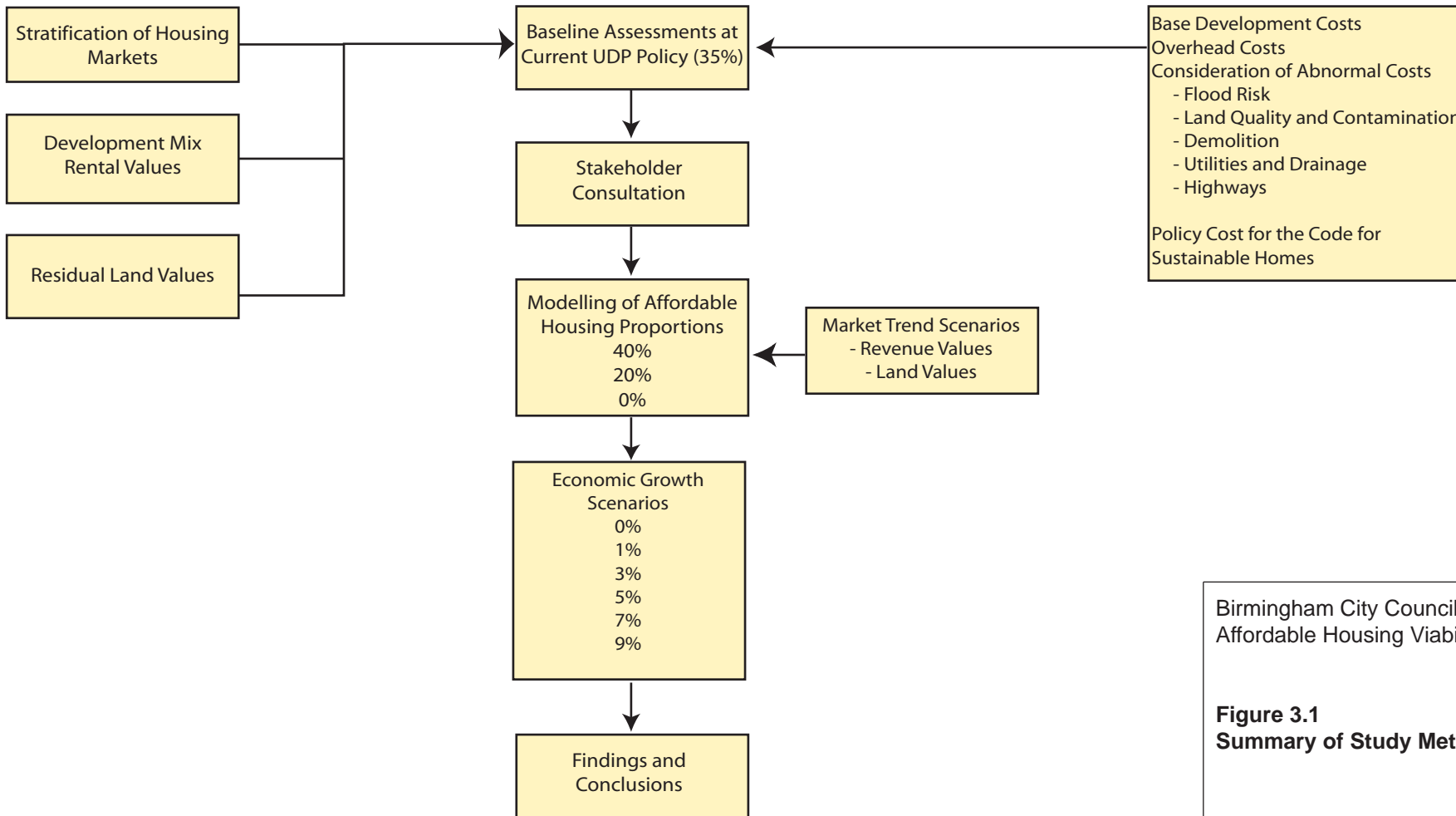
- Publicly available data drawn from for instance the Office for National Statistics (ONS), the HM Land Registry (HMLR) and the Valuation Office Agency (VOA) and the Royal Institute of Chartered Surveyors (RICS);
- The application of standard industry assumptions in respect of overhead and developer margins;
- Technical notes and best practice guidance produced by a number of bodies that give the best informed information in relation to abnormal costs (e.g. flood resilience) and infrastructure provision (e.g. DfEE school place costs). These are validated against real site development examples where possible;
- Locally available evidence on the requirement and costs of other required infrastructure (e.g. highways).





REVENUES

COSTS



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Figure 3.1
Summary of Study Methodology

4. A Stratification of Housing Markets

The main determinant of development revenues is prevailing house prices and how these vary spatially.

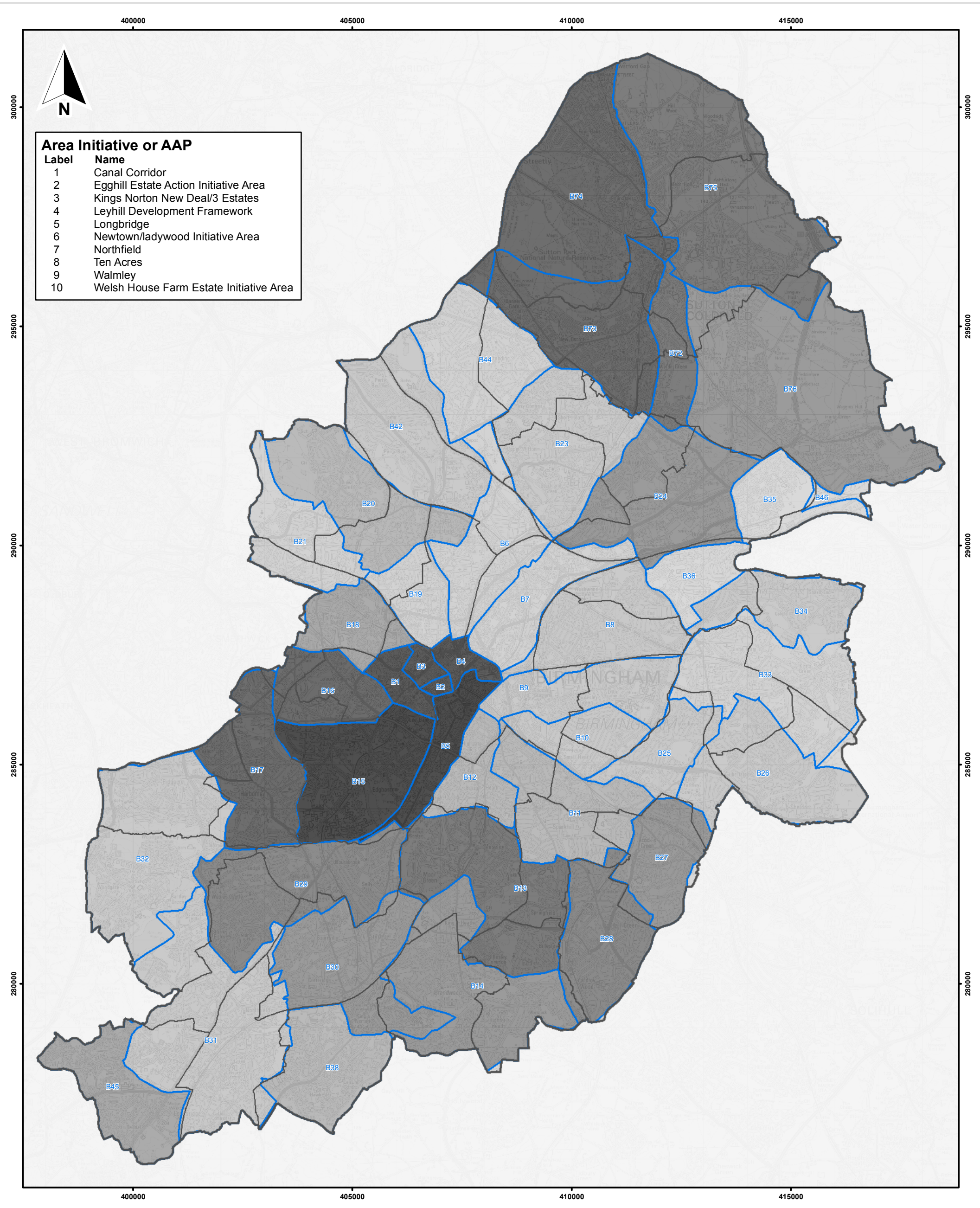
The housing sub-markets across the City have been identified using post-code new-based house price data drawn from HM Land Registry data for the second quarter of 2009 to main sector level (e.g. B1 or B14) in the following way:

- Post-code areas are initially stratified according to the market prices of new three-bedroom terraced dwellings. This is a common product type that has been, and will continue to be, offered in most areas of the City to meet future needs. Consequently it provides a robust initial comparator;
- However, and because three-bedroom terraced dwellings are not suited or appropriate to all areas of the City, the stratified areas are adjusted to reflect areas where circumstances suggest a distinct market response – for instance, flatted development in or around the City Centre.

This approach is amplified in **Appendix A** and has identified ten housing Housing Market Areas (HMAs) depicted in **Figure 4.1**.







Area Initiative or AAP	
Label	Name
1	Canal Corridor
2	Egghill Estate Action Initiative Area
3	Kings Norton New Deal/3 Estates
4	Leyhill Development Framework
5	Longbridge
6	Newtown/ladywood Initiative Area
7	Northfield
8	Ten Acres
9	Walmley
10	Welsh House Farm Estate Initiative Area

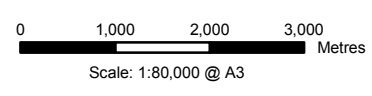
Key:

Housing Market Areas

10	Low		Postcode Sector
8			Ward
6			
4			
2	High		

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Affordable Housing Viability Study

Figure 4.1
Stratification of Housing Market Areas



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5. Revenue and Costs Assumptions

5.1 Evidence for the Baseline Assessments

5.1.1 Revenue

In addition to the revenues obtained from market sales, the following assumptions are also made:

House Prices

This data is drawn from for each of the identified housing submarkets. Details are at **Appendix A**.

Development Mix

In the majority of cases, the development mix is specified by the proportions indicated in the 2007 Birmingham Strategic Housing Market Assessment in Table 2.2.

However, development mix needs to reflect that which is likely within the sub-market area. For this reason, assessments for HMA 2 assume exclusively flatted development reflecting its City Centre location.

Contribution of Rents

In respect of social rented units, the weekly rents provided by the Council are set out in Table 5.1. The assessments capitalise the contribution of rents at 6%.

Table 5.1 Assumed Weekly Rents

Bedrooms	1	2	3	4	5
Weekly Rents	£70	£75	£80	£90	£95



In respect of new build home buy units, the 'baseline' assessments assume that the occupant will purchase 40% of the property and capitalises the contribution of rents on the remainder at 6%.

Availability of Grant

Although there is some congruence between the objectives of the Council and the HCA, this study assumes that no grant is available due to:

- the ongoing availability of capital grants is very uncertain; and
- any grant would be awarded to specific sites according to circumstances. These circumstances cannot be anticipated within such a study.

5.1.2 Costs

Base Development Costs

Local base development costs, indexed to 2009, are obtained from the RICS data. Details of the per m³ build costs for each type of development are at **Appendix B**.

Overhead Costs

The way in which non-base costs are categorised varies with developer practice and can be the subject of disagreement. For the purposes of this study, **Appendix B** details the assumptions used in respect of items such as interest on borrowing, developer margin, consultancy fees etc.

A particular concern under current economic conditions is the tendency for banks to require a 20% developer margin (rather than the previously typical 15%) as part of any loan agreement. For the purposes of this strategic study it is assumed that the higher percentage is more likely to apply during a period of cautious economic recovery. This latter assumption will need to be validated as part of any update to this study.

Affordable Proportion and Tenure

The Baseline Assessments assume that an overall affordable element of 40% is provided. It is assumed that this is made up of a social rented element (broadly 70% of the affordable element) and new build home buy units (broadly 30% of the affordable element). These proportions are also assumed to apply regardless of the overall proportion of the development made up by the affordable element.



In respect of new build home buy units, the DAT assumes that the occupant will purchase 40% of the property and capitalises the contribution of the rents on these and the social rental provision at 6%.

The 35% affordable element and tenure mix is selected to be consistent with the Council's current policy; thus it forms a valid baseline upon which the potential to vary policy can be assessed. A 35% target is also consistent with the region wide recommendations of the Panel Report to the Phase 2 RSS revision; this again is a valid baseline from which the study can assess the viability of the higher target in C1 housing market area recommended by the Panel.

5.1.3 Abnormal Costs and other Policy Costs

As specified in Table 3.1, the following items are excluded from the baseline assessments. Nevertheless, they are addressed briefly here and in the accompanying appendices to highlight the potential significance of these costs where and when they apply.

5.1.4 The Code for Sustainable Homes

All Councils face the challenge of responding to climate change and ensuring that development respects environmental limits, is energy efficient and contributes to the overall objective of national planning policy to deliver sustainable development.

The costs used to calculate the costs of meeting these objectives vary according to the varying levels of environmental performance for flatted, terraced and detached dwellings. The costs drawn from the DCLG publication "Cost Analysis of the Code for Sustainable Homes – Final Report 2008" imply very significant cost increases particularly upon the implementation of Level 6 of the Code in 2016. These are detailed at **Appendix C**.

5.1.5 Abnormal Site Costs

Flood Risk

Site evaluations within the SHLAA highlighted potential against, inter alia, the sequential test in PPS25 and sites falling within Flood Zone 3 were excluded from further consideration on policy grounds. However, flood risk is not a major issue in the City and very little of the study area falls outside the least sensitive Zone 1.

As this study assesses notional sites of 0.5 hectares which falls below the Environment Agency's site size threshold of 1.0 hectare which triggers the need for a flood risk assessment in Zone 1. Hence, flood risk costs are not applied



in the 'baseline' assessments although they should be borne in mind when assessing larger sites. **Appendix D** suggests that these costs would amount to about £85,000 per hectare in a Zone 1 location.

Land Quality and Contamination

The majority of sites in the SHLAA are previously developed and Birmingham's long industrial history means that there is potential for pollution from previous uses (of which there could be several). The severity will depend upon their nature, extent and origin – which may be on neighbouring or nearby land.

The estimation of costs is difficult and precision requires desk study and intrusive site investigations. The best source of advice on typical remediation costs is in the publication by English Partnerships: "*Best Practice Note 27 (revised February 2008) Contamination and Dereliction Remediation Costs*" which takes into account the sensitivity of the local groundwater environment and the nature of the proposed future development. However these costs vary significantly and the definitions used are opaque – the term "works" which is commonly notated on maps of the City appears at both ends of the scale of costs.

The combination of this uncertainty and the site specific nature of these costs are difficult to address in a strategic study. As the Council intend to continue a flexible approach to affordable housing requirements where justified, such costs could be disregarded in the framing of policy always accepting that they will impact upon viability where they are required. However and given the need to reflect the conditions experienced by developers engaged in this process, a cost of £145,000 is assumed in each case based upon the details provided by Best Practice Note 27 at **Appendix E**.

Demolition Costs

Re-development implies costs as a consequence of demolition and site preparation. These costs are site specific and will vary according to the plot ratio, building height and construction – SPONS 2009 rates range from £5.55 per m³ up to £11.95 per m³ depending upon the construction of the building concerned. The range of these costs has been cross checked to recent tender submissions obtained by Entec.

As the Council intend to continue a flexible approach to affordable housing requirements where justified, such costs could be disregarded in the framing of policy always accepting that they will impact upon viability where they are required. However and given the need to reflect the conditions experienced by developers engaged in this process, a cost of £155,760 is assumed based upon the details provided at **Appendix F**.



5.1.6 Other Contributions

Utilities and Drainage

The implications for water supply and drainage were derived from the evidence provided by Transco, Severn Trent and Central Networks to the RSS Phase 2 revision.

None of these bodies identified significant issues in respect of the regeneration of the MUA. An emphasis upon the re-use of land suggests that quality and replacement infrastructure aside, the capacity of local networks does not form an overriding impediment. In the event that specific developments require reinforcement measures are required this can be addressed through the application of a sliding scale that reduces the affordable element if justified by these cost. As this approach is intended to continue, such costs can be disregarded in the framing of policy although they may impact upon the affordable housing delivered should expenditure be necessary.

Highways

The implications of highway issues have been considered with the Council's regeneration team leaders and as Highway Authority. Although no significant issues were raised, it is possible that costs will arise given the nature and location of development proposed.

In the event that expenditure is required this can be addressed through the application of a sliding scale that reduces the affordable element if justified by these cost. As this approach is intended to continue, such costs can be disregarded in the framing of policy although they may impact upon the affordable housing delivered should expenditure be necessary.

Social Infrastructure

The likelihood and timing of the introduction of the Community Infrastructure Levy (CIL) is not known. This study therefore relies upon the current obligation regime enabled by s106 of the Planning Acts.

To date, and with the exception of an affordable housing requirement on proposals of 15 dwelling and above, the Council's s.106 agreements have been generally restricted to the provision of open space and necessary access and highway works. There are no adopted SPGs/ SPDs that seek additional contributions to other provisions.

The Council are aware of emerging capacity issues in primary schools in certain areas of the City and are considering a mechanism to secure developer contributions where these can be justified. Currently these issues are not clearly defined and should be managed by adjustments to school catchments in the short term.



In the event that specific developments require reinforcement measures are required this can be addressed through the application of a sliding scale that reduces the affordable element if justified by these cost. As this approach is intended to continue, such costs can be disregarded in the framing of policy although they may impact upon the affordable housing delivered should expenditure be necessary.



6. Recent Market Trends

As already stated, the study is based at a specific point in July 2009 but it is not simply a snapshot assessment. As a strategic study, it needs to consider the range of economic conditions that may apply over the lifetime of the core strategy and the implication of increased revenues and costs for the viability of affordable housing.

This section provides a general analysis of past and current trends in the housing market at both national and local levels. It draws on publicly available information from central government agencies (e.g. HMLR), the banks, house builders, published reports and intelligence as well as websites and newspaper articles.

Trends in land values, against which the residual values produced by the DAT can be compared, are then considered to identify whether and how economic projections are likely to impact upon land values in the short to medium term.

6.1.1 House Prices – Historical and Recent Trends

Halifax House Price Index

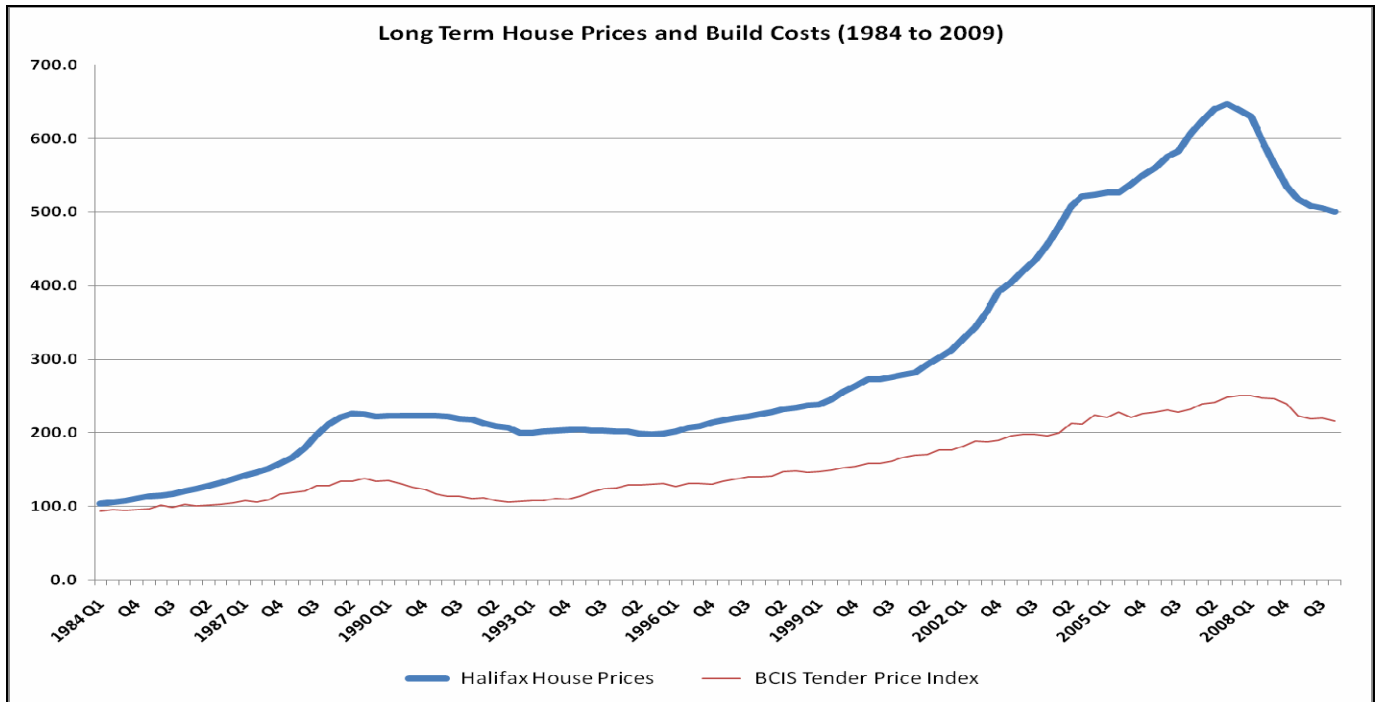
The Halifax House price index showed a rise of 2.9% in the three months to October 2009 compared to the previous three months. In addition, and although change over the past 12 months stood at -3.4%, the Land Registry outlined data for house prices in October which showed a positive monthly change of 0.6%. The Office for National Statistics outlined that private housing orders in the three months to November 2009 rose 56% compared with the previous three months and by 23% compared to the same period a year earlier.

As a gauge to housing trends over the last 50 years a Halifax report in January 2010 shows that house prices rose 273% between 1959 and 2009, an average of 2.7%, but that the rise was uneven. The fastest growth occurred between 1999 and 2009 following, in real terms, a fall of 2.4% between 1989 and 1999. It identified four periods when prices rose rapidly (1971-73, 1977-1980, 1985-89 and 1998-2007) with each followed by significant falls which outlines a general 10 year cyclical rotation of house prices with rapid rises coming in 5 year periods. The period covering the last two price rise cycles is depicted in **Plate 6.1** and demonstrates:

- A long term trend that equates to the broad 2.7% annual increase in house prices since 1959;
- The extremely marked increase in house prices since 2000 together with a steep down turn since 2008;
- That increases in house prices have outstripped those in costs at a ratio of broadly 2.5:1.



Plate 6.1 Halifax Long Term House Prices against BCIS Tender Price Index



DCLG House Price Data

Table 6.1 summarises this national trend with mean house price data provided by the DCLG. This is slightly more up to date than the Halifax data and also more optimistic showing a modest increase in prices over 2009 albeit that this appears to have faltered in Quarter 4.

Table 6.1 also compares national performance against that in Birmingham, neighbouring authorities and the West Midlands region. This data is displayed graphically in **Plate 6.2** and demonstrates:

- The low house prices in the West Midlands against the national performance although if London is excluded the disparity is reduced by £26k;
- The exceptionally strong performance of Solihull where mean house prices exceed the national average – the only authority in the former West Midlands metropolitan county where this is the case;
- Birmingham is the strongest performer in the rest of the conurbation performing stronger than Walsall and Dudley the other Black Country authorities and Coventry trailing further behind;
- A general improvement in mean prices over the past year but particularly since Quarter 2 although figures for Quarter 4 tailed off at national and regional levels;



- Performance in the West Midlands for Quarter 4 is split – although most authorities reflect the wider picture of decline, Birmingham has experienced growth of nearly 5%. This growth is also a feature of Coventry and Sandwell although from a much lower price baseline which suggests that Birmingham currently has a relatively buoyant market.

Table 6.1 Mean House Prices and Trends – 2007 to 2009

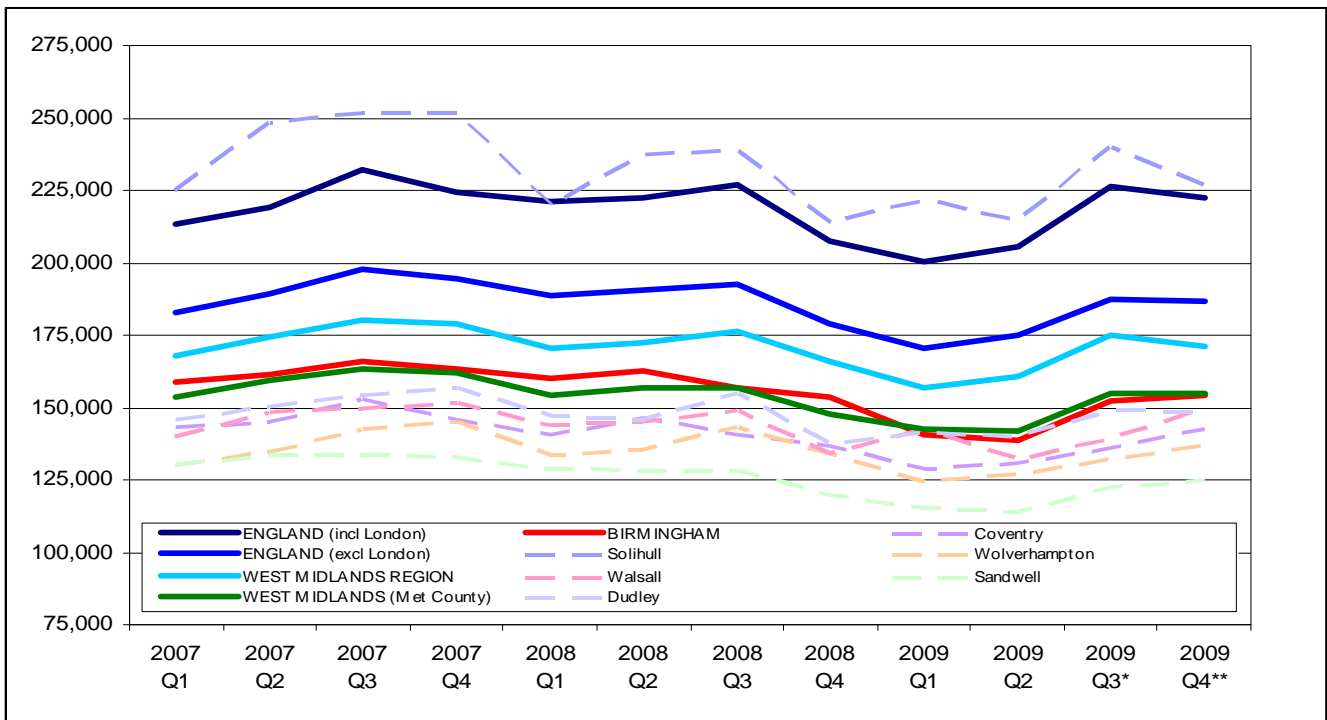
	2007				2008				2009				Change on last Yr	Change on last Qtr
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^R	Q4 ^S		
ENGLAND incl. London	213	219	232	224	221	222	227	207	201	206	226	213	2.9%	-5.8%
ENGLAND excl. London	183	189	197	195	189	191	193	179	170	175	188	187	4.5%	-0.5%
West Mids (Region)	168	174	180	179	170	173	176	166	157	160	175	168	1.2%	-4.0%
West Mids (Met County)	154	159	163	162	154	157	157	148	143	142	155	154	4.0%	-0.7%
Solihull	225	249	252	252	220	238	239	214	222	214	240	225	5.1%	-6.3%
BIRMINGHAM	159	161	166	163	160	162	157	154	140	138	152	159	3.3%	4.6%
Walsall	140	148	150	152	144	145	149	134	143	132	139	140	4.5%	0.7%
Dudley	146	150	155	157	147	146	155	137	141	140	149	146	6.6%	-2.0%
Coventry	143	145	153	146	140	146	140	136	129	131	136	143	5.2%	5.2%
Wolverhampton	130	135	143	145	134	135	143	134	125	127	132	130	-3.0%	-1.5%
Sandwell	130	133	133	133	129	128	129	120	116	114	123	130	8.3%	5.7%

^R Figures have been revised. ^S Figures are provisional

Source: <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housingmarket/livetable/tables/xls/table-581.xlt>



Plate 6.2 Mean House Prices and Trends – 2007 to 2009



* Revised Figure ** Provisional Figure

6.1.2 Land Values – Recent Trends

Valuation Office Data – Residential

The residential land values being obtained in the local area, against which the residual values resulting from the DAT assessments are compared, are drawn from the latest available Valuation Office, Property Market Report, July 2009. This and the values drawn from the previous five publications are summarised in Table 6.2.



Table 6.2 Land Value Trends by End Use (2007-2009)

End Use - Type	Geographic Area	Land Values (£M / Ha)						% Change	
		Jan 07	Jul 07	Jan 08	Jul 08	Jan 09	Jul 09	6 Mths to Jul 09	12 Mths to Jul 09
Residential									
Small Sites (less than 5 houses)	West Mids.	2.42	2.50	2.58	2.36	2.03	1.80	-25.6%	-23.7%
Small Sites (less than 5 houses)	Birmingham	2.20	2.20	2.20	2.10	1.80	1.62	-26.4%	-22.9%
Bulk land (over 2 ha.)	West Mids.	2.26	2.35	2.44	2.12	1.89	1.65	-27.0%	-22.2%
Bulk land (over 2 ha.)	Birmingham	2.20	2.20	2.20	2.00	1.70	1.53	-30.5%	-23.5%
Sites for Flats or Maisonettes	West Mids.	2.63	2.75	2.83	2.18	1.93	1.75	-33.5%	-19.7%
Sites for Flats or Maisonettes	Birmingham	2.20	2.20	2.20	1.80	1.60	1.44	-34.5%	-20.0%
Employment									
Business (B1)	West Mids.	0.67	0.67	0.71	0.71	6.3	0.63	-6.3%	-12.3%
Industrial (B1 / B2 / B8)	West Mids.	0.55	0.57	0.58	0.58	0.50	0.50	-8.4%	-13.1%
Industrial (B1 / B2 / B8)	Birmingham	0.75	0.83	0.90	0.90	0.80	0.80	6.7%	-11.1%
Industrial (B1 / B2 / B8)	Birmingham	0.40 – 1.00	0.45 – 1.20	0.50 – 1.30	0.50 – 1.30	0.45 – 1.20	0.45 – 1.20	12.5% to 20.0%	-10.0% to -7.7%

From this data, a comparison is made between values achieved in Birmingham against those across the West Midlands region. Comparisons of the values obtained for small sites (of 5 dwellings or less), bulk land (sites in excess of 2 hectares) and sites for apartments and maisonettes are at **Plates 6.3, 6.4** and **6.5** respectively.



Plate 6.3 Comparison between West Midlands Region and Birmingham Land Values – Small Sites (< 5 Units)

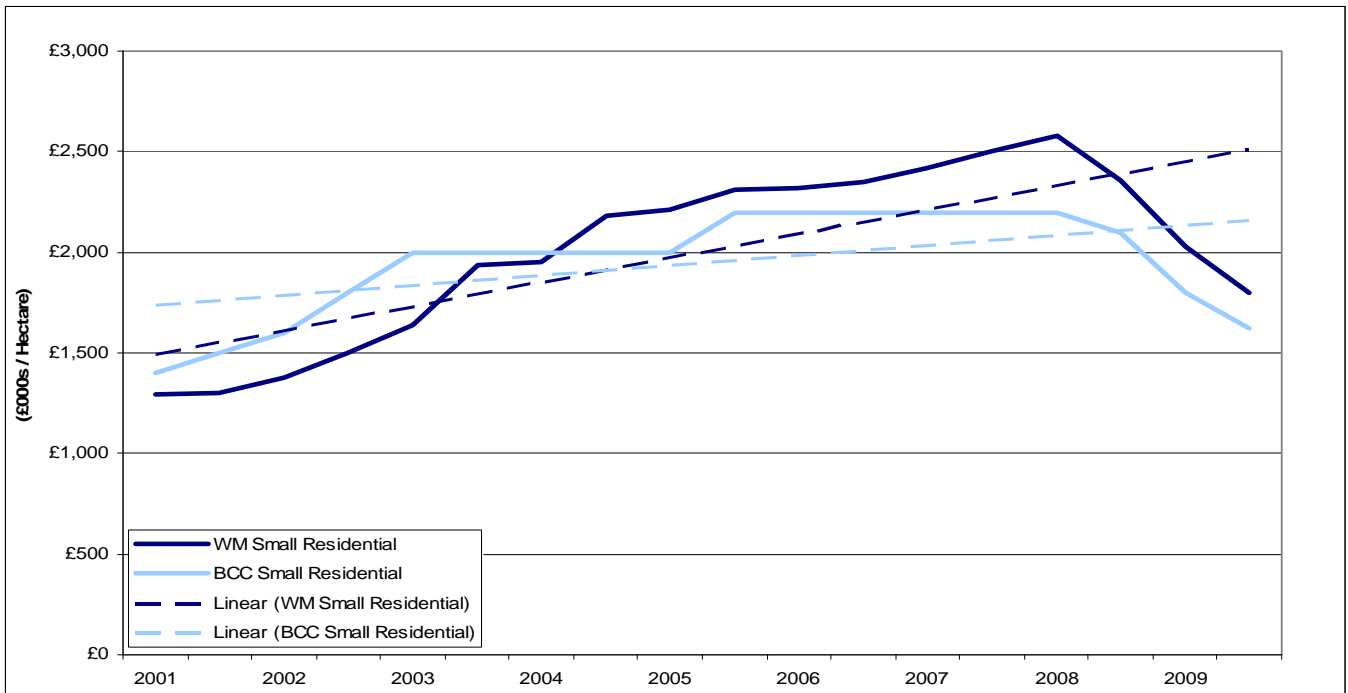


Plate 6.4 Comparison between West Midlands Region and Birmingham Land Values – Bulk Land > 2ha

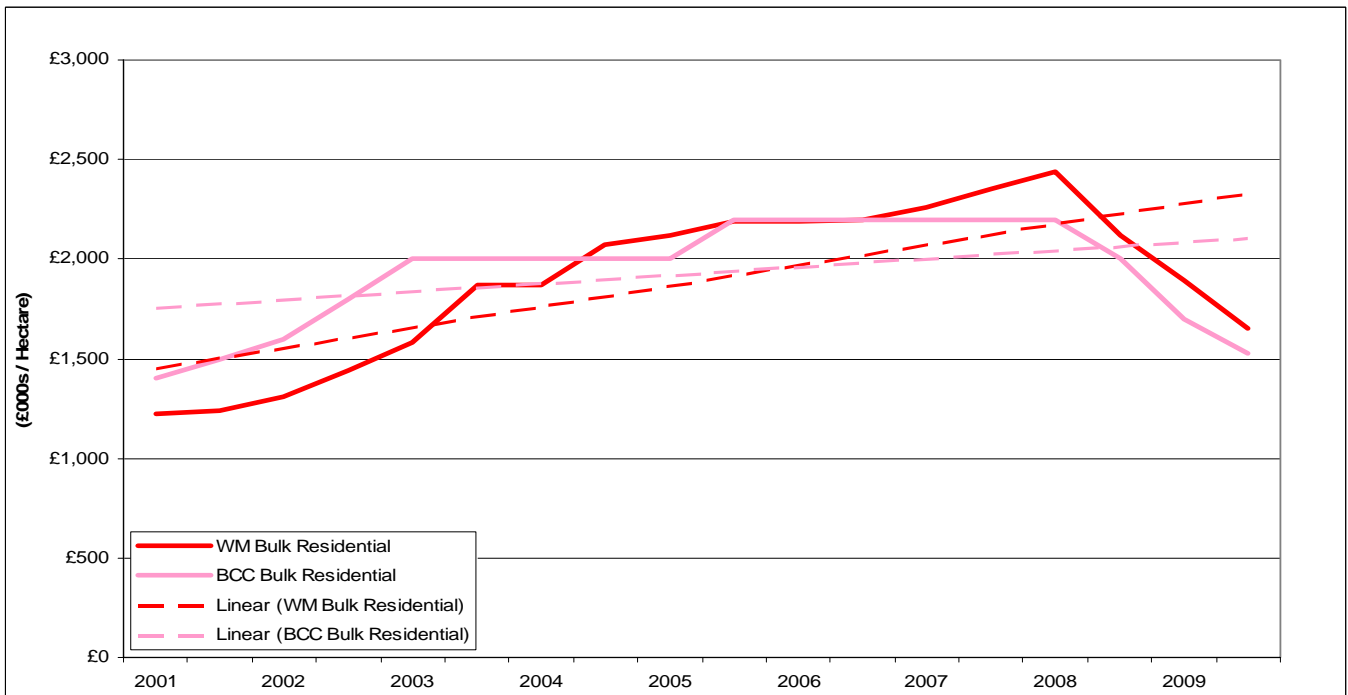
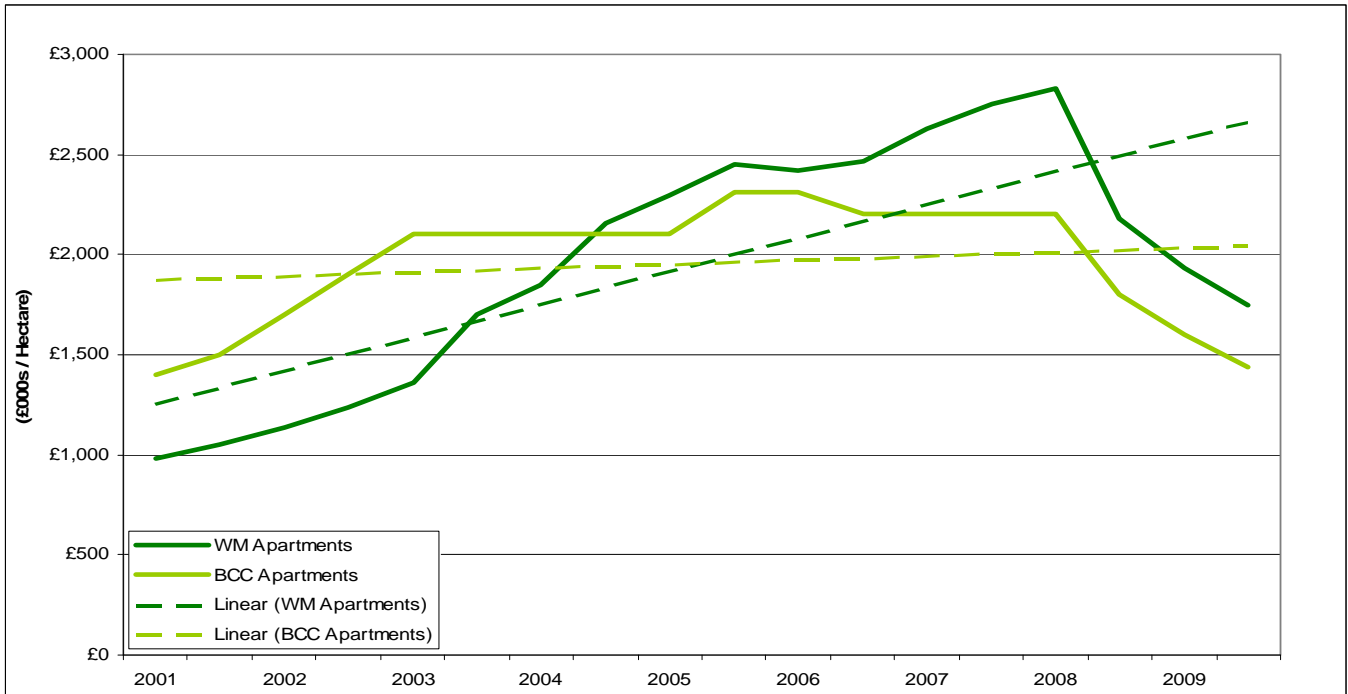


Plate 6.5 Comparison between West Midlands Region and Birmingham Land Values – Sites for Apartments and Maisonettes



Residential land values in Birmingham have fallen relative to the region as a whole over the past decade. In 2001, sites in Birmingham commanded higher than average prices whereas by the end of 2009 this had reversed. This applies to all categories of site. Against average regional rises of between 6% and 11% per annum, in Birmingham this figure is between 1% and 3% depending upon the type of development proposed.

- On small sites values have risen by broadly 3% per annum against a regional average of about 7%;
- Larger sites in excess of 2 hectares perform slightly less well in both cases. In Birmingham, land values have increased by about 2% per annum against a regional average of about 6%;
- Sites for apartments in Birmingham were relatively high in 2001 which is likely to reflect the lack of provision for this type of development elsewhere in the region. Subsequently two trends are suggested:
 - That the land values for sites for flats outside Birmingham have grown markedly probably as a result of the growth in supply and demand. Broadly values have risen by about 11% per annum;
 - The land values in Birmingham have risen by an average of only 1% per annum. Following a sharp rise up to 2003, values barely rose for the next five years before falling back to 2002 levels.

The reasons for these trends are not straightforward to decipher. However, it is likely that the reduced buoyancy of the Birmingham market against the Regional average is, in most part, due to an oversupply of flats and apartments.

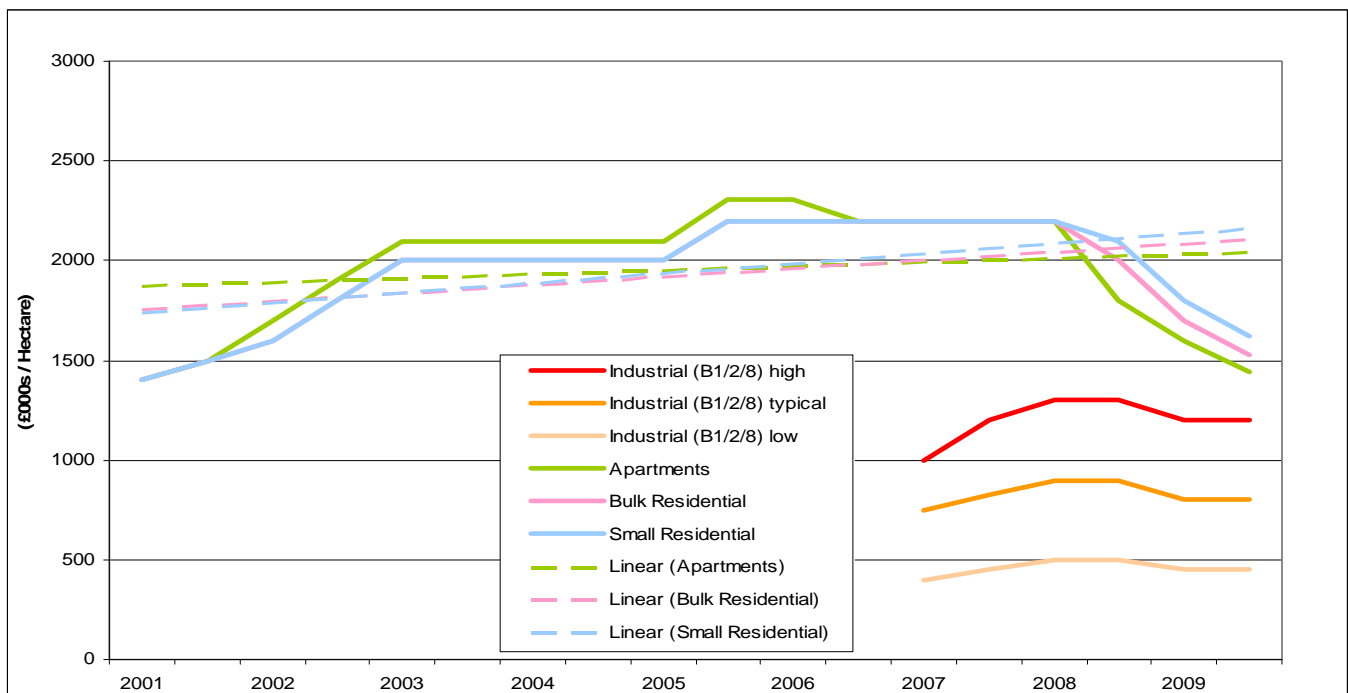


It is thought likely that the growth is primarily supply and demand led rather than through the attraction of City living. The apparent success of flatted schemes is thought to be due to a combination of a lack of alternative house types and a perception that property is a good investment. Many are bought as an investment or to let and, hence, are not valued by their purchasers.

Valuation Office Data – Employment

Plate 6.6 shows land values for a range of residential and employment sites in Birmingham and how residential values have converged with those for employment uses. This will mean that the financial stimulus for a landowner to seek change of use is less clear than it was. Recent intelligence suggests that landowners will only be convinced to do so if they can secure 30% uplift over existing use value². **Plate 6.6** suggests that this could be achieved in lower quality employment areas but there are some areas of the City where employment land values are likely to be high enough to preclude change of use. This has clear implications for assessing the viability of residential uses in certain locations.

Plate 6.6 Birmingham CC - Comparison of Land Value Trends by Site Type



² Dr Andrew Golland, "Gaining Ground" Planning, 19th March 2010



Evaluation of Current Values

Recent data should be treated with caution. It is felt probable that land values, in spite of recent falls, are inflated through a combination of the following factors:

- Within a downturn sales may be driven by a necessity to sell rather than by the ability to obtain established market values. Given that this is likely to be an exceptional circumstance, a drastic reduction in the numbers of transactions can be expected – most landowners will have the ability to await improved conditions;
- Whilst this suggests that buyers will be able to take advantage of lower land prices, in practice the downturn also means that buyers will be restricted to those with sufficient liquidity to do so.

In the light of these factors, land values are likely to be inflated due to bidder competition for a very limited supply of land for sale. This view has been confirmed through stakeholders active in the land market who have suggested that the ‘going rate’ for residential land is up to £1.5M per hectare (~£600k per acre) depending upon location and site condition and that £1M per hectare (~£400k per hectare) would be the minimum requirement for landowners in most areas of the City. The stakeholders also stated that:

- Land values can be significantly higher in particularly buoyant locations such as Edgbaston and Sutton Coldfield. The low level of transactions in these areas means that typical values are uncertain;
- That change of use from employment is currently difficult given the convergence between residential and employment values with its potential brownfield legacy. Although subject to site and vendor circumstances, a 30% uplift against current use value is seen as pre-requisite to bring sites forward;
- The level of affordable housing sought has a very significant impact that can only be met in certain locations.

For the basis of this study, the data suggests that a residual value of at least £1M per hectare is required to demonstrate viability and that a ‘zone of viability’ of between £1M to £1.5M per hectare will probably apply to the majority of the housing market areas.

6.1.3 Comparison of House Price and Land Value Trends

Key to the prediction of future viability is the extent to which improved land values can be predicated upon raised house prices.

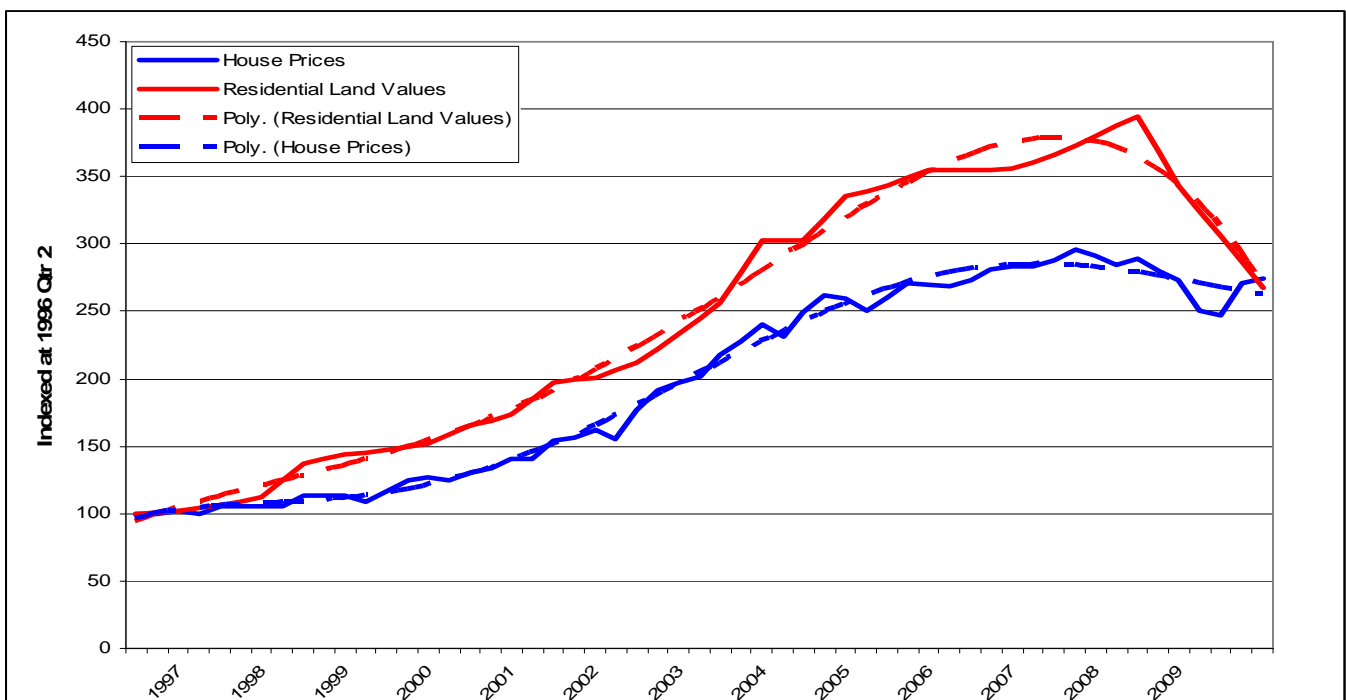
Plates 6.7 and **6.8** examine this relation between 1996 and 2009 for the West Midlands and Birmingham respectively. This demonstrates:

- The slight lag of about a year between changes in house price and land values. This can be expected as altering revenue expectations feed into ongoing negotiations;



- The volatility of land values in response to house price trends. This can also be expected as development costs are reasonably fixed so that the only way a developer can respond to falls in revenue is to pass this on to the price paid for land. For this reason, the marked falls in land value since 2008 have followed a much smaller proportionate fall in house prices;
- There are very marked differences between the Regional and Birmingham markets:
 - Across the West Midlands (**Plate 6.7**), the increase in land values has outstripped increases in house prices indicating that land deals were increasingly promulgated upon continued revenue growth and trend will also have been influenced by competition for sites. Upon the levelling out of the housing market, land values declined very sharply and have continued to do so.

Plate 6.7 West Midlands - Comparison of Land Value Trends by Site Type

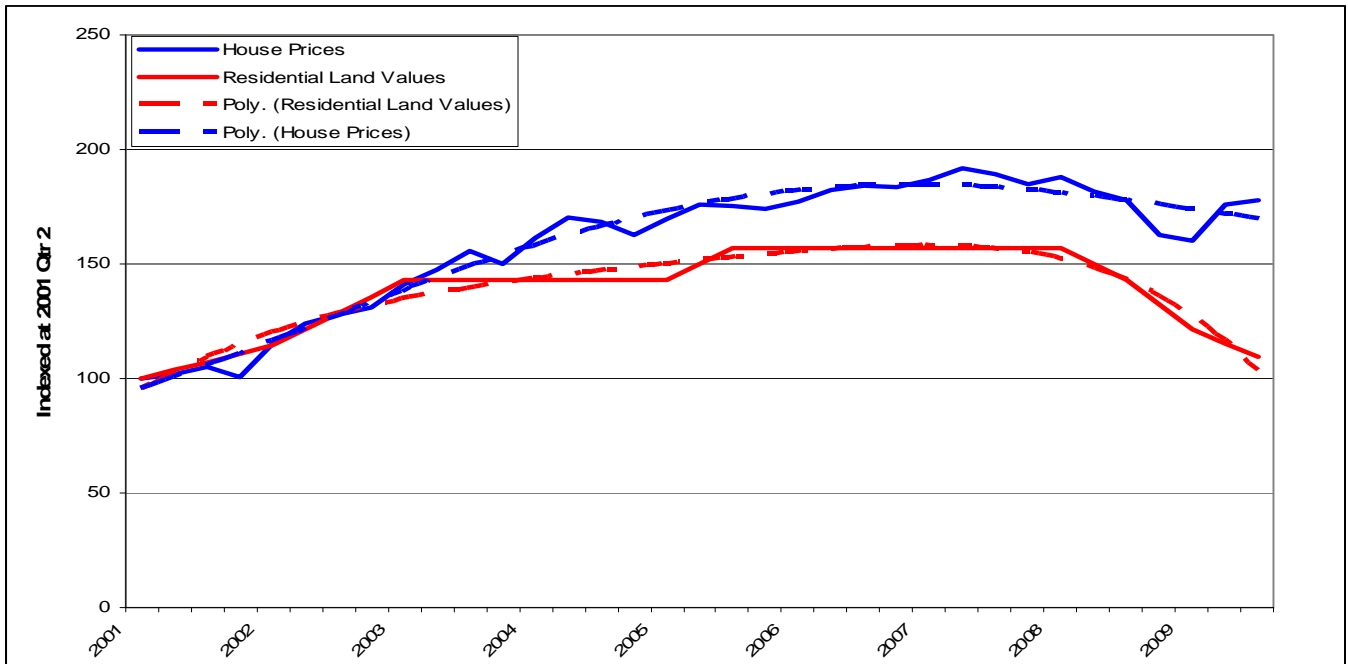


- By contrast Birmingham (**Plate 6.8**) is much less volatile and both house prices and land values rose at a far lower rate than region wide. Land values have behaved differently in that they have diverged away and downwards from house prices so that they make up a rather lower percentage of the GDV than was the case in 2003. This suggests that the supply of sites may outweigh demand and that landowners have to compete to sell which could mean a more pragmatic view on the value of their assets.

Although these analyses portray different dynamics, in both cases the inference is that house prices are, at best, a crude indicator for predicting land values. It would appear that land values are heavily influenced by scarcity against demand.



Plate 6.8 Birmingham CC - Comparison of Land Value Trends by Site Type



6.1.4 Predictions

Generally

The Governor of the Bank of England Mervyn King's general message for house builders is salutary and that they must expect a slow and weak recovery, as earnings stagnate for what could be a considerable period.

Table 6.3 shows that this weak recovery is borne out by a comparison of economic forecasts issued by the Treasury on 18th August http://www.hm-treasury.gov.uk/data_forecasts_index.htm which suggests a high level of consensus between city and non-city analysts that GDP is growing at an annual rate of 1.3% with a slowly improving progress expected up to 2014.



Table 6.3 Medium Term GDP Projections

	Independent Average				
	2010	2011	2012	2013	2014
GDP growth (%)	1.3	2.0	2.2	2.4	2.4

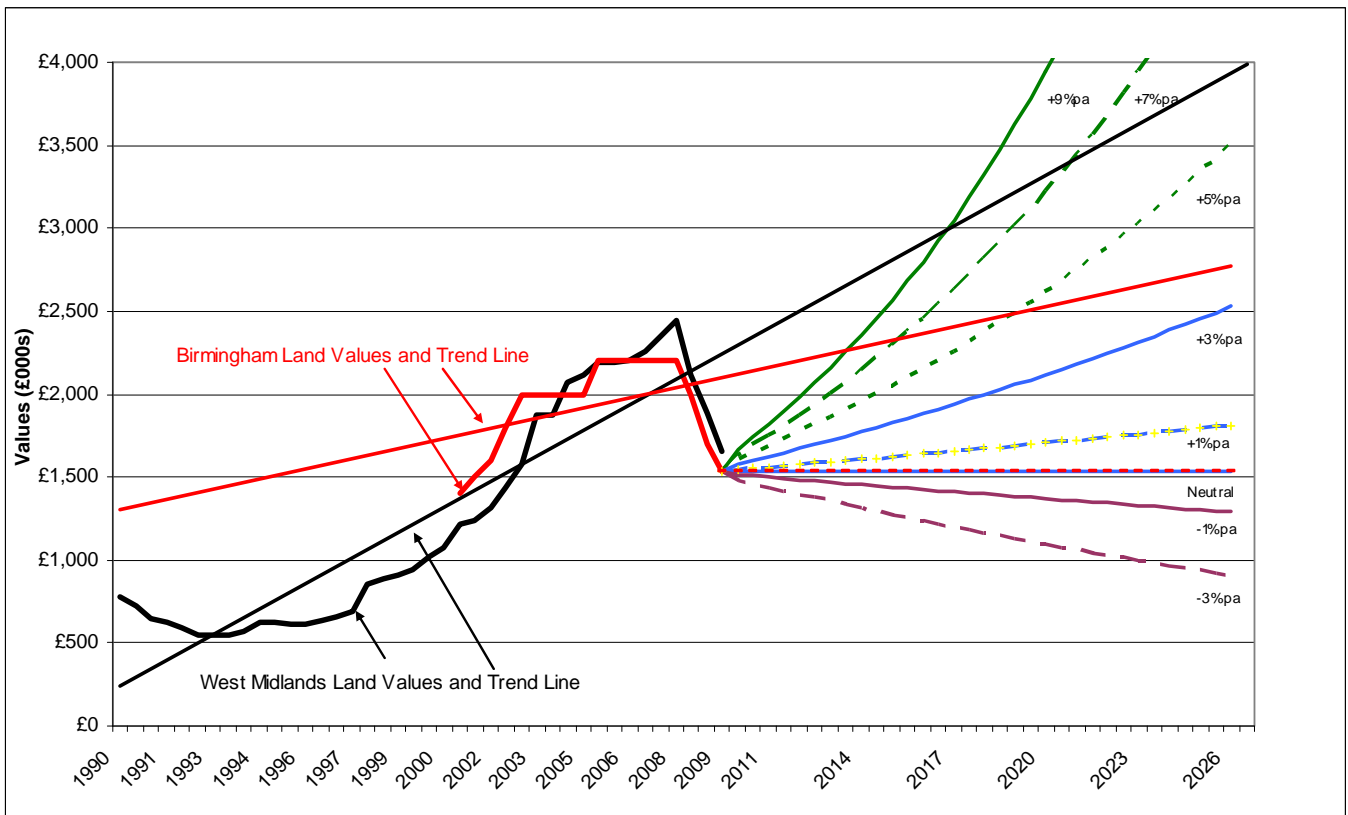
However there is some room for cautious optimism with the market making some slow improvements. The DCLG house price index based on mortgage completions in Table 6.1 and **Plate 6.2** indicates rising house prices over 2009 of about 7% although the performance in Birmingham is lower.

Land Values – Projections

At a Regional level the trend in residential land values since 1983 displays an average annual increase of 3% which is comparable to the findings of the January 2010 Halifax report. **Plate 6.9** projects land value recovery scenarios in response to improved economic conditions and GDVs.



Plate 6.9 Land Value Trends and Projections - Birmingham and West Midlands Region (£000s / Hectare)



For the purposes of this report the modelled recovery scenarios are as follow:

- 1% annual growth. This is included to reflect the broad trend in land values in Birmingham over the past decade. Whilst this trend also included the impact of the current downturn it is a relevant option given the relatively sluggish trends in the local market;
- 3% annual growth. This scenario compares with the long term national trend in land values of 2.9% pa since the early 1980s. At a Regional level, this is probably pessimistic given that it does not acknowledge the recent marked house price increases that can be expected to feed through to land values in due course – the trend line runs parallel to, rather than converges with, the historical trend. In Birmingham this would conform to the growth in house prices over the past 12 months;
- 5% annual growth. This assumption would project a slow but steady recovery, in line with Mervyn King’s predictions, that would bring convergence with the Regional historical trend towards the end of the Plan period. This ten to fifteen year cycle would also be broadly consistent with the profile in values between the peak years of 1989/90 and 2004 to 2007. In Birmingham such growth is optimistic although it would certainly be consistent with that experienced up to early part of the last decade and over the last quarter of 2009;



- 7% annual growth. This assumption more closely matches recent increases in house prices and would see land values return to the Regional historical trend within five years. However long term trends suggest that such dramatic increases (as seen over Qtrs 2 and 3 of 2009) are common but tend to be short lived and are not significantly reflected in longer term trends, say, over 12 to 18 months. Although still a relevant scenario, historic trends in Birmingham suggest that it is unlikely to be experienced in the City;
- 9% annual growth. This would broadly see house prices double over ten years. Although still a relevant scenario – it has been experienced in the past – it is considered unlikely to occur.

It should be stressed that the link between house prices and land values is unpredictable. Land values are slower to respond but, having done so, are more volatile. The eventual rates of growth, may in the event exceed those of house prices given renewed market confidence although they will also need to respond to the Code for Sustainable Homes and the requested affordable housing element.

6.1.5 Conclusions

Recent Trends

As a major city, it is not surprising that Birmingham displays different characteristics to the wider region. Mean house prices are a little above those across the former West Midlands conurbation but well below regional and national values.

The position of Birmingham relative to the wider region has altered markedly over the past decade. Whilst very significant development has taken place in the City, land values have risen only very slowly in comparison to the region as a whole. This is likely to be due to the abundance of sites against a relative scarcity elsewhere. In particular, land for apartments currently commands less than sites for lower density development reflecting an oversupply in the apartment market which is mirrored in a number of major cities. This fall in residential land values has produced a convergence with employment values that makes the financial case for change of use less compelling. In some areas, residential values are now very close to those in prime employment areas although these are few and focused in particular locations.

Current values need to be treated with caution given that the supply of sites and the number of transactions will be low. Where bidders with liquidity bid for a limited supply of sites, it is probable that land acquires a scarcity value and could be inflated against true current worth. However, there is a potential benefit in that historical oversupply will have fostered a competitive land market which may encourage a more pragmatic landowner attitude to the value of land and it is possible that this competition may mean that the City's land market will respond to improved circumstances more readily than elsewhere. Notwithstanding this uncertainty, consultation with stakeholders currently active in the land market have suggested that the basic 'going rate' is presently between £1M to £1.5M



per hectare depending upon location and site condition and that £1M per hectare would be the minimum requirement for landowners in most areas of the City.

Predictions

Overall the UK economy is showing signs of gradual improvement with an annual 2% to 2.4% growth in GDP predicted in the medium term. This positivity is being picked up in housing market which was showing signs of picking up in the second half of 2009 with houses prices rising also by approximately 3%. There is evidence that this positive trend was also being felt in Birmingham in the last quarter of 2009 although at a much slower and lower rate.

As the future is uncertain, projections are unlikely to be accurate. However, historical trends suggests that land values should recover in the longer term and that recovery scenarios of between 1% and 9% are appropriate in the context of Birmingham.

The impact of this recovery should produce a response in land values. With all other things being equal, any increase in house prices will serve to improve residual values and the prospects of higher benefits to landowners although as developers increasingly need to take the costs of future policy requirements into account it is questioned whether these benefits will meet established expectations. It is likely that a degree of economic recovery is likely to be required before land values achieve a level that reflects the requirements of, for instance, the need to provide affordable housing or address the climate change agenda.

In summary, affordable housing and other policy costs imply significant additional costs that will amount to a direct tax on the landowner unless marked increases in revenues are implied. It should also be appreciated that the market is currently supported by low interest rates and the economic sustainability of development is questionable should increases in interest rates and inflation follow.





7. Stakeholder Consultation

7.1 Purpose of Consultation

Predicting future viability cannot be undertaken reliably and the delivery of affordable housing will necessarily rely upon prevailing economic conditions.

Nevertheless, it is important that the assumptions that underpin the study are as robust as possible and reflect current understanding of revenues, costs and market dynamics. To validate these assumptions, a series of consultation exercises have been undertaken that have given development stakeholders have adequate opportunity to comment on the reasonableness of the assumptions and methodology.

7.2 Consultees

7.2.1 Derivation of Assumptions

In identifying current and potential future infrastructure issues and evaluating the costs of addressing these, the following bodies were consulted:

- Regeneration and Site History/Context – Birmingham CC
- Land quality and contamination – Birmingham CC;
- Flood risk – Birmingham CC;
- Water resources and supply infrastructure – Severn Trent;
- Sewerage infrastructure – Severn Trent;
- Drainage – Severn Trent & Birmingham CC;
- Electricity infrastructure – Central Networks;
- Gas infrastructure – National Grid (Transco);
- School capacity – Birmingham CC;
- Other social infrastructure – Birmingham CC
- Highway capacity – Birmingham CC
- Development Economics – The Homebuilders Federation and a range of developer stakeholders

7.2.2 Validation of Assumptions

Consultees were engaged through the following processes:

- Direct Consultation through a series of meetings or through telephone/ e-mail contact;
- A stakeholder event that was hosted by the Council on 29th September 2010.

These exercises engaged the following stakeholders:



- Bloor Homes
- Miller Homes
- Redrow Homes
- The Home Builders Association
- Bromford Housing Association
- The Abbeyfield Society
- Birmingham City Council - Property
- Birmingham City Council - Housing

The main issues arising from the consultation were:

- The need to consider affordable housing in the context of the wider package of s.106 contributions (highway measures, education etc) and building regulations;
- Sites in the City can be problematic due to previous land uses and hence more expensive to develop;
- Lack of mortgages is impeding demand for development. It is unlikely that this situation will improve in the short term;
- Development in the City Centre is exceptionally difficult – there is no demand for the apartment schemes delivered in recent years and lots of stock remains unsold. Elsewhere 40 dph is the limit of what can be delivered currently;
- The relationship between residential and existing use values is crucial. The convergence of land values does not encourage sites to come forward;
- Nevertheless land values are higher than they should be and very few deals are being done for more than £600k per acre (~£1.5M per hectare);
- Small sites can also support affordable housing subject to housing mix and, in particular, location.

A note of the consultation session is at **Appendix G**.



8. Baseline Assessments

8.1 Assumptions

Based upon the stratification of housing markets in Section 4, the impact of differing revenues is undertaken for a theoretical 0.4 hectare site in each area and will inform assessment of the relative strength between neighbourhoods. To draw out the impact of affordable housing as opposed to the other development and policy costs likely to apply in the City, two high levels analyses are conducted under the assumptions in Table 8.1. In both cases, consistent assumptions are used across the HMAs although an exception is made for the City Centre (HMA 2) where a higher density development would be more suitable.

Table 8.1 Assumptions Used in Housing Market Area Baseline Assessments

Issues	Assumptions (Affordable Element Only)	Assumption (Affordable Element with Abnormal and other Costs)
Site Size	0.4 hectares	As left
Development Mix	Conforms to SHMA except in City Centre (HMA 2) where flatted development is assumed	As left
Development Density	40 dph except in City Centre (HMA 2) where 100 dph is assumed	As left
Rental Levels	As assumed in Stage 1 above	As left
Grant	None assumed	As left
Base Development Costs	As assumed in Stage 2 above	As left
Overhead Costs	As assumed in Stage 2 above. Developers profit margin assumed to be 20%*	As left
Affordable Housing Element	Current UDP Policy of 35% - split 25% social rental and 10% intermediate tenures	As left
Abnormal Costs	None assumed	Flood Risk Area 1, Contamination Risk A over Major Aquifer, Demolition at £6.49/m ³
Code for Sustainable Homes Level	Current building regulations assumed	Code Level 3
Developer Contributions	None assumed	£5,000 per unit
Comparative Land Value	£1M to £1.5M per hectare	£1M to £1.5M per hectare

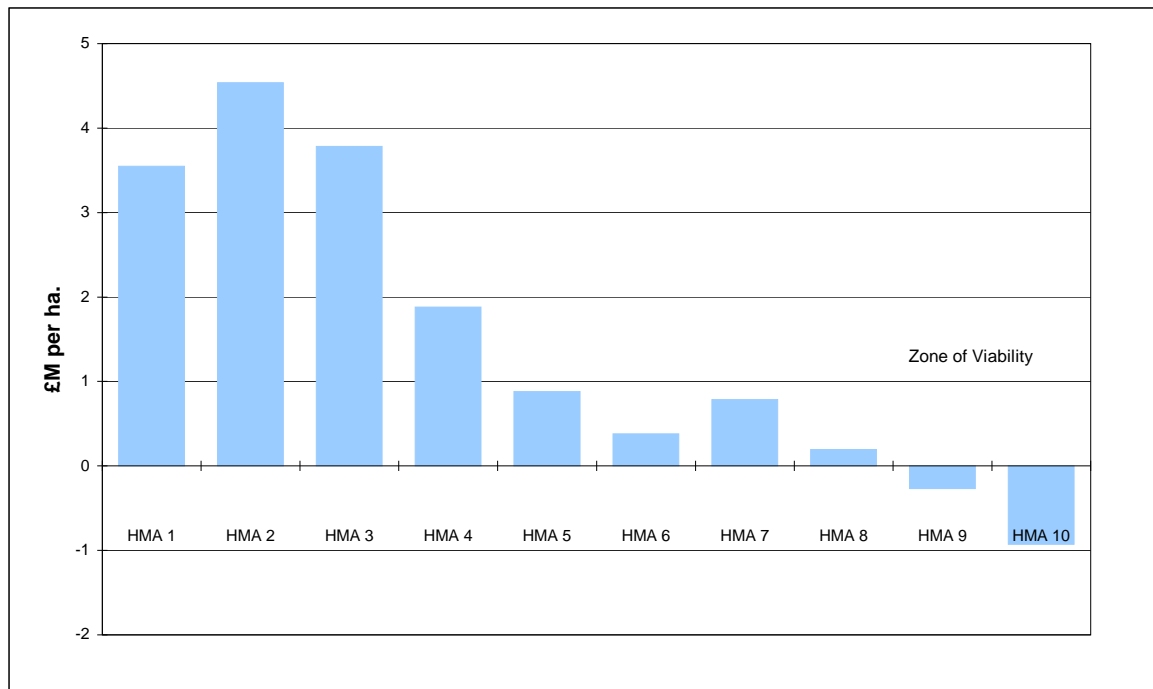
* A developer profit of 20% is currently being demanded by the banks as a condition of lending to developers



8.2 Findings

The DAT 'baseline' assessments for the current UDP policy of 35% affordable only scenario, are depicted against the study's 'zone of viability' is in Plate 8.1.

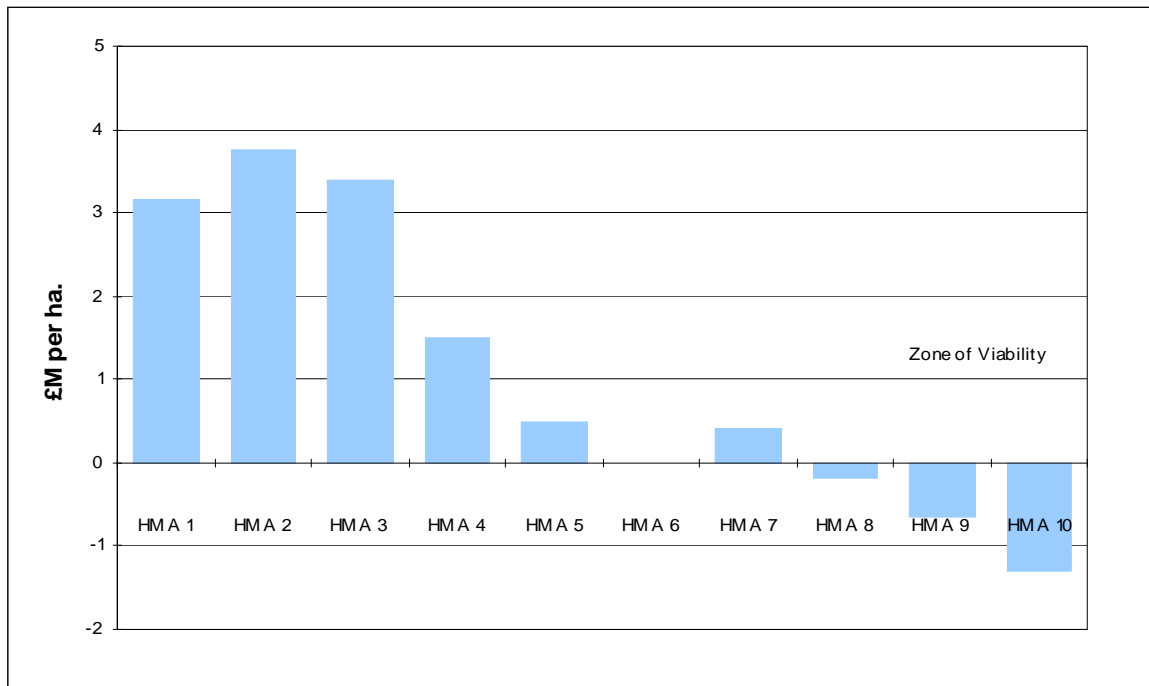
Plate 8.1 Residual Land Values by Sub Market Area (with 35% Affordable Housing Only)



This can be compared with the weaker results in Plate 8.2 when the development costs associated with flood risk, demolition, contamination and Code Level 3 are included. Summaries of the ten individual assessments are at **Appendix H**.



Plate 8.2 Residual Land Values by Sub Market Area (with 35% Affordable Housing, Abnormal and Other Costs)



Both Plates 8.1 and 8.2 show a wide variation in viability with location. When the likely development costs are included, Plate 8.2 suggests that 35% affordable housing should be achievable in the Edgbaston, the City Centre, Harborne, and Sutton areas (HMAs 1, 2, 3, & 4) where residual values within or above the study’s ‘zone of viability’ should be achieved. However, results for the City Centre (HMA2) should be treated with caution as the disproportionately reduced land values for apartments shown in Plates 5.5 and 5.6 suggest that there is now less demand for these and hence reduced development interest although the residual values produced clearly demonstrate viability.

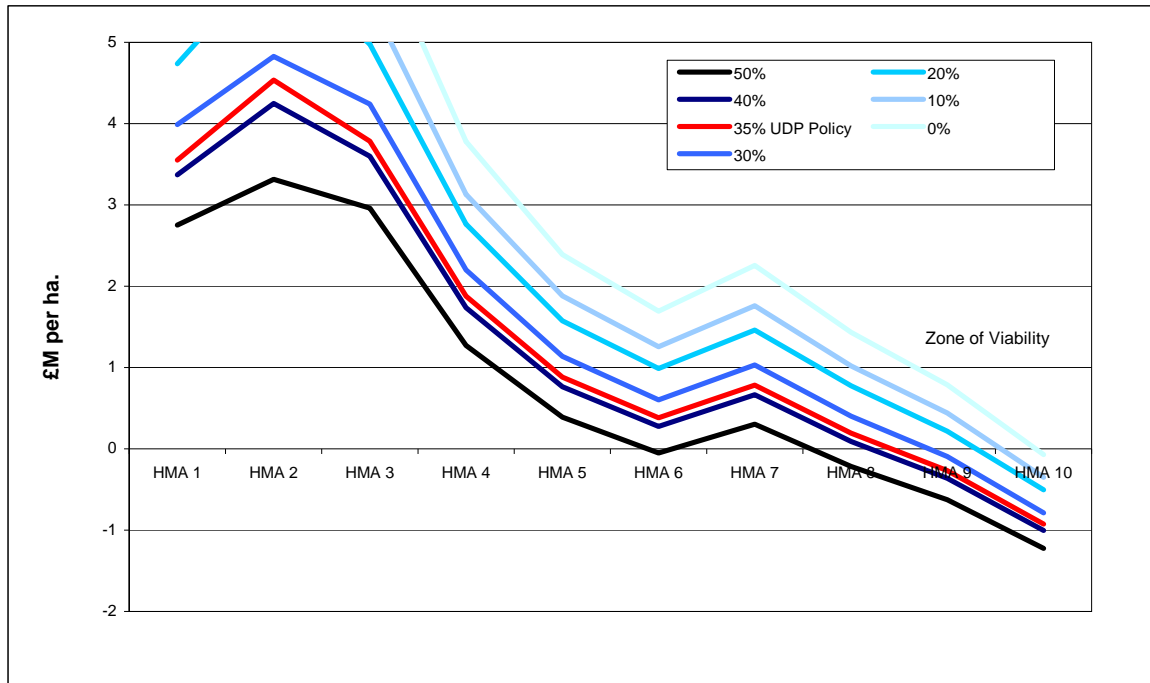
Elsewhere, although not particularly buoyant and not currently viable against the study’s ‘zone of viability’, the Soho, Bourneville and Longbridge areas in HMAs 5 and 7 produce positive land values that would become viable given a relatively limited uplift in house prices.

A 35% affordable element is not viable in the remaining four market areas. Indeed this ‘inner ring’ of older suburbs and the M6 corridor (including Brandwood, Oscott, Perry Barr, Erdington, Shard End, Sheldon, Acock’s Green, Sparkbrook, Washford Heath and Northfield) produce, to varying degrees, negative results meaning that, currently, development costs would outweigh revenues.

Plate 8.3 depicts the impact of varying affordable housing provision upon viability across all the housing market areas.



Plate 8.3 Residual Land Values by Affordable % within Housing Market Area (with 35% Affordable Housing, Abnormal and Other Costs)



This suggests that there should be potential to achieve a lower proportion of affordable housing across most of the HMAs. HMAs 1, 2, 3, 4, 5 and 7 should be able to reliably provide a 20% element and development is also viable in HMAs 6 and 8 (Balsall Heath, Erdington, Longbridge, Acocks Green, Handsworth) although an affordable element is probably not achievable. These conclusions all assume that a residual value of £1M per hectare will provide sufficient return to encourage a landowner to sell.



9. Modelling Market Growth Scenarios

9.1 Scope of Evaluations

Taking the second ‘baseline’ assessment that includes the likely development and policy costs, this section models the potential to achieve a range of affordable housing targets under a series of market growth scenarios which produce annual growth in house prices from between a modest 1% up to an optimistic 9%. The likelihood of these scenarios are commented upon in Section 6 above.

This is done in two stages:

- Stage 1 – An extrapolation of increased revenue values together with the likely associated trends in build costs and overheads. The rate of cost increase is predicted to be broadly 40% of that of revenues which is consistent with the comparative trend between the Halifax house price and the BCIS cost indices in Plate 5.1;
- Stage 2 – A similar exercise that also incorporates the impact of the staged implementation of Levels 4 and 6 of the Code for Sustainable Homes.

Both Stages consider affordable housing scenarios of 0%, 20% and 40% respectively. The modelling framework is at Table 9.1.

Table 9.1 Modelled Development Scenarios

Housing Market Area	Stage 1		Stage 2		
	Affordable Housing %	Growth Scenarios (per annum)		Code for Sustainable Homes Level	S106/CIL Contribution per Dwelling
		Revenues	Costs*		
HMA1 to HMA10	0%, 20%, 40%	1%	0.4%	4 from 2013	£5,000
		3%	1.2%		
HMA1 to HMA10	0%, 20%, 40%	5%	2.0%	6 from 2016	£5,000
		7%	2.8%		
HMA1 to HMA10	0%, 20%, 40%	9%	3.6%		

* Assumed to be 40% of revenues based upon data in Plate 5.1



9.2 Findings

In the interests of concision, the following Plates 9.1 to 9.12 depict the residual values of sites with a 40%, 20% and 0% affordable elements under the long term house price trend (3% annual growth) and the long term house price trend with cautious recovery (5% annual growth) scenarios which. In the light of the evidence in Section 6, these are considered to be the most appropriate bases for the consideration of policy. The following graphical projections are reproduced together with those for 0%, 1%, 7% and 9% annual house price growth scenarios in **Appendix H**.

In each case comparison is made between the baseline trend including Code Level 3 as well as the marked impact of Levels 4 in 2013 and, in particular, Level 6 in 2016.

9.2.1 Under a 3% Annual Growth in House Prices

Potential for a 40% Affordable Element

Plate 9.1 Residual Value Projections under 3% Annual Growth in House Prices for Housing Market Areas 1 to 5 - 40% Affordable Element

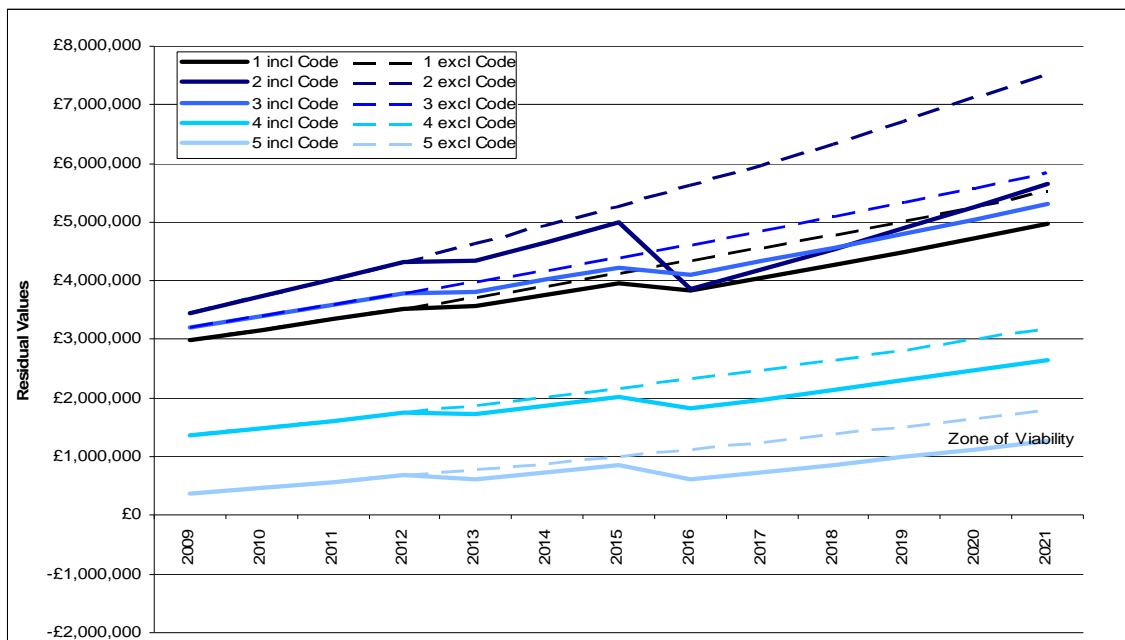
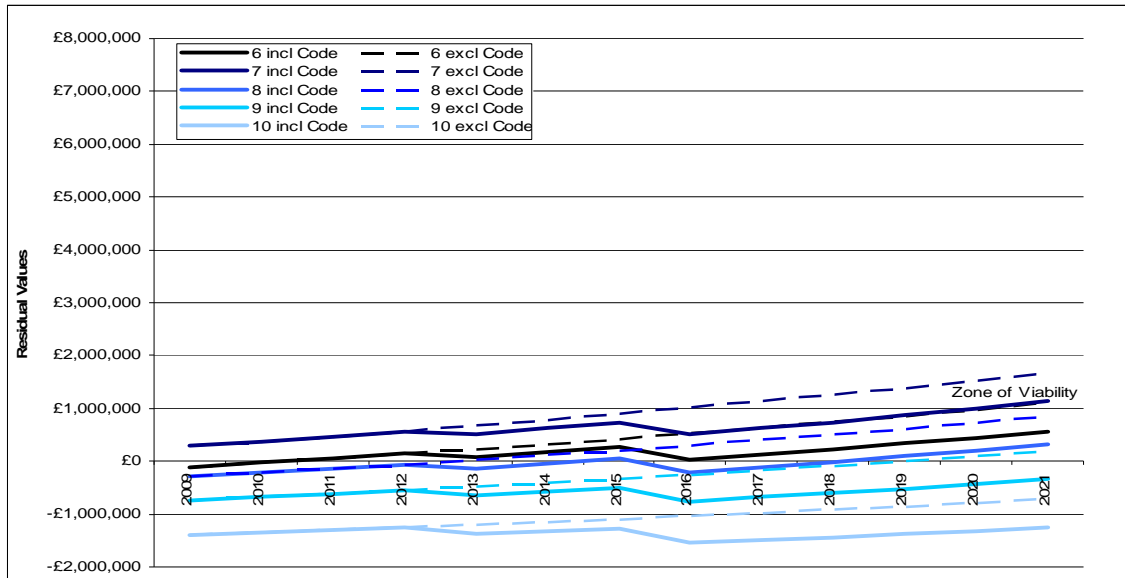


Plate 9.2 Residual Value Projections under 3% Annual Growth in House Prices for Housing Market Areas 6 to 10 - 40% Affordable Element



Plates 9.1 and 9.2 suggest that a 40% affordable element is currently viable in HMAs 1, 2, 3 and 4 and should remain so over the period to 2021 despite the impact of Code Levels 4 and 6. Elsewhere, and assuming the implementation of the Code, there is little prospect of a 40% affordable element being achieved with the exception of in HMAs 5 and 7 from around 2020 onwards.



Potential for a 20% Affordable Element

Plate 9.3 Residual Value Projections under 3% Annual Growth in House Prices for Housing Market Areas 1 to 5 - 20% Affordable Element

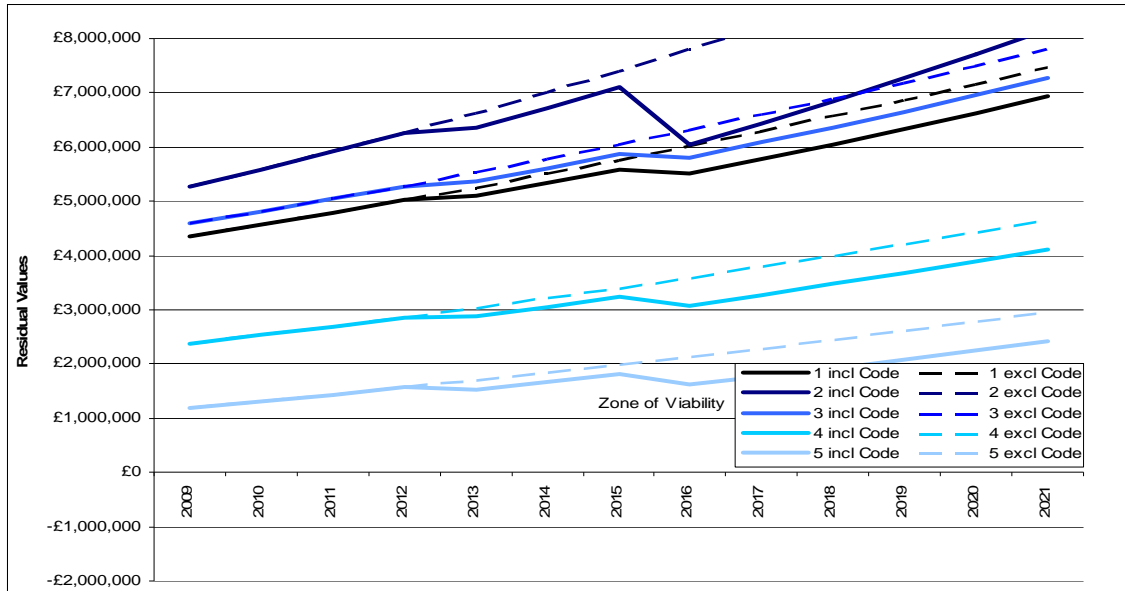
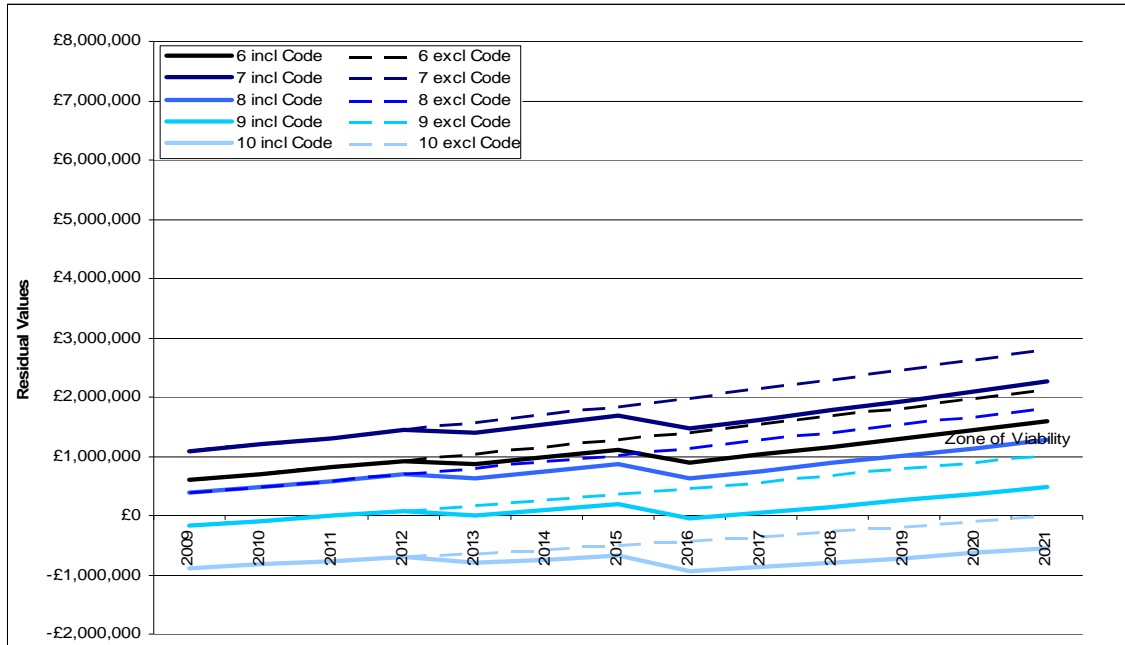


Plate 9.4 Residual Value Projections under 3% Annual Growth in House Prices for Housing Market Areas 6 to 10 - 20% Affordable Element



If a lower 20% affordable element is sought, Plates 9.3 and 9.4 suggest that this should be currently viable in HMAs 5 and 7 and these areas should be able to withstand the impact of progressive Code Levels. Looking further forward, HMAs 6 and 8 should offer the prospect of achieving a 20% element from around 2017 and 2019 respectively.



Potential for a 0% Affordable Element

Plate 9.5 Residual Value Projections under 3% Annual Growth in House Prices for Housing Market Areas 1 to 5 - 0% Affordable Element

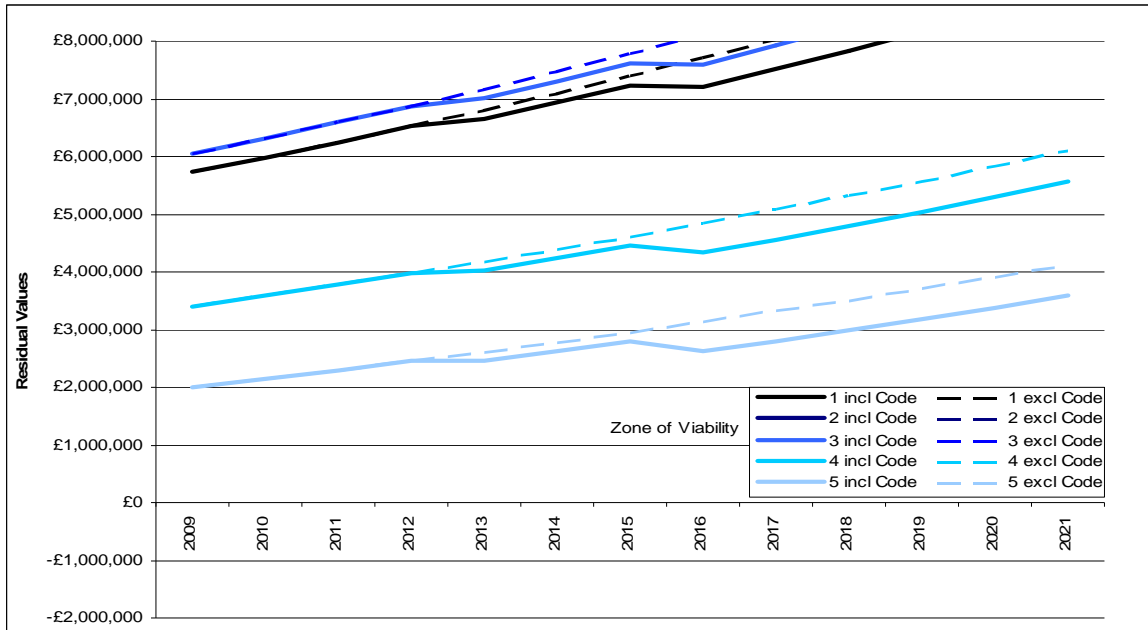
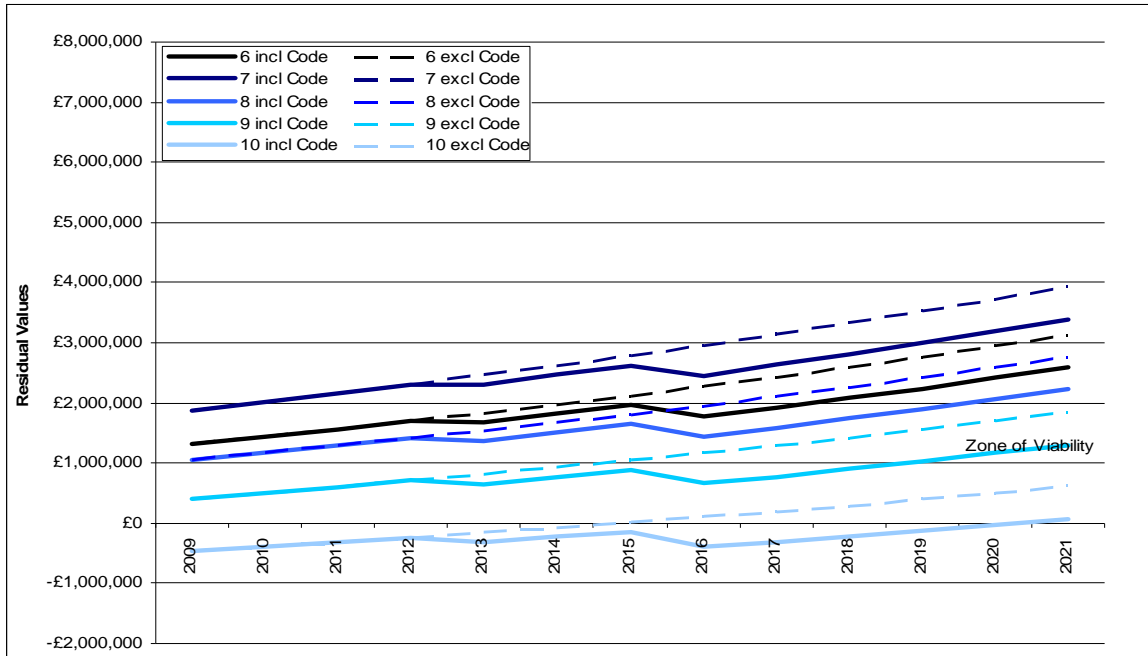


Plate 9.6 Residual Value Projections under 3% Annual Growth in House Prices for Housing Market Areas 6 to 10 - 0% Affordable Element



If an affordable element is not sought, Plates 9.5 and 9.6 suggest that viable development can be delivered in all HMAs except in HMAs 9 and 10 across the plan period. Development in HMA 9 should become viable from around 2019 although HMA 10 does not even produce a positive land value until 2021.



9.2.2 Under a 5% Annual Growth in House Prices

Potential for a 40% Affordable Element

Plate 9.7 Residual Value Projections under 5% Annual Growth in House Prices for Housing Market Areas 1 to 5 - 40% Affordable Element

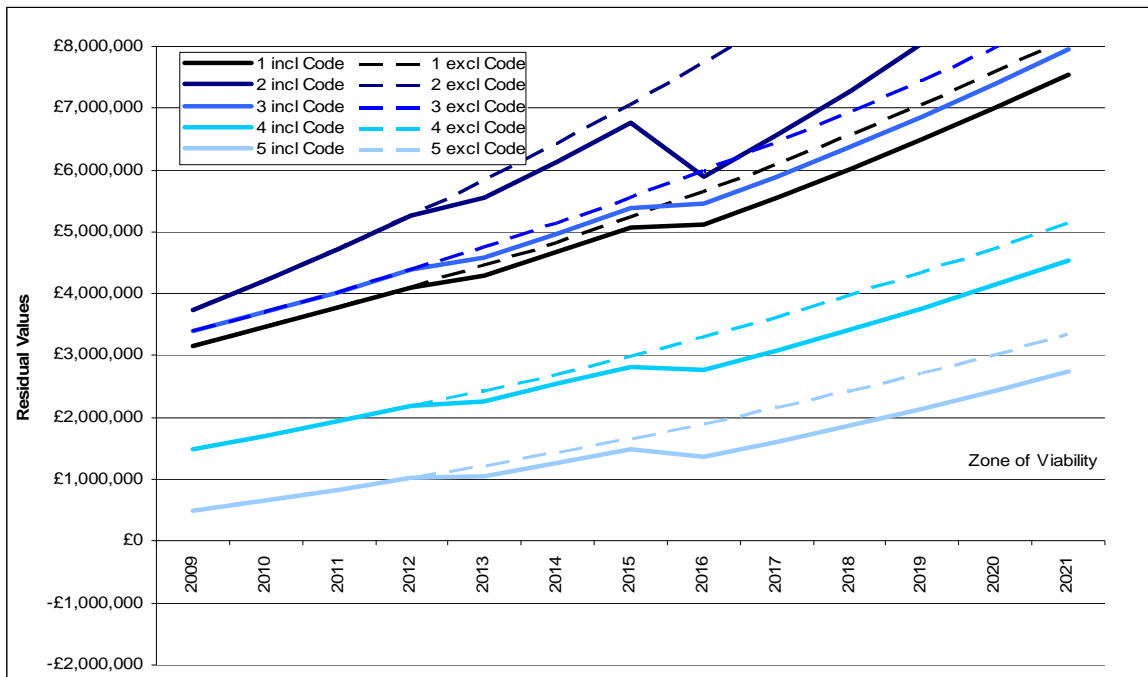
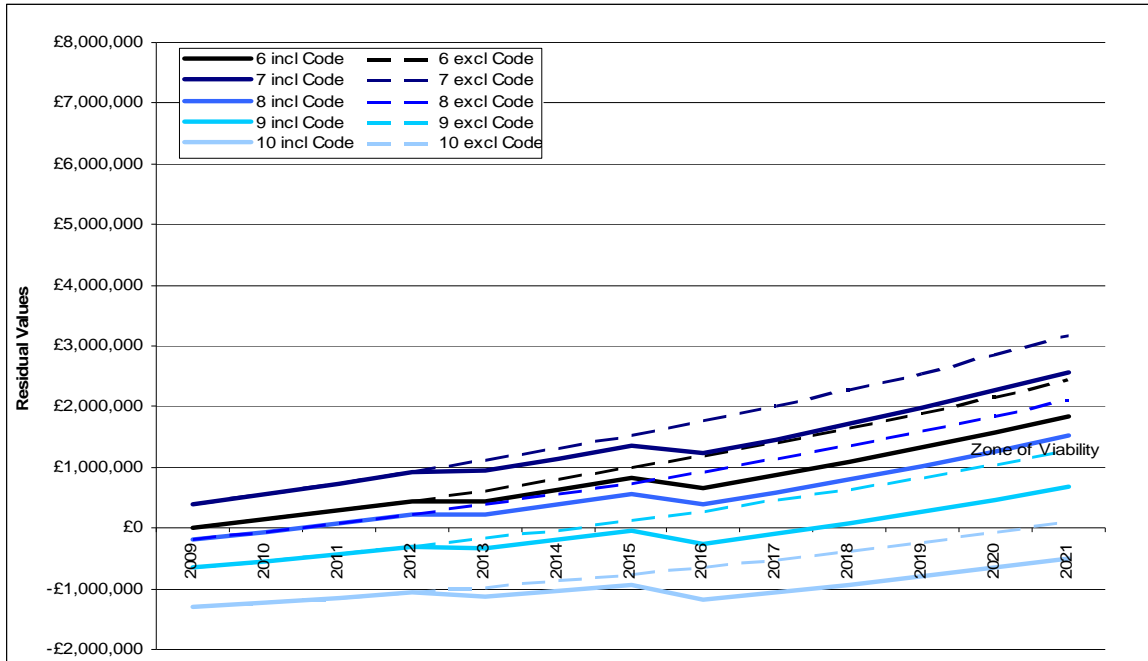


Plate 9.8 Residual Value Projections under 5% Annual Growth in House Prices for Housing Market Areas 6 to 10 - 40% Affordable Element



Under a 5% growth scenario, Plates 9.7 and 9.8 suggest that a 40% affordable element is again currently viable in HMAs 1, 2, 3 and 4 and will remain so. This level should also become viable in HMA 5 from 2012 and HMA 7 from 2014.



Potential for a 20% Affordable Element

Plate 9.9 Residual Value Projections under 5% Annual Growth in House Prices for Housing Market Areas 1 to 5 - 20% Affordable Element

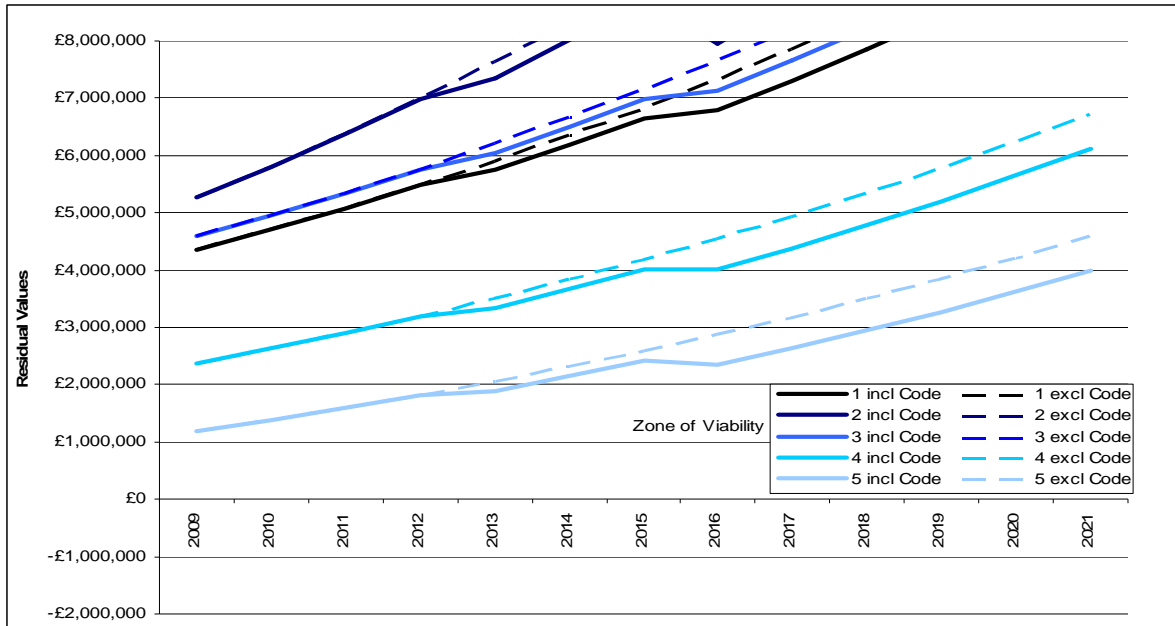
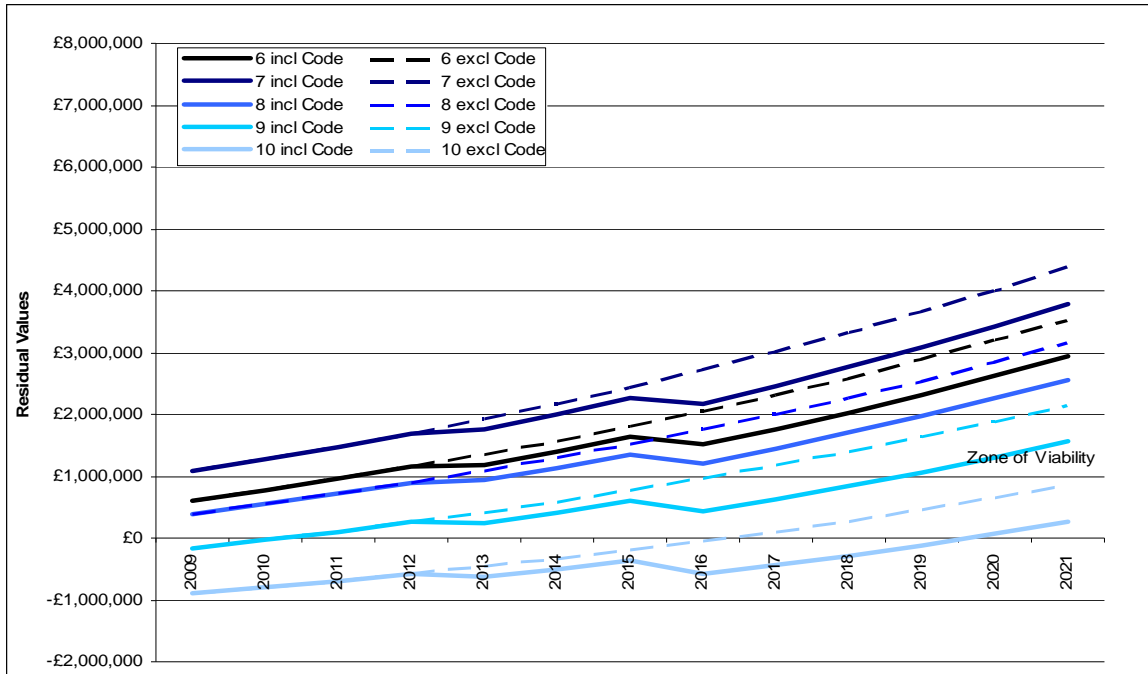


Plate 9.10 Residual Value Projections under 5% Annual Growth in House Prices for Housing Market Areas 6 to 10 - 20% Affordable Element



If a lower 20% affordable element is sought, Plates 9.9 and 9.10 suggest that this should be currently viable in HMAs 5 and 7. Looking further forward, HMAs 6 and 8 should offer the prospect of achieving a 20% element from around 2012 and 2014 respectively. HMA 9 should become viable around 2019.



Potential for a 0% Affordable Element

Plate 9.11 Residual Value Projections under 5% Annual Growth in House Prices for Housing Market Areas 1 to 5 - 0% Affordable Element

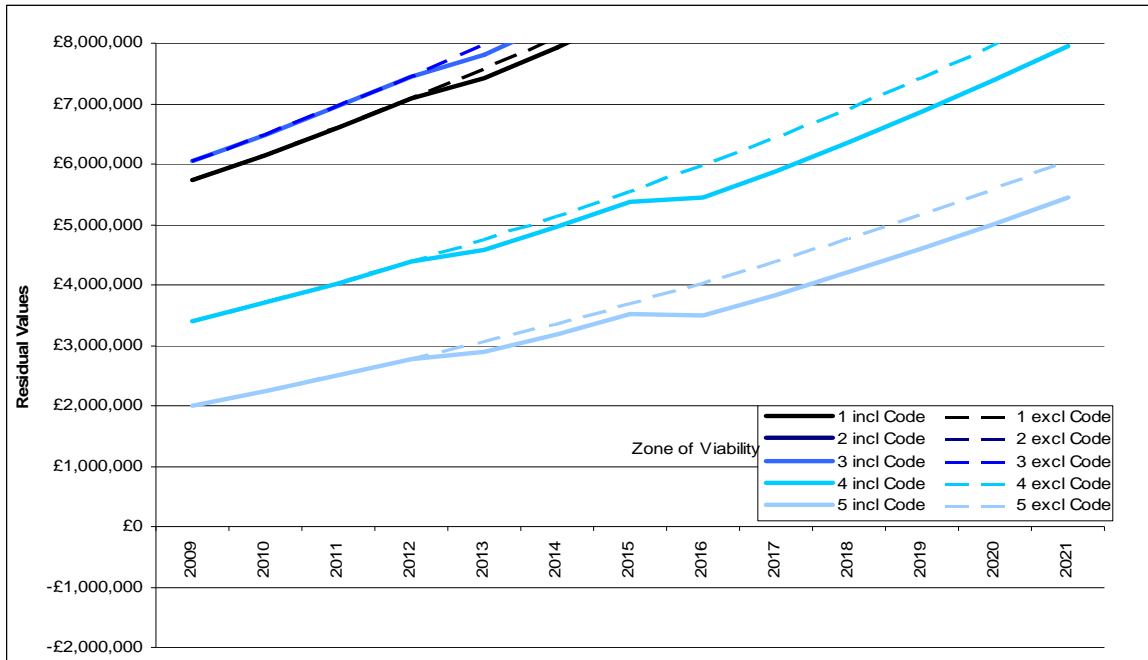
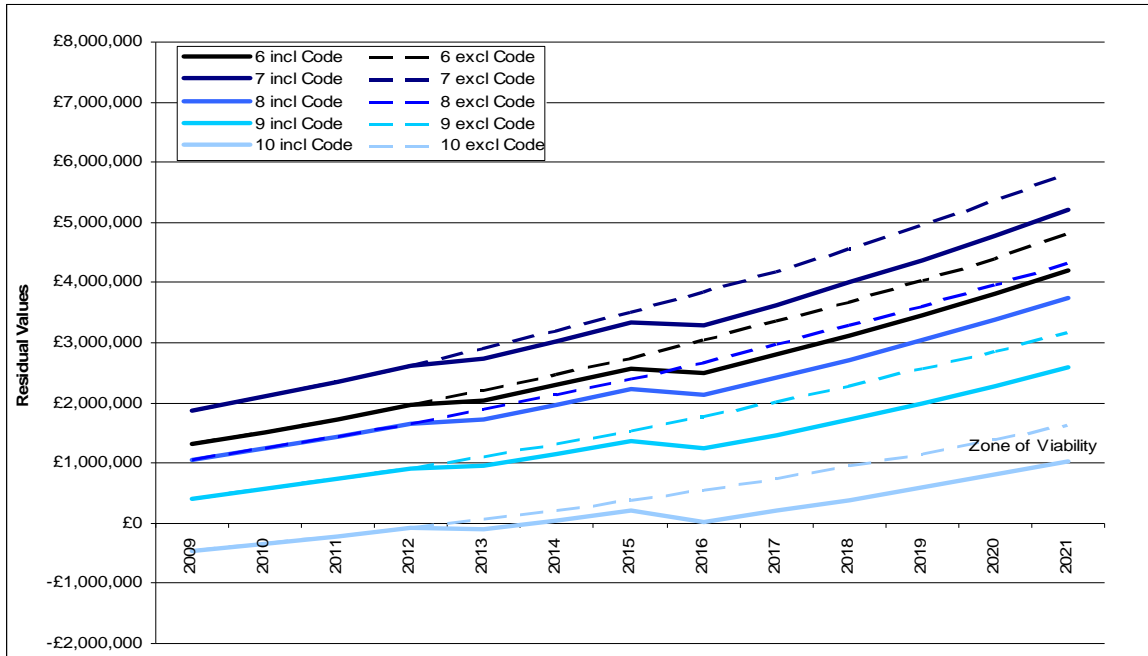


Plate 9.12 Residual Value Projections under 5% Annual Growth in House Prices for Housing Market Areas 6 to 10 - 0% Affordable Element



If an affordable element is not sought, Plates 9.11 and 9.12 suggest that HMAs 1 to 8 are currently viable with HMA 9 becoming viable from around 2014. Under this scenario, HMA 10 becomes viable in 2021.



Table 9.2 Viability Summary by Housing Market Area

HMA	Post Codes	Approx. Ward Areas	Potential under 1% Growth	Potential under 3% Growth	Potential under 5% Growth	Potential under 7% Growth	Potential under 9% Growth	
1	B5, B15	Edgbaston	40% throughout to plan period	40% throughout to plan period	40% throughout to plan period	40% throughout to plan period	40% throughout to plan period	
2	B1, B2, B3, B4	City Centre, Nechells (South)	Notionally 40% throughout to plan period. However, falling demand together with a fall in land values for apartment schemes calls into question whether such potential exists on such schemes					
3	B16, B17, B73, B74	Bearwood, Harborne, Sutton Four Oaks	40% throughout to plan period	40% throughout to plan period	40% throughout to plan period	40% throughout to plan period	40% throughout to plan period	
4	B13, B72, B73, B75, B76	Billingsley, Moseley, Sutton (exc. Four Oaks)	40% throughout to plan period. However, RVs are relatively modest and always below £1.5M per ha. The impact of Code 6 in 2016 makes viability uncertain at this time.	40% throughout to plan period. RVs in excess of £1.5M per hectare exceeded from 2012 onwards	40% throughout to plan period. RVs in excess of £1.5M per hectare exceeded from 2011 onwards	40% throughout to plan period	40% throughout to plan period	
5	B18, B28, B29, B30, B76	Bourneville, Selly Oak, Hall Green, Walmley, Yardley Wood	20% throughout to plan period. However, RVs are relatively modest and always below £1.5M per ha. The impact of Code 6 in 2016 makes viability uncertain at this time.	20% throughout to plan period. Some potential for a 40% affordable element beyond 2020.	20% throughout to plan period. Some potential for a 40% affordable element beyond 2014.	20% throughout to plan period. Some potential for a 40% affordable element beyond 2012.	20% throughout to plan period. Some potential for a 40% affordable element beyond 2011.	



Table 9.2 (continued) Viability Summary by Housing Market Area

HMA	Post Codes	Approx. Ward Areas	Potential under 1% Growth	Potential under 3% Growth	Potential under 5% Growth	Potential under 7% Growth	Potential under 9% Growth
6	B11, B12, B14, B20, B24, B38, B45	Balsall Heath, Brandwood, Erdington SE, Longbridge, Sparkhill	Viable development but with <u>no affordable element</u> throughout to plan period. However, RVs are relatively modest and always below £1.5M per ha. The impact of Code 6 in 2016 makes viability uncertain at this time.	Viable development but with <u>no affordable element</u> throughout to plan period. Potential for a 20% element beyond 2018.	Market housing viable throughout to plan period. Some potential for a 20% affordable element beyond 2012 and for 40% from 2019.	Market housing viable throughout to plan period. Some potential for a 20% affordable element beyond 2011 and for 40% from 2017.	Market housing viable throughout to plan period. Some potential for a 20% affordable element beyond 2010 and for 40% from 2014.
7	B10, B26, B27	Acocks Green, Sheldon, Small Heath	20% up to 2016 but supported by very marginal RVs (~£1M per ha). Code 6 is likely to prevent affordable housing although market sites should remain viable.	20% throughout to plan period. Some potential for a 40% affordable element beyond 2020.	20% throughout to plan period. Some potential for a 40% affordable element beyond 2015 (reliably beyond 2017).	20% throughout to plan period. Some potential for a 40% affordable element beyond 2013.	20% throughout to plan period. Some potential for a 40% affordable element beyond 2011.
8	B23, B31, B32, B34	Bartley Green, Erdington NW, Northfield, Lea Hall	Market housing viable up to 2016. Beyond 2016, development is unlikely to be viable until from 2021.	Market housing viable throughout to plan period. Some potential for a 20% affordable element beyond 2020.	Market housing viable throughout to plan period. Some potential for a 20% affordable element from 2014 and for 40% from 2020.	Market housing viable throughout to plan period. Some potential for a 20% affordable element from 2012 and for 40% from 2017.	Market housing viable throughout to plan period. Some potential for a 20% affordable element from 2011 and for 40% from 2015.



Table 9.2 (continued) Viability Summary by Housing Market Area

HMA	Post Codes	Approx. Ward Areas	Potential under 1% Growth	Potential under 3% Growth	Potential under 5% Growth	Potential under 7% Growth	Potential under 9% Growth
9	B5, B6, B8, B9, B19, B21, B25, B33, B36, B35, B42, B44	Aston, Perry Barr, Oscott, Shard End, Small Heath, Sparkbrook, Washford Heath, Yardley	Development unviable throughout the plan period.	Development unviable for much of the plan period. Potential for market housing to be viable from 2020.	Market housing would become viable around 2014 with some potential for a 20% affordable element from 2019.	Market housing would become viable around 2012 with potential for a 20% affordable element beyond 2017. Some potential for a 40% affordable element from 2020.	Market housing would become viable around 2011/12 with potential for a 20% affordable element beyond 2014. Some potential for a 40% affordable element from 2017.
10	B7	Nechells (North)	Development unviable throughout the plan period.	Development unviable throughout the plan period.	Development unviable throughout much of the plan period. Market housing could become viable around 2021.	Development unviable throughout much of the plan period. Market housing could become viable around 2018 with some potential for a 20% affordable element beyond 2020.	Development unviable throughout much of the plan period. Market housing could become viable around 2016 with some potential for a 20% affordable element beyond 2018.



Tables 9.3 to 9.6 summarise these findings graphically for each of the growth scenarios. Each table shows the timescales under which development and proportions of affordable housing become viable. All tables include the impact of Levels 4 and 6 of the Code. The impact of Level 6 is evident in the 1% growth scenario where viability is compromise upon its introduction in 2016; in other growth scenarios, the higher rates of growth in revenue mean that its impact is less evident although clearly weaker performance will result in all cases.

Table 9.3 Affordable Proportion by HMA by Timescale – 1% Annual Growth Scenario

HMA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
2	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
3	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
4	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
5	20%	20%	20%	20%	20%	20%	20%?	20%?	20%	20%	20%	20%
6	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
7	20%	20%	20%	20%	20%	20%	20%?	20%?	20%?	20%	20%	20%
8	0%	0%	0%	0%	0%	0%	NV	NV	NV	NV	NV	0%
9	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV
10	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV



Table 9.4 Affordable Proportion by HMA by Timescale – 3% Annual Growth Scenario

HMA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
2	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
3	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
4	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
5	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	40%	40%
6	0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	20%	20%
7	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	40%	40%
8	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	20%
9	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0%	0%
10	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV

Table 9.5 Affordable Proportion by HMA by Timescale – 5% Annual Growth Scenario

HMA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
2	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
3	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
4	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
5	20%	20%	20%	20%	20%	40%	40%	40%	40%	40%	40%	40%
6	0%	0%	0%	20%	20%	20%	20%	20%	20%	40%	40%	40%
7	20%	20%	20%	20%	20%	40%??	40%??	40%	40%	40%	40%	40%
8	0%	0%	0%	0%	20%	20%	20%	20%	20%	20%	40%	40%
9	NV	NV	NV	NV	0%	0%	0%	0%	0%	20%	20%	20%
10	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	NV	0%



Table 9.6 Affordable Proportion by HMA by Timescale – 7% Annual Growth Scenario

HMA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
2	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
3	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
4	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
5	20%	20%	20%	20%	40%	40%	40%	40%	40%	40%	40%	40%
6	0%	0%	20%	20%	20%	20%	20%	40%	40%	40%	40%	40%
7	20%	20%	20%	20%	40%	40%	40%	40%	40%	40%	40%	40%
8	0%	0%	20%	20%	20%	20%	20%	40%	40%	40%	40%	40%
9	NV	NV	NV	NV	0%	0%	0%	0%	20%	20%	40%	40%
10	NV	NV	NV	NV	NV	NV	NV	NV	0%	0%	0%	20%

Table 9.7 Affordable Proportion by HMA by Timescale – 9% Annual Growth Scenario

HMA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
2	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
3	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
4	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
5	20%	20%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
6	0%	0%	20%	20%	40%	40%	40%	40%	40%	40%	40%	40%
7	20%	20%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
8	0%	0%	20%	20%	20%	20%	20%	40%	40%	40%	40%	40%
9	NV	NV	0%	0%	0%	20%	20%	40%	40%	40%	40%	40%
10	NV	NV	NV	NV	NV	NV	0%	0%	0%	20%	20%	20%

Again these summaries all assume that a residual value of at least £1M will be acceptable to the landowner and adequate to ensure that the supply of the site is not inhibited. Whilst such land values may be much lower than those normally paid in prime areas such as Edgbaston or Sutton Coldfield this does not alter a finding that a



sufficient level of return is achieved to demonstrate viability regardless of the expectations of the landowner. This conclusion is supported by stakeholder consultation which suggested that those deals currently being struck in the City are of around this level.

9.3 Summary of Findings

The modelling exercise again demonstrates that relative buoyancy of certain parts of the City and that any element of affordable housing is currently unattainable in HMAs 5 to 10; indeed, negative land values are produced in HMAs 9 and 10 which cover approximately 25% of the Council's administrative area.

Although the revenue value of the development is the main determinant of viability, the additional costs of meeting advancing Code for Sustainable Homes Levels also has a clear impact. In particular, there is a significant 'step up' in costs from Level 4 to 6 which, given the pattern of market buoyancy across the HMAs, suggests that climate change objectives will hold back the achievement of any given level of affordable housing. Nevertheless, the buoyancy of HMAs 1 to 4 may offer scope for both subject to expected land values in these areas being met.

The timing, degree and, therefore, the implications of economic recovery cannot be predicted. However, if the overall trend in land values since 1990 is projected forward to 2026, an annual growth of about 3% is implied.

A 3% annual growth, outside of the most buoyant areas, is unlikely to deliver much, if any, affordable housing in the short to medium term especially if land values track increased revenues. If a more optimistic 5% annual growth is assumed (and this is somewhat above the long term trend since 1990) then the delivery of affordable housing is accelerated in all areas although a 40% proportion is unlikely to be viable within the lifetime of the plan in the poorer market areas

In practice the expected timescale may be pessimistic as, in practice house prices, and especially land values, are volatile and very marked changes, and hence, viability may be achieved over very short periods. Conversely, the implications of this broad area analysis will need to be tempered by the specific development costs of any site being considered against it.



10. The Potential for Smaller Sites

The Council could also consider the potential to apply an affordable requirement to sites below the current policy threshold. Whilst potential may exist such a policy would suffer from the following challenges:

- The importance of location. This factor is confirmed by stakeholder consultation and implies a focus on the most buoyant areas in areas of high environmental quality;
- The lack of supply of such sites. The Council's SHLAA suggested little potential in the City's mature suburbs that make up the most buoyant areas. This potential has recently been further eroded by the Government's removal of gardens from the definition of previously developed land – "garden grabbing";
- Small sites yield, in overall terms, low revenues and are less able to sustain significant development costs such as contamination. This will mitigate against the provision of developer contributions;
- The limited individual yield from small sites – just four on a 10 dwelling development under a 40% element – may make site-by-site negotiations and legal agreements uneconomic.

In summary, the implication of the DAT assessments confirmed through stakeholder consultation suggests that affordable housing on small sites should be viable in the most buoyant areas. However, the supply of sites in such areas is not likely to be significant and the effort required to operate such a policy may be uneconomic given the likely limited yield.





11. Conclusions

11.1 Contextual

In view of the recommendations of the 2007/8 Strategic Housing Market Assessment, this study seeks to assess the viability of the City's aspiration to request a 40% affordable housing target on sites yielding at least 15 dwellings. This provision is split between social rental (two thirds) and new build home buy (a third) tenures.

In addition, and because of current downturn in the housing market, the scope to deliver a range of reduced provisions is also assessed together with the potential to achieve enhanced climate change measures and the costs of re-developing land as part of the regeneration of a major industrial city.

11.2 Assumptions

A strategic study that makes predictions based upon historical evidence is always uncertain and has to be undertaken in the expectation that existing trends and experience will continue to apply.

A number of assumptions have been made in connection with development mix, tenure, density, rents and land values. These assumptions have been subject to consultation with development stakeholders and, for the purposes of this study, are considered to be broadly appropriate.

In addition, base development costs, abnormal costs and other policy costs (e.g. Code for Sustainable Homes) have been applied according to published rates and data subject to consideration of the circumstances of specific sites – such as the severity of contamination.

11.3 Findings

11.3.1 Current Position – Housing Market Areas

The 'Baseline' assessments produced through the DAT clearly demonstrate the importance of location to affordable housing and, in some cases, the viability of development itself. Schemes comprising the current UDP policy target of 35% affordable produce variations in land values from around £4M per hectare in Edgbaston down to negative values (where development costs significantly exceed value) in parts of Nechells.



The current potential therefore is largely determined by the local market. If the average Birmingham land value of £1M per hectare is used as a comparator, then it would appear that the current UDP policy can be secured Edgbaston, the western half of Sutton and Harborne. There would also appear to be the potential to achieve a reduced element of affordable housing in Sutton Trinity, in post-code area B72 centred on Wylde Green and in post-code area B13 covering Moseley and parts of Springfield and Billesley.

Whilst the assessments produce buoyant land values in the City Centre, largely due to higher densities and therefore revenues, the fall in land values for apartment schemes has been particularly marked to the point where the influence of development density is not significant. This decline is such that there is little difference between values for apartment and existing or alternative employment uses. Consequently, the high residual values do not imply good potential and this may continue for a considerable time. This conclusion is supported by the views of the consulted stakeholders.

Elsewhere the picture is much less encouraging. Nowhere does residential development achieve £1M per hectare, except possibly in the Acocks Green and Small Heath areas but without an affordable element. The clear implication is that in the current market conditions, affordable housing is unlikely to be viable outside of the most buoyant areas.

Clearly the HMA evaluations can only be viewed as a starting point. In reality, the costs of redeveloping land will, depending upon site specifics, drive performance down and reduce the achievable affordable proportion even in buoyant areas. This implies the continuation of the Council's practice of adopting a flexible approach to affordable requirements where this is justified by site specific development costs.

11.3.2 Current Position – Qualification

The following factors will alter these findings in specific circumstances:

- In practice land values track house prices. Consequently, landowners will have much higher expectations in the most buoyant areas and this will mean that an affordable element will be harder to achieve than the HMA analyses suggest. For instance, a £1M yield in Edgbaston may not meet landowner expectations based upon previous experience;
- Conversely, in weaker parts of the City, land may be secured at less than the average Birmingham figure of £1M per hectare which will improve site performance in these areas;
- Simple sites with few abnormal development costs, even in weaker market areas, may have some shorter term potential assuming that landowners cannot or do not intend to await improved values with time;
- The decision to sell for residential development will depend upon the value of the current or alternative uses. As residential and employment land values have converged over recent years, this decision is far more marginal;



- Where land has been purchased at previous market levels and cannot currently be developed viably.

This again implies a pragmatic and flexible approach to affordable housing requirements in, at least, the short to medium term.

11.3.3 Future Position – Projections

The timing, degree and, therefore, the implications of economic recovery cannot be predicted. However, if the overall trend in land values since 1990 is projected forward to the end of the LDF period, an annual growth of about 3% is implied.

5% annual growth would include an element of economic recovery but this is unlikely to significantly promote affordable housing outside of the most buoyant areas, especially if land values track increased revenues. A 40% affordable scheme is unlikely to be viable in anywhere other than the buoyant area before at least 2021 and to varying degrees, the Bourneville, Soho, Winson Green, Longbridge, Acocks Green and Small Heath areas. Elsewhere, reduced expectations and longer timescales will need to be accepted. A 7% or 9% annual growth is felt unlikely in the current economic circumstances and Treasury predictions and would be well in excess of the long term trend since 1990.

The implication therefore, is that the delivery of affordable housing in the greater part of the City will remain problematic even under significantly improved economic conditions and as these conditions are likely to take time, the supply of sites is likely to be impeded.

Where land has been purchased at previous market levels and cannot currently be developed profitably. This may impede viability beyond those sites bought under conditions more comparable to those which exist in the current market.

11.4 Implications for Policy

11.4.1 Balancing Objectives

Affordable housing is a key planning objective at all levels of policy. However, there will be, in each case, a judgement to be made on the needs of the local community and whether a strongly pursued affordable housing policy is the most appropriate priority.

A policy that incorporates a range of potential developer contributions, including affordable housing, would allow the Council to adopt a flexible approach and arbitrate between conflicting needs as sites are brought forward.



11.4.2 Spatial Approach

The polarised nature of the housing markets across the City implies a differential approach to seeking affordable proportions at least in the short to medium term.

The most buoyant areas of Edgbaston, Harborne, Sutton and to lesser extents, Moseley, Soho, Winson Green and Billesley certainly offer the most potential in the short term as these areas possess the highest market values. It can also be argued that the affordable need is greatest and that they should rightfully form the early focus.

The City Centre will require a different approach and, despite the high land values produced by the assessments, is unlikely to yield significant affordable potential in at least the short to medium term.

The Council could also consider the potential in these areas to seek provision in excess of 40% and on sites yielding less than the 15 dwellings threshold. This approach could be included in a spatial policy but would need to be applied on a site by site basis.

As already implied, a pragmatic approach in other areas would not impede development in the short term but may allow for an affordable element as site specific circumstances allow.

11.4.3 Temporal Approach

Such a flexible approach would also imply a light footed policy that responds to changed economic conditions whether improved or reduced circumstances on a site by site basis. This could be achieved through planning conditions that required viability and any developer obligation to be reviewed at each stage of the planning process – allocation, outline consent, reserved matters consent, latter phases etc. This would enable the Council to re-enter negotiations to maximise affordable yield and not be hostage to the conditions that applied when the initial consent was granted.

Conversely, it would also allow, where necessary, the adjustment of requirements downwards so that the development of the site is not impeded in the short term. This approach would be particularly important where significant abnormal costs apply that need to be addressed as a preliminary to construction, as part of a planning condition or as another early action.

11.4.4 Regeneration Areas

A number of regeneration areas have the potential to alter the physical nature of their local environment and, in time, alter market perceptions.

A policy linked the spatial and temporal delivery of these schemes would take advantage of these improvements and link deliverability to improved local and more general economic circumstances. Again, significant areas of



previously developed land such as Longbridge, Icknield Port and, in the future, Selly Oak and City Hospitals are likely to entail significant early costs but also significant improvements in values as perceptions improve. A flexible policy that acknowledged and took advantage of these stages in the development life cycle would clearly be beneficial.

11.4.5 Climate Change

Although the revenue value of the development is the main determinant of viability, the additional costs of meeting advance Code for Sustainable Homes Levels also has a marked impact. In particular, there is a significant 'step up' in costs from Level 4 to 6 in 2016 which, given the pattern of market buoyancy across the HMAs, suggests that climate change objectives will hold back the achievement of any given level of affordable housing. Nevertheless, the most buoyant areas may offer scope for enhanced measures within the context of a policy linking this to improved demonstrated viability on a spatial and temporal basis.

11.4.6 Small Sites

The Council could also consider the potential to apply an affordable requirement to sites below the current policy threshold. Whilst this contribution will be individually small and uncertain given the overall value of a development means that small sites are less able to sustain significant development costs, there may well be potential in the more buoyant areas. The importance of location and environmental quality is confirmed by stakeholder consultation.

Despite this potential, it may be considered that such a policy on a site-by-site basis may be seen as economic given the likely limited return.

11.4.7 Promotion

In terms of practical early action to support affordable housing delivery the Council could pursue the following:

- The provision of Council owned land where a reduced land value could be accepted as the price of delivering other these objectives. Clearly the extent to which land value would be reduced would depend upon the location with a greater reduction likely to be linked to the areas of greatest need;
- Joint ventures with other stakeholders and other public, private sector bodies to boost the potential revenues such as through the exploitation of housing grant regimes or to reduce costs such as through the co-ordination of regeneration schemes and capital programmes;
- The promotion, and regular update, of development briefs for strategic sites and growth areas to ensure that the needs of the local community are understood as well as the potential of the



development to contribute to meeting these priorities (including affordable housing) at any particular time;

- The continuation of the Council's current flexible approach to the provision of affordable housing on a site-by-site basis.

