Appendix A
Stratification of Housing Market Areas

A Stratification of Housing Markets

The main determinant of development revenues is prevailing house prices and how these vary spatially. Post-code based house price data exists for all locations and the City can be stratified into areas of similar market conditions and similar urban typologies where similar market responses are proposed (e.g. a higher proportion of flats). 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 following data, analysis, chart and **Figure B1** set out this approach.

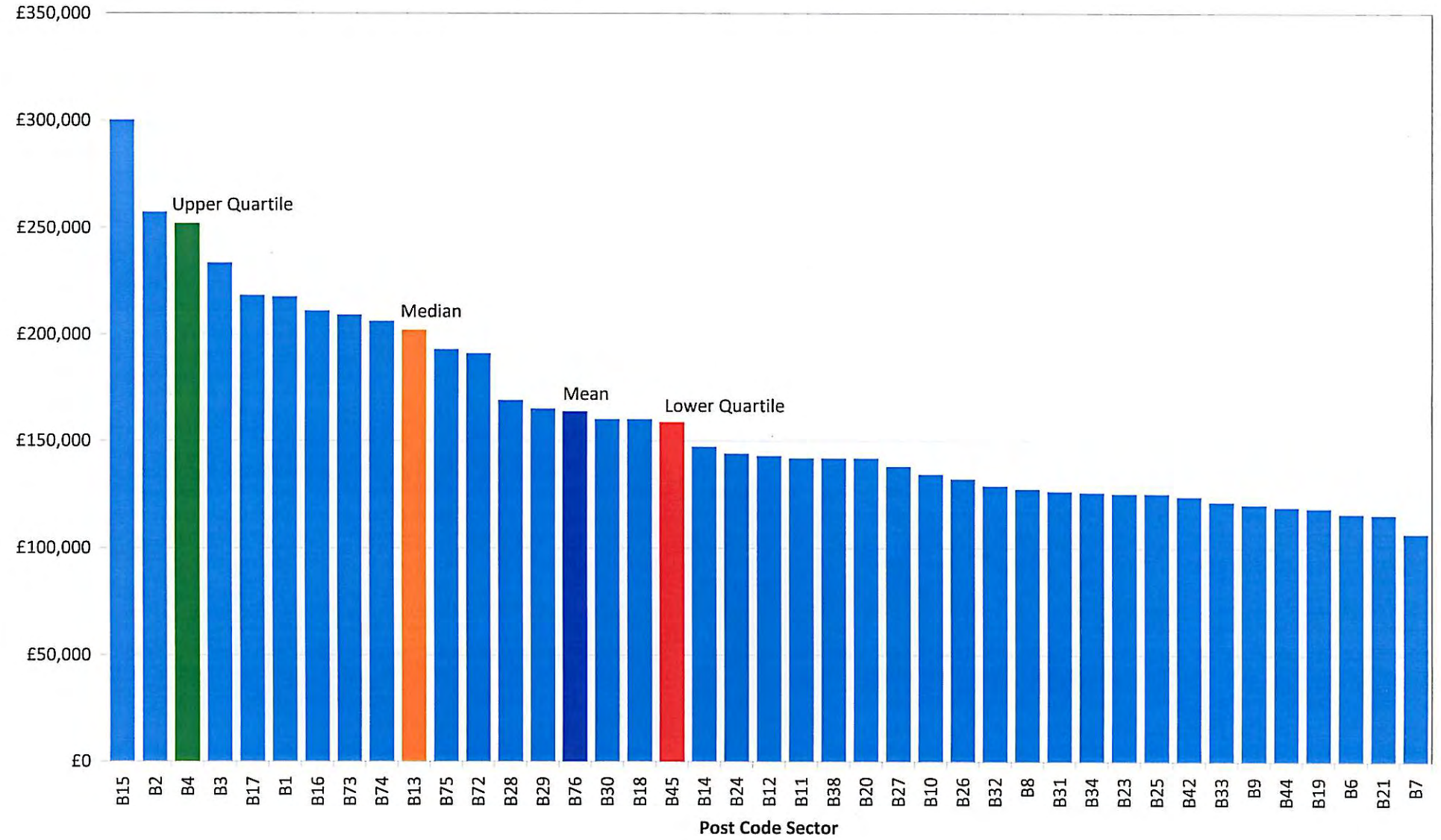
25341 Birmingham CC - Affordable Housing Viability Study - Housing Market Area Analysis

Post code sectors sorted by market prices for a new 3 bed terraced dwelling - 3rd Quarter 2008/9

Post Code Sector	Area	Terrace 3 Bed Terrace
B15	Edgbaston; Chad Valley	£300,438
B2	City centre South East (Sherlock St: Hippodrome area)	£257,481
B4	**City Centre South (New Street Station)**	**£252,027**
B3	City Centre West (National Indoor Arena)	£233,788
B17	Harborne; Beach Lanes	£218,500
B1	City Centre West (Paradise Circus)	£217,799
B16	Ladywood: Edgbaston Reservoir	£211,217
B73	New Oscott; Boldmere	£209,290
B74	Streetly: Four Oaks	£206,333
B13	**Moseley; Moor Green**	**£202,113**
B75	Roughley; Moor Hall; Whitehouse Common	£193,022
B72	Wylde Green	£191,188
B28	Hall Green; Yardley Wood	£169,202
B29	Selly Oak	£165,188
B76	**Walmley; Minworth (Sutton Coldfield S-E)**	**£163,875**
B30	Cotteridge; Bourneville; Kings Norton	£160,241
B18	Winson Green	£160,233
B45	**Roughley; Moor Hall; Whitehouse Common**	**£158,859**
B14	Brandwood; Kings Heath; Higher Heath	£147,488
B24	Gravelly Hill; Erdington; Bromford	£144,290
B12	Balsall Heath	£143,132
B11	Sparkhill; Sparkbrook	£142,025
B38	Hawkesley	£142,025
B20	Birch Green; Handsworth Wood; Brown's Green	£141,998
B27	Acock Green	£138,229
B10	Small Heath	£134,546
B26	Garrets Green; Sheldon	£132,538
B32	Riddacre: Bartley Green	£129,273
B8	Saltley; Washwood Heath; Ward End	£127,795
B31	Northfield: Longbridge	£126,704
B34	Shard End; Colehall	£126,173
B23	Stockland Green; Short Heath	£125,638
B25	Yardley; Hay Mills	£125,579
B42	Perry Barr; Perry Beeches	£124,300
B33	Stechford; Kitts Green	£121,666
B9	Bordesley Green	£120,444
B44	Kingstanding	£119,425
B19	Newtown	£118,814
B6	Aston; Witton	£116,247
B21	Handsworth	£115,821
B7	Nechells; Nechells Green	£107,065

Median Value	£203,751
Higher Quartile	£252,094
Lower Quartile	£155,408
Mean Value	£162,000

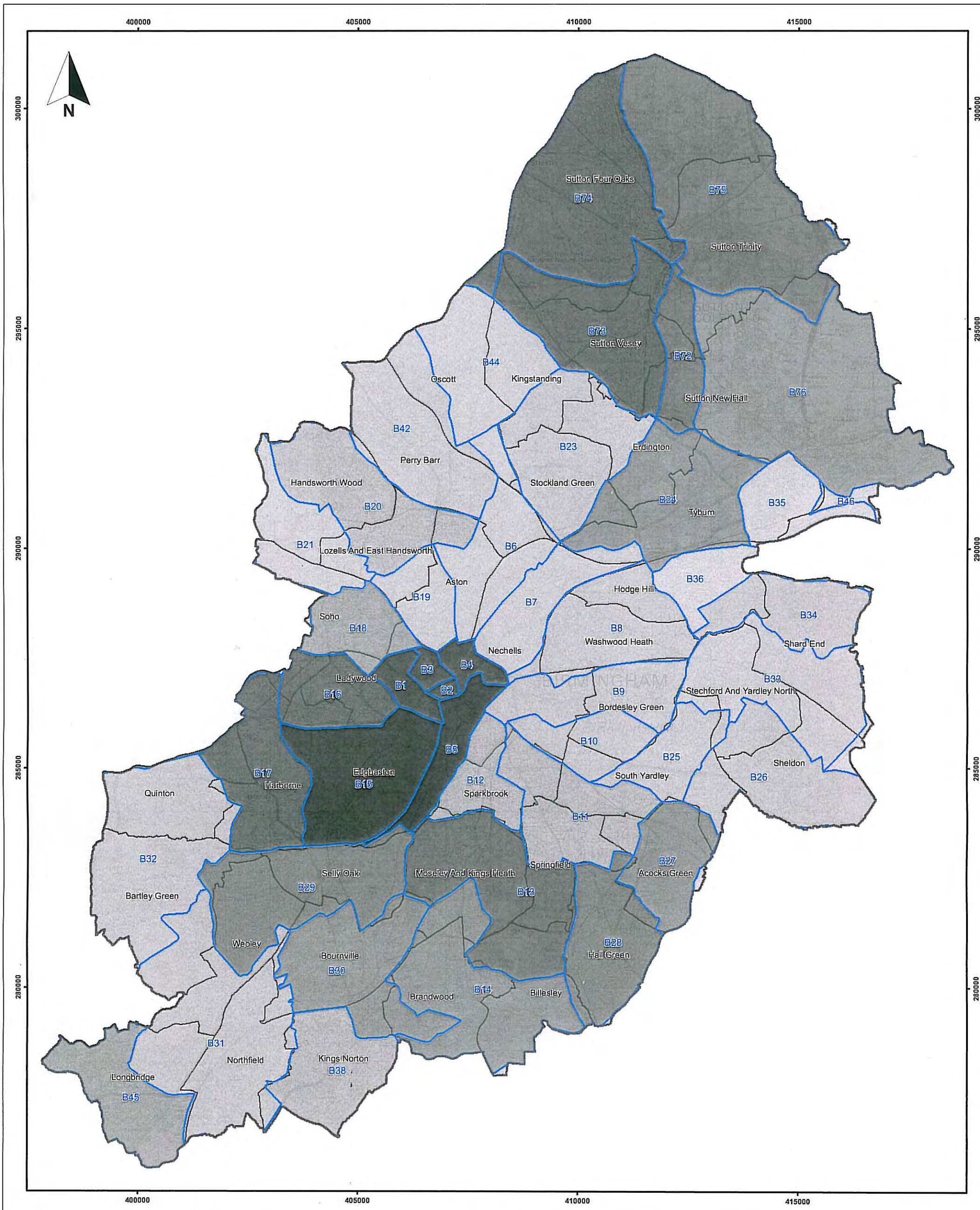
Market prices for a new 3 bed terraced dwelling - 3rd Quarter 2008/9



25341 Birmingham CC - Affordable Housing Viability Study

BCC Characterisation of Housing Markets - Supporting Analysis

Post Code Area	2006 Prices (All Types)	2009 Values (Terraces)	Defined Market Area	Nature of Dwellings Delivered 2006-2009					2006-2008 Price Change	Comment / Justification
				Total	Detached	Detached	Terraced	Flats		
B15	£174,957	£300,438	1	259	0%	3%	3%	95%	-10%	Significantly higher values than anywhere else in the City
B 2	No data	£257,481	2	209	0%	0%	0%	100%	-	City Centre. Defined by price but including B1 as all development is exclusively flatted
B 4	No data	£252,027	2	34	0%	0%	0%	100%	-	
B 3	£82,953	£233,788	2	150	0%	0%	0%	100%	71%	
B 1	£117,092	£211,217	2	780	0%	0%	0%	100%	28%	
B17	£215,918	£218,500	3	108	17%	15%	24%	44%	-60%	Defined by price but adjusted to reflect different nature of development from City Centre
B16	£116,059	£211,217	3	358	4%	12%	11%	72%	26%	
B73	£113,079	£209,290	3	32	25%	19%	0%	56%	332%	
B74	£282,789	£206,333	3	233	48%	3%	3%	47%	5%	
B13	£160,451	£202,113	4	118	0%	5%	4%	91%	-73%	Defined by price but adjusted to reflect the high proportion of flatted development
B75	£147,134	£193,022	4	47	19%	0%	0%	81%	-35%	
B72	£183,176	£191,188	4	24	17%	0%	0%	83%	67%	
B28	£54,637	£169,202	5	30	0%	10%	0%	90%	111%	Defined by a 'step' in the 2009 price distribution.
B29	£209,777	£165,188	5	55	0%	0%	18%	82%	-100%	
B76	£141,372	£163,875	5	35	29%	0%	26%	46%	-14%	
B30	£177,664	£160,241	5	336	17%	11%	10%	62%	-22%	
B18	£178,900	£160,233	5	189	0%	0%	0%	100%	-100%	
B45	£103,623	£158,859	6	19	0%	0%	0%	100%	-100%	Defined by a 'step' in the 2009 price distribution.
B14	£101,098	£147,488	6	79	0%	11%	16%	72%	-22%	
B24	£118,392	£144,290	6	77	27%	5%	16%	52%	25%	
B12	£152,158	£143,132	6	255	0%	0%	0%	100%	-8%	
B11	£163,277	£142,025	6	43	0%	14%	44%	42%	-11%	
B38	£233,933	£142,025	6	29	28%	0%	0%	72%	-68%	
B20	£127,809	£141,998	6	82	22%	10%	20%	49%	84%	
B27	£169,456	£138,229	7	102	10%	19%	20%	52%	-50%	Defined by a 'step' of £3k within the shallow profile of the 2009 price distribution.
B10	£144,000	£134,546	7	3	0%	0%	100%	0%	-100%	
B26	£158,000	£132,538	8	3	0%	100%	0%	0%	-100%	Defined by a 'step' of £3k within the shallow profile of the 2009 price distribution but adjusted to reflect the diverse nature of delivered development development. *** NB Post Code area B26 to be re-allocated to Market Area 7 ***
B32	£201,960	£129,273	8	30	33%	40%	27%	0%	-64%	
B31	£83,029	£126,704	8	203	5%	14%	24%	58%	-33%	
B34	£72,361	£126,173	8	59	20%	14%	34%	32%	6%	
B23	£87,223	£125,638	8	272	2%	6%	7%	85%	60%	
B33	No data	£121,666	9	14	0%	36%	0%	64%	-	Defined by a 'step' of £4k within the shallow profile of the 2009 price distribution.
B44	£155,997	£119,425	9	20	0%	20%	15%	65%	-100%	
B19	£105,833	£118,814	9	6	0%	50%	50%	0%	-100%	
B 6	No data	£116,247	9	3	0%	100%	0%	0%	-	
B21	No data	£115,821	9	12	0%	25%	75%	0%	-	
B 5	£174,418	No data	9	681	0%	0%	0%	100%	-15%	
B35	£83,851	No data	9	173	4%	9%	12%	76%	83%	
B36	£41,666	No data	9	3	0%	0%	0%	100%	-100%	
B8	No data	£127,795	9	-	-	-	-	-	-	
B25	No data	£125,579	9	-	-	-	-	-	-	
B42	No data	£124,300	9	-	-	-	-	-	-	
B9	No data	£120,400	9	-	-	-	-	-	-	
B7	No data	£107,065	10	-	-	-	-	-	-	Significantly lower values than anywhere else in the City



Key:

Housing Market Areas

10 Low
8
6
4
2 High

Postcode Sector

Ward

0 1,000 2,000 3,000 Metres

Scale: 1:80,000 @ A3

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Birmingham City Council
Affordable Housing Viability Study

Figure B1
Stratification of Housing Market Areas

November 2009
25341-S41 stokr

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Appendix B
Assumed Base and Overhead Development Costs

10 - DEVELOPMENT COSTS

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Table

Build Costs per sq m

You can enter your own values in the white cells below.
Where cells are left blank, the Toolkit value for that row will be used

	Toolkit Values	
Bungalows	#N/A	£890
Flats (6+ storeys)	#N/A	£1,510
Flats (5 & less store	#N/A	£1,100
Houses <= 75m2	#N/A	£875
Houses > 75m2	#N/A	£875

Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items.
Where cells are left blank, the Toolkit value for that row will be used.

	Toolkit Values	User Values	
Professional Fees %	12.00%		of build costs
Internal Overheads	5.00%		of build costs (Market and Discount Market units)
Interest Rate (Market)	7.00%		of build Costs (Market, Discount Market and Low Cost Sale u
Interest Rate (Affordable Hous	7.00%		of build costs (SR, HB, IR units)
Marketing Fees	3.00%		of market value (Market and Discount Market units)
Developers Return	15.00%	20%	of market value (Market and Discount Market units)
Contractors Return	6.00%		of development costs (SR, HB, IR and LCS units)
Land financing costs	£ -		*Please see the Guidance Notes for use of this value*

Exceptional Development Costs

You may enter SCHEME totals for exceptional costs. The first row is for Sustainable Homes costs. The other three rows are for user defined costs.
You can enter the name of the cost in the left hand cells and SCHEME value in the right hand cell.

Sustainable Homes Standard	
Market Housing	Affordable Housing
None	None

Costs incurred for Sustainable Homes Levels None a	£	82,729
Flood Risk - Zone 1	£	-
Contamination Risk A - High Water Risk	£	145,000
Demolition at £6.49/m3	£	155,760

Scheme Total	£383,489
per dwelling	£23,968
per hectare	£958,723

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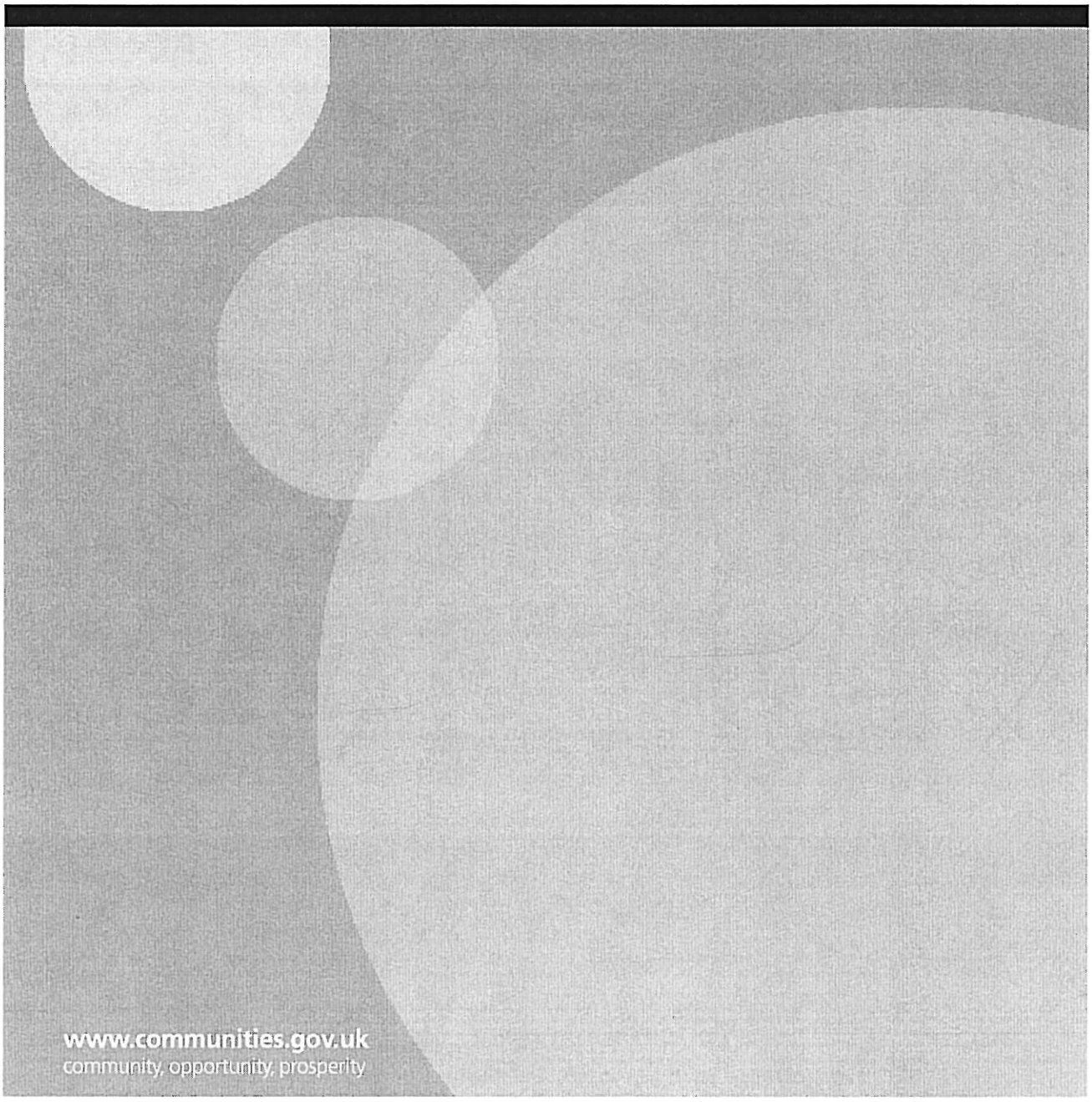
Appendix C
Extract from Cost Analysis of The Code for Sustainable Homes

Communities
and Local Government

Cost Analysis of The Code for Sustainable Homes

Final Report



Chapter 4

Estimated costs in 2008

Tables 4.1 to 4.3 show the estimated 2008 costs of compliance for each level of the Code for the detached house, end terraced house and flat under the best, medium and worst case scenarios described in Section 3, in all cases it is assumed that no electricity generation from wind turbines is possible at any scale[9]. The results for the mid terrace house are very similar to those for the end terrace and are not presented separately.

As well as presenting the overall costs of compliance, the costs are broken down into the mandatory entry level code requirements, the minimum standards for energy and for water and the remaining flexible credits required to achieve the credits threshold at each Code level.

Table 4.1: Detached house

CSH Level	Mandatory (£)	Energy (£)	Water (£)	Flexible (£)	Total cost (£)	Cost £ per m²	Percentage increase on 2006 Building Regs
Best Case (Market town scenario with low ecological value and low flood risk)							
1	£490	£275	£0	£0	**£765**	£7	1%
2	£490	£1,648	£0	£50	**£2,188**	£19	2%
3	£490	£3,916	£125	£220	**£4,751**	£41	5%
4	£490	£9,868	£125	£1,110	**£11,593**	£100	13%
5	£490	£17,132	£2,625	£1,600	**£21,847**	£188	24%
6	£490	£32,752	£2,625	£1,950	**£37,817**	£326	41%
Medium Case (Market town scenario with medium ecological value and low flood risk)							
1	£490	£275	£0	£0	**£765**	£7	1%
2	£490	£1,648	£0	£120	**£2,258**	£19	2%
3	£490	£3,916	£125	£460	**£4,991**	£43	5%
4	£490	£9,868	£125	£1,250	**£11,733**	£101	13%
5	£490	£17,132	£2,625	£1,950	**£22,197**	£191	24%
6	£490	£32,752	£2,625	£2,950	**£38,817**	£335	43%
Worst Case (Small scale scenario with high ecological value and medium/high flood risk)							
1	£490	£275	£0	£30	**£795**	£7	1%
2	£490	£1,648	£0	£585	**£2,723**	£23	3%
3	£490	£3,916	£125	£1,110	**£5,641**	£49	6%
4	£490	£10,914	£125	£2,000	**£13,529**	£117	15%
5	£490	£22,367	£2,625	£3,350	**£28,832**	£249	32%
6	£490	£40,228	£2,625	£4,190	**£47,533**	£410	52%

[9] On sites where medium or large scale wind technologies are suitable overall compliance costs would be expected to be significantly lower.

Table 4.2: End terraced house

CSH Level	Mandatory (£)	Energy (£)	Water (£)	Flexible (£)	Total cost (£)	Cost £ per m²	Percentage increase on 2006 Building Regs
Best Case (Market Town scenario with low ecological value and low flood risk)							
1	£490	£275	£0	£10	**£775**	£8	1%
2	£490	£1,648	£0	£220	**£2,358**	£23	3%
3	£490	£3,692	£125	£620	**£4,927**	£49	7%
4	£490	£7,115	£125	£1,270	**£9,000**	£89	12%
5	£490	£12,353	£2,625	£2,060	**£17,528**	£174	23%
6	£490	£24,822	£2,625	£3,270	**£31,207**	£309	41%
Medium Case (Market town scenario with medium ecological value and low flood risk)							
1	£490	£275	£0	£30	**£795**	£8	1%
2	£490	£1,648	£0	£460	**£2,598**	£26	3%
3	£490	£3,692	£125	£720	**£5,027**	£50	7%
4	£490	£7,115	£125	£1,760	**£9,490**	£94	13%
5	£490	£12,353	£2,625	£3,270	**£18,738**	£186	25%
6	£490	£24,822	£2,625	£3,810	**£31,747**	£314	42%
Worst Case (Small scale scenario with high ecological value and medium/high flood risk)							
1	£490	£275	£0	£120	**£885**	£9	1%
2	£490	£1,648	£0	£745	**£2,883**	£29	4%
3	£490	£3,916	£125	£1,270	**£5,801**	£57	8%
4	£490	£5,880	£125	£1,920	**£8,415**	£83	11%
5	£490	£13,292	£2,625	£3,810	**£20,217**	£200	27%
6	£490	£29,393	£2,625	£5,160	**£37,668**	£373.0	50.07%

Table 4.3: Flat

CSH Level	Mandatory (£)	Energy (£)	Water (£)	Flexible (£)	Total cost (£)	Cost £ per m2	Percentage increase on 2006 Building Regs
Best Case (Urban regeneration scenario with low ecological value and low flood risk)							
1	£0	£460	£0	£0	**£460**	£8	1%
2	£0	£1,648	£0	£115	**£1,763**	£30	2%
3	£0	£2,622	£125	£145	**£2,892**	£49	4%
4	£0	£4,782	£125	£580	**£5,487**	£93	7%
5	£0	£8,289	£805	£1,170	**£10,264**	£174	13%
6	£0	£16,775	£805	£1,500	**£19,080**	£323	24%
Medium Case (Market town scenario with medium ecological value and low flood risk)							
1	£0	£275	£0	£10	**£285**	£5	0%
2	£0	£1,648	£0	£115	**£1,763**	£30	2%
3	£0	£2,622	£125	£175	**£2,922**	£50	4%
4	£0	£5,054	£125	£880	**£6,059**	£103	8%
5	£0	£9,962	£805	£1,500	**£12,267**	£208	15%
6	£0	£18,596	£805	£1,850	**£21,251**	£360	27%
Worst Case (City infill scenario with high ecological value and medium/high flood risk)							
1	£0	£460	£0	£40	**£500**	£8	1%
2	£0	£1,648	£0	£205	**£1,853**	£31	2%
3	£0	£2,622	£125	£420	**£3,167**	£54	4%
4	£0	£5,054	£125	£1,020	**£6,199**	£105	8%
5	£0	£12,055	£805	£1,850	**£14,710**	£249	19%
6	£0	£18,430	£805	£3,320	**£22,555**	£382	28%

For each house type the analysis shows a substantial increase in cost between Code levels 5 and 6, largely as a result of the additional costs associated with achieving Zero carbon status together with the Code 6 requirement that the home's heat loss parameter must be 0.8 W m^2K. The heat loss parameter requirement has the combined effect of increasing capital costs whilst also reducing the home's demand for heat (and therefore the amount of low carbon electricity generated by a CHP system).

The range in cost estimates from the best to worst case scenarios is most marked for the houses, particularly the detached house, and there is a clear link between development density and scale and cost. The costs at Code level 6 do not take into account the benefit of zero stamp duty associated with achieving the zero carbon standard, if these were included it could reduce costs (assuming all of the benefit were to accrue to the house builder) by up to £15k per home, depending on sale price. If this benefit were factored into the analysis it could mean that it would be more cost effective to build to Code level 6 than Code level 5 (i.e. where the cost differential is less than the level of stamp duty avoided). Further work would be required to determine the likely percentage of avoided stamp duty that could be added to property value, although it would seem likely that this would be a relatively high percentage given that a Code 6 home is offering measurable performance improvements over a Code 5 home.

Appendix D
Flood Resilience Costs

The figures in Table D1 are abridged from Entec's work for the Association of British Insurers (ABI).

Table D.1 Assumed Flood Mitigation Costs by Flood Zone

Categorisation	Criteria	Mitigation Costs per Ha*	
		For Residential Uses	For Non-Residential Uses
Minor	Flood Zone 1	£85,000	£75,000
Medium	Flood Zone 2	£170,000	£150,000
Significant	Flood Zone 3a	£220,000 to £640,000. Unlikely to be acceptable for development	
Significant	Flood Zone 3b	No costs as an unacceptable location for development	

Appendix E
Contaminated Land Remediation Costs

Table E.1 summarises remediation costs taken from 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. Figures in brackets relate to the midpoint of these ranges.

Table E.1 Assumed Remediation Costs Per Hectare (£,000's) by Site Category

	Site Description and Historic Use - Increasing Cost of Remediation			
	Site Category A Industrial sites, colliery-mine spoil heaps, factories and "works"	**Site Category B** Garages, pit-heads, railways, textiles, timber treatment, and sewage works	**Site Category C** Metal works, scrap yards, shipyards, paint & solvent works	**Site Category D** Industrial sites, colliery-mine spoil heaps, factories and "works"
Proposed End Use	Low Water Risk Sites			
Residential	£75-200 (140)	£250-625 (440)	£300-725 (515)	£325-825 (575)
Mixed Use	£50-125 (90)	£225-525 (375)	£300-650 (475)	£325-750 (540)
Proposed End Use	High Water Risk Sites (located over major aquifers or within groundwater source protection zones)			
Residential	**£175-400 (290)**	£350-900 (625)	£525-1,425 (975)	£700-1,725 (1215)
Mixed Use	£125-250 (190)	£325-750 (540)	£525-1,325 (925)	£600-1,375 (990)

Note: Based on English Partnerships BNP 27 (2008)

A working assumption of £145,000 is built into the DAT. This assumes a Category A Site in a High Water Risk Area developed for residential uses. Hence a range of £175k to £400k per hectare (£290k midpoint of range) x 0.5 hectares = £145,000.

Appendix F
Demolition Costs

Table F.1 Assumed Demolition Rates

Brickwork with timber floor and roof	£6.95 per m^3
Brickwork with concrete floor and roof	£11.43 per m^3
Masonry with timber floor and roof	£8.95 per m^3
Reinforced concrete frame with brick infill	£11.95 per m^3
Steel frame with brick cladding	£6.49 per m^3
Steel frame with sheet cladding	£5.55 per m^3

In each case the volume has been estimated according to the following formula: Site area (m^2) x % of area occupied by structure x no. of storeys (assumed to be an average of 6m tall). The following box contains a worked example:

WORKED EXAMPLE OF DEMOLITION COST CALCULATION

Where half of a one hectare site is occupied by a four storey reinforced concrete framed building with brick infilling the calculation will be:

5,000m^2 (0.5ha) x 60% plot ratio =	3,000m^2	estimated footprint
x 2 storeys (each 4 m high) =	24,000 m^2	estimated volume
x rate for steel frame with brick cladding (£6.49) =	£155,760	estimated cost of demolition

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Appendix G
Note of Stakeholder Engagement Session 29th September 2010

Notes of Affordable Housing Viability Workshop – Wednesday 29th September

JH – John Hall
AG – Andrew Golland
HBF – James Stevens
HBI – Representative from the house building industry
RSL – Representative from and RSL
BCC – Representative from the City Council

JH - Although the focus of the study is affordable housing it is also important to understand general housing viability issues. There are many assumptions around on the state of the economy and a number have been brought together in this study. The main point of the day is to test these assumptions. There will be five mini presentations on key aspects on viability. These will cover:

- How to measure viability
- Dividing up the city
- House prices/land values
- Areas on the city in detail
- Implications of lowering the threshold and
- Issues facing RSLs

1. How to measure viability

HBI - Some developers consider their whole portfolio of sites together as a package, others consider each site individually. Affordable housing valuation exercises are required to comply with the Blyth Valley judgement. The most important aspect of an affordable housing policy is flexibility – that a policy is able to be applied flexibly depending on the circumstances of any specific site. Need to understand that a certain level of profit is required by the banks.

JH – BCC have applied the policy flexibly in the past and will continue to do so in the future.

HBF – It is very difficult to see how affordable housing policy can work with the localism agenda because there is always resistance to house building let alone affordable housing.

AG – Affordable housing cannot be delivered where this would mean the site would be worth less than the existing land value. There is often more potential on Greenfield sites.

HBI – There is a need to consider all s106 contributions together as a package – not just affordable housing on its own.

AG – Affordable housing is usually the biggest cost.

HBF – Off site costs such as road junctions can also have high costs. Different local authorities have different priorities for s106 contributions.

Education is currently becoming more high profile and is moving up the list in many areas. Mortgage criteria are also very important. We don't necessarily want increases in house prices as fewer people will be able to get a mortgage.

HBI– Many builders will not currently build in Birmingham because too many people will not be able to get a mortgage. It was stated by one that new-build premium no longer exists although this may return in future It is helpful to have a review mechanism in place to allow for changing circumstances. This could be in the Core Strategy.

RSL – Can make houses more economic by lowering long term maintenance and running costs by building technically more advanced homes in terms on energy, heating etc).

HBF – This can be a disincentive to buyers. Technology puts people off buying technologically advanced homes. They are wary of hidden costs – such as maintenance and replacement.

RSL –There is no liquidity in the marketplace and interest rates are expected to rise.

HBI – Local politics get in the way of innovative solutions.

AG – Although outside the scope of the study, developers could in future consider different delivery vehicles and become contractors for the local authority who would guarantee a certain profit level.

RSL – Deposits are too high at the moment with banks requiring 25 – 30%.

HBF – We need to bring the costs of housing down and create more affordable market housing. Too often house building is seen as a source of revenue for local authorities. This implies a focus upon its delivery and careful assessment of priorities against other potential obligations.

2. <u>Dividing up the City</u>

JH – there are no real surprises when looking at house prices by ward with the North and suburban ring south being the most expensive.

HBI – The City Centre has proved to be very difficult to move properties even when the market was good (i.e. at park Central). As a general rule the more height and the more dense, the less the value. There is a lot of existing stock unsold in the city centre and a lot of existing permissions will not be implemented. But, buy to rent is on the up and doing well with rental prices rising.

BCC – The market areas are generally fine but some of the detail is a little odd, probably due to following postcode boundaries. Should there be a one

target fits all, i.e. a city wide target, or should there be 2, 3 or 4 targets depending on the area. A split target approach was welcomed.

HBI – prefer a single target with scheme by scheme flexibility built in. Everyone should work to the same model when assessing viability. Political interference and expectation is a major issue when single city wide targets are used.

HBF – Local authorities should promote no affordable housing zones where the policy will not apply in order to promote development.

BCC – The policy is a long term policy which will be in place when times are good as well as bad.

RSL – the City Council must incentivise development in areas which are less popular to developers. Gains can be taken from stronger markets and re-invested in areas with weaker markets.

HBI – Collaboration with local authorities is essential. House builders want to build and local authorities want to see development.

HBF – Commuted sums should not be used. Schools are big attraction to buyers but hospitals are increasingly becoming attractions.

3. House prices/land values

JH – House prices are relatively healthy in some areas of Birmingham compared to the rest of the West Midlands conurbation. Land values have not changed much in Birmingham over the last 10 years when compared to the rest of the Region. Density of development seems to have little impact in Birmingham.

HBF – It's all about residuals and getting the landowner to sell. Residential value is reducing towards other land values (e.g. office values) region wide. £1.5m / hectare seems very high.

HBI – Much depends on why the landowner is selling the land from wanting to retire to going bankrupt. The structure of the land deal is very important. Does the landowner want the money up front or as work is ongoing. Land values are currently higher than they should be and very few deals are being done at over £600k per acre. The biggest problem is existing land use value which causes people to sit on sites waiting for land prices to rise as they want an increase in the current use value.

AG – The amount of affordable housing sought is the starting point for negotiation.

HBF – There are also abnormal site costs on most sites for things such as remediation.

AG - Tender prices have been use to arrive at costs and these will often include allowance for unforeseen costs so these are taken into account.

JH – The treasury forecasts a period of GDP growth for the next five years

HBI – House builders will not achieve densities of 40 dwellings per hectare in the near future. Apartment schemes will not be coming through.

JH - Is there a market in the City Centre for houses?

HBI - The main problem is mortgages. The market is there if you can find the right product. Couples still buy near a good school but there is no school in the city centre. There has to be a school - otherwise no market. The City Council will need to offer incentives to house builders to develop in the city centre. The land area necessary to create a local environment is lacking. Houses in the city centre would probably work if there was sufficient funding.

4 .Areas of the city in detail

HBF – Not sure that house prices will go up. They will be constrained by mortgage lending and people cannot raise deposits. In many areas existing residents can't afford to buy and 'outsiders' won't move into the area. It is not good for house prices to rise as it would make houses less affordable.

HBI – Flexibility is important. Need to look at other types of affordable product. Need to find sites with early potential i.e. Green Belt sites. Core Strategy should look flexibly at Green Belt land release.

HBF – Local authorities must decide which is the most important – affordable housing or the code for sustainable homes. If the code for sustainable homes in the priority this will reduce the amount of affordable homes being delivered by 5% to 10%.

AG – pointed out that costs cannot be looked at in isolation. The relationship between revenue and cost is what matters.

5. Implications of lowering the threshold

Generally, attendees did not see a particular problem with small sites. What matters is location, density and development mix, not site size.

HBF - small sites can be less viable as there are lower economies of scale and sites tend to cost more pro rata than large ones. Small builders have fewer overheads.

RSL – Do not want pepper potting i.e. one or two properties.

HBI - The impact of affordable housing on smaller sites (10 dwellings) makes the open market properties more difficult to sell. Definitely puts people off

buying. But probably makes sense so long as the policy is applied flexibly and a viability assessment is taken into account.

Systematic evidence for this assertion was not however provided.

6. Issues facing RSLs

RSL – Too often the affordable units have been agreed before an RSL becomes involved so RSLs don't always get what is required. RSLs require a balanced portfolio but many have too many flats where maintenance and service charges cause problems. This also applies where market dwellings where these are in the same block. RSLs prefer to take on the freehold so they can take on a management role and prefer provision in small clusters - not pepper potting and not all together. Change to housing benefit will have an impact. Provision is often based on numbers but should be based on the number of dwellings in a scheme.