



Report

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Trafford Economic Viability Study

2011 Update

June 2011

TRAFFORD
COUNCIL

gva.co.uk

Contents

| | |
|--|-----------|
| Executive Summary | i |
| 1. Introduction | 1 |
| 2. Planning Policy Context | 2 |
| 3. Update Study Approach | 5 |
| 4. Viability Model & Assumptions..... | 9 |
| 5. Update Study Results | 16 |
| 6. Conclusions | 43 |

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For and on behalf of GVA Grimley Ltd

Executive Summary

GVA was re-appointed in May 2011 by Trafford Council to undertake an update of the Trafford Economic Viability Study (EVS) (2009), produced by GVA.

The EVS Update (2011) is required to:

- review the economic viability of sites within Trafford to ensure any Planning Obligations 'tariffs' on development within the borough are realistically set taking into account any changes in market conditions and planning policy since 2009;
- assess and make recommendations for an appropriate composite level of developer contribution that will still allow schemes to be viable; and
- provide Trafford Council with an updatable viability monitoring toolkit to enable the Council to establish site viability across the Borough under a range of market conditions on a bi-annual basis.

The original EVS (2009) made an allowance for all planning obligations currently sought through the adopted Trafford Unitary Development Plan (UDP), before applying varied affordable housing contribution levels.

Since this time, Trafford Council has produced the Draft Supplementary Planning Document (SPD) 1: Planning Obligations, which sets out the approach to planning obligations when considering planning applications for development in Trafford. It forms part of the package of Local Development Documents (LDDs) that comprise the Trafford Local Development Framework (LDF). The purpose of this SPD is partly to update and replace the existing supplementary planning guidance documents in line with the new policies in the submitted Trafford Core Strategy (December 2010), and to set out further policies for contributions, which reflect updated national and local planning guidance and have not previously been required.

This study will inform and support existing and future planning policies and housing strategy development for Trafford Council through the preparation of the Local Development Framework in line with PPS 12. For the EVS Update (2011) tests viability when reflecting the new targets set for Policy L2 – Meeting Housing Needs, the viability of the suite of other planning obligations sought through Draft SPD1: Planning Obligations and the submitted Trafford Core Strategy, including work underpinning Policy L5 – Climate Change.

The EVS Update (2011) follows the same methodological approach and underpinning assumptions as the original EVS (2009) unless where specified in this report.

The headline results of the EVS Update (2011) are set out as follows:

- **Property Market Conditions** - Trafford continues to perform as a property market with a number of sub-markets, each distinct from the other in terms of performance and offer. Trafford's sub-markets retain the same characteristics as in 2009, and therefore their designation into 'hot', 'moderate' and 'cold' locations continues to be a relevant basis for assessing economic viability and underpinning policy. At the borough scale market conditions have fluctuated considerably since the original EVS (2009) was undertaken. Market conditions across the borough as a whole, however, remain between a 'poor' and 'normal' market. This supports the continued robust applicability of 'normal' market conditions (alongside 'good' and 'poor') as a basis for testing economic viability.
- **Application of Policy L2** - Under 'normal' market conditions Policy L2 of the submitted Trafford Core Strategy (December 2010) applies an appropriate requirement on development to generate the maximum affordable housing contribution from sites without hindering the supply of housing.
- **Application of Policy L5** - The additional application of Policy L5 within, and outside of, Trafford's Low Carbon Growth Areas (LCGA) demonstrates mixed results across the borough under 'normal' market conditions. The results in the 'hot' market LCGA location of Altrincham Town Centre suggest that sites in these locations could accommodate the policy requirements whilst remaining viable. However, the limited viability in the current 'cold' market locations of Old Trafford and Carrington – the latter both LCGA - suggests that viability on sites is challenging when applying Policy L5. If schemes of a significant scale were to be brought forward in these locations with returns achievable closer to those in 'moderate' market locations and above there is greater potential for Policy L5 to be achieved.
- **Application of other Planning Obligations** - The addition of the range of other S106 contributions sought (as set out in Trafford's Draft SPD1: Planning Obligations) adds considerable cost to sites when applied alongside Policy L2 and Policy L5. It will be important for Trafford Council to remain flexible in setting policy to enable prioritisation of, and balance between, specific S106 contributions on a site-by-site basis where market conditions dictate that viability cannot be achieved when the full requirements of Policy are sought.
- **Prevailing property market conditions** – These continue to dictate to a significant extent the economic viability of sites and should be considered in the ability of sites to deliver against Policy targets.

- **Varying the Code for Sustainable Homes Level from 3 – 6** - Building regulations now dictate that all new build residential dwellings are to be built to CfSH Level 3 standards. The EVS Update (2011) tests viability at CfSH Level 3 as a baseline. There is significant scope for sites in 'hot' and 'moderate' market locations in Trafford to contribute towards affordable housing targets alongside the range of other planning obligations when build standards are set at CfSH Level 3 or Level 4. Uplift to CfSH Level 5 and Level 6 proves more challenging in a 'normal' market. Achievement of these build standards is severely impeded in a 'poor' market, but viability is substantially improved in 'good' market conditions.
- **Varying the Site Size Threshold** - The application of a site size threshold continues to have a substantial impact on the viability of sites within Trafford. Testing within 'normal', 'good' and 'poor' market conditions the EVS Update (2011) results broadly support the position set out in the Trafford Draft SPD1: Planning Obligations. The EVS Update (2011) demonstrates that when build costs are uplifted to CfSH Level 3 (in line with current regulations) and CfSH Level 4 a site size threshold of 5 units continues to capitalise on the strong viability of smaller sites in Trafford's 'hot' market locations. In 'moderate' market locations a threshold of 10 units before an affordable housing contribution is sought achieves the optimum level of site viability. Nevertheless, application of a 5 unit threshold has only a minor negative impact in proportional terms (i.e. the proportion of sites viable) and may support an enlarged supply of affordable housing delivery by increasing the absolute number of sites (at a 5 unit threshold) from which an affordable housing contribution is sought. In 'cold' market locations there is no benefit to site viability in lowering the threshold below 15 units.

1. Introduction

Study Purpose

- 1.1 GVA was re-appointed in May 2011 by Trafford Council to undertake an update of the Trafford Economic Viability Study (EVS) (2009), produced by GVA.
- 1.2 The EVS Update (2011) is required to review the economic viability of sites within Trafford to ensure any Planning Obligations 'tariffs' on development within the borough are realistically set taking into account any changes in market conditions and planning policy since 2009.
- 1.3 The EVS Update (2011) follows a similar approach to the original EVS (2009), appraising a range of housing sites (utilised in the original EVS unless noted in Section 4) that are representative of different site conditions, densities, dwelling types and land values across Trafford. The update assesses and makes recommendations for an appropriate composite level of developer contribution that will still allow schemes to be viable.
- 1.4 This EVS Update (2011) will inform and support existing and future planning policies and housing strategy development for Trafford Council through the preparation of the Local Development Framework in line with PPS 12. The report is structured as follows:
 - **Section 2:** provides a brief overview of the planning policy context within which this EVS update study is positioned.
 - **Section 3:** provides a summary of the approach taken within the study.
 - **Section 4:** presents the revised assumptions underpinning the economic viability model and appraisal process.
 - **Section 5:** sets out the results of the 2011 update to the economic viability analysis – testing the viability of sites across a range of market scenarios and sensitivities.
 - **Section 6:** explores the implications of Section 5 and provides a concluding set of recommendations to Trafford Council in taking account of viability considerations when setting planning obligations tariffs through the LDF.

2. Planning Policy Context

- 2.1 This section briefly sets out the planning policy context for the EVS Update (2011) within Trafford – from the strategic, to the local scale.

Strategic – National Policy

- 2.2 Planning Policy Statement 1 (PPS1) requires Local Planning Authorities to ensure that social inclusion, economic development, environmental protection and the prudent use of resources are at the forefront of policy making and implementation. National planning policy on planning obligations is specifically set out in Circular 05/2005.
- 2.3 Planning Policy Statement 3: Housing (PPS3) requires that Local Authorities establish an overall 'Plan-wide' target for the delivery of affordable housing on development sites through Local Development Documents. Reflecting on the levels of existing and projected need established within Strategic Housing Market Assessments, PPS3 necessitates the requirement for Local Authorities to undertake an assessment of the likely economic viability of land for housing within the area, to ensure that affordable housing policy is underpinned by a robust evidence base and is therefore deliverable.

Local Planning Policy

- 2.4 Trafford Council has a number of supplementary planning guidance documents, which detail arrangements for planning obligations for affordable housing, informal children's playing space/outdoor sports facilities, Red Rose Forest and highway and public transport scheme provision. These are based on policies in the Adopted Revised Trafford UDP (June 2006), in particular Proposals H8, OSR9, ENV16 and T9.
- 2.5 The original EVS (2009) made an allowance for all planning obligations currently sought through the adopted Trafford Unitary Development Plan (UDP), before applying varied affordable housing contribution levels.
- 2.6 Since this time, Trafford Council has produced the Draft Supplementary Planning Document (SPD) 1: Planning Obligations, which sets out the approach to planning obligations when considering planning applications for development in Trafford. It forms part of the package of Local Development Documents (LDDs) that comprise the Trafford Local Development Framework (LDF).
- 2.7 The purpose of this SPD is partly to update and replace the existing supplementary planning guidance documents in line with the new policies in the submitted Trafford

Core Strategy (December 2010), and to set out further policies for contributions, which reflect updated national and local planning guidance and have not previously been required.

2.8 Policy L8 of the Trafford Core Strategy sets out the Council's policy on planning obligations. The policy seeks developer contributions towards a range of objectives, including:

- Affordable Housing;
- Highways infrastructure;
- Sustainable transport schemes, including bus, tram, rail, pedestrian and cycle schemes;
- Measures to reduce the impact of climate change;
- Specific Green Infrastructure, such as tree planting;
- Spatial Green Infrastructure, such as parks, play areas and outdoor sports facilities;
- Indoor sports facilities, including swimming pools and gyms;
- Education facilities; and
- Health facilities.

2.9 Other policies in the Trafford Core Strategy provide further detail on specific contributions as follows:

- Policy L2 – Meeting Housing Needs (affordable housing);
- Policy L3 – Regeneration and Reducing Inequalities (community facilities and reducing inequalities);
- Policy L4 – Sustainable Transport and Accessibility (highway infrastructure and sustainable transport schemes);
- Policy L5 – Climate Change (measures to reduce the impact of climate change);
- Policy R3 – Green Infrastructure (specific green infrastructure);
- Policy R5 – Open Space, Sport and Recreation (spatial green infrastructure, indoor sports facilities, allotments and cemeteries); and
- Policy R6 – Culture and Tourism (public art).

2.10 The Trafford Core Strategy also identifies 5 Strategic Locations as key areas for change:

- Pomona Island (SL1);
- Trafford Wharfside (SL2);
- Lancashire County Cricket Club Quarter (SL3);
- Trafford Centre Rectangle (SL4); and
- Carrington (SL5).

2.11 These specific areas within the borough have been carefully considered and taken forward in the Trafford Core Strategy as they have potential for significant strategic change. They set out key spatial proposals that would deliver the vision and objectives of the Trafford Core Strategy.

2.12 It was therefore recommended by the Inspector during the Hearing session for Policy L8 – Planning Obligations, that the policy be updated to provide clarity that viability considerations have been taken into account to ensure that 'tariffs' are realistically set and regularly reviewed so as not to thwart delivery.

2.13 Undertaking the EVS Update (2011) meets this requirement by testing viability when reflecting the new targets set for Policy L2 – Meeting Housing Needs, the viability of the suite of planning obligations sought through Draft SPD1: Planning Obligations and the submitted Trafford Core Strategy, including work underpinning Policy L5 – Climate Change.

3. Update Study Approach

- 3.1 This section focuses on setting out clearly the approach taken to the series of 'high-level appraisals' (testing the 100 sample sites) within the EVS Update (2011).

Overview

- 3.2 The study utilised a residual development appraisal model developed by GVA, which identifies Gross Development Value (incl. affordable housing) against which all development costs (incl. developer profit, land acquisition and all non-affordable housing planning obligations) are set, in order to calculate whether a scheme is viable (i.e. whether revenues exceed all costs). The model further allows for a number of key sensitivities to be applied to key costs (incl. affordable housing obligations).
- 3.3 Although taking account of a number of site specific sensitivities that will impact on economic viability, the viability study does not hold the objective of testing the absolute viability of specific sites; rather a broad assessment of economic viability for a range of site classifications, within a set of policy defined locations across Trafford, under a set of scenarios to cover the spectrum of market conditions. Such a scope will enable an informed judgement when setting the policy of affordable housing within Trafford, whilst remaining flexible to update (through the viability toolkit) to take into account changes in the market context.

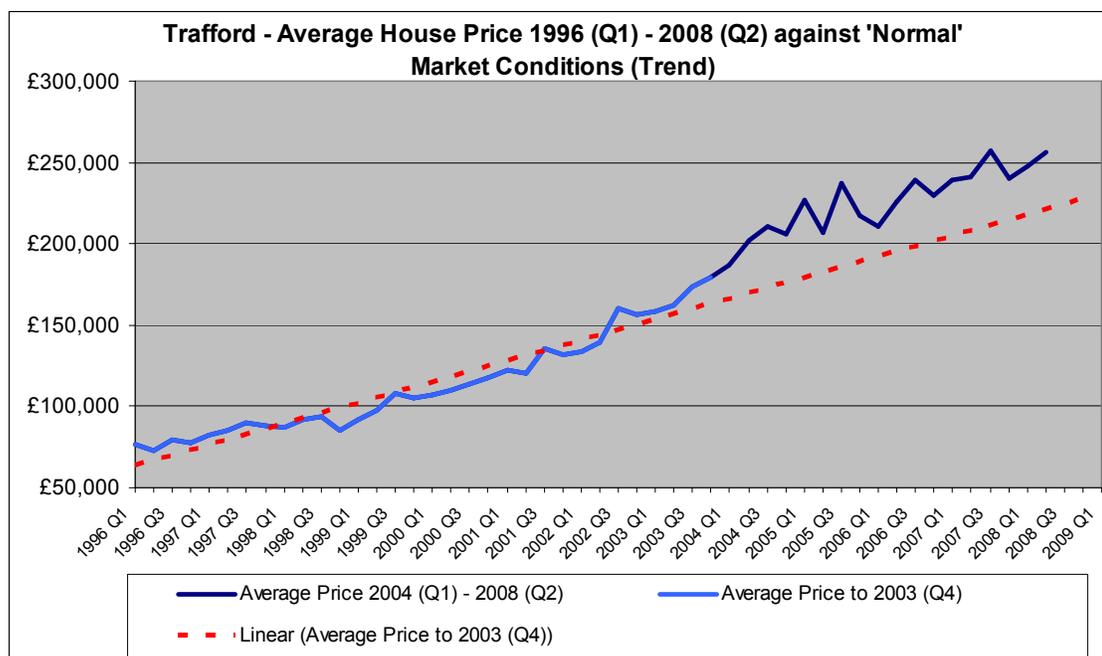
Creating a Representative Sample

- 3.4 The EVS Update (2011) draws on the representative sample of 100 sites, taken from the Trafford Strategic Housing Land Availability Assessment (SHLAA), which was subject to development appraisal and viability testing within the original Trafford EVS (2009).
- 3.5 Trafford Council has updated the SHLAA since the Trafford EVS (2009) was undertaken, with the most recent SHLAA discounting sites that have either passed through the planning and development process or have been discounted for other reasons. As a result 19 sites from the original sample of 100 sites are no longer suitable for testing and, as a result, required replacement to maintain a consistent approach to testing 100 sites within the EVS Update (2011).
- 3.6 The criteria for site sample selection follows the approach set out within Section 3 of the original EVS (2009), and the final site sample has been agreed with Trafford Council as being robust and representative of the development site pipeline across the borough and its sub-markets.

Market Condition Scenarios

- 3.7 Following an advisory visit, the Planning Inspectorate advised Trafford Council on the importance of reflecting the cyclical nature (value fluctuations) of the property market within the original EVS (2009), and recommended the use of 'normal' market conditions as a base for undertaking viability appraisal.
- 3.8 As a result GVA undertook the original EVS (2009), and produced an updatable model, flexible to changing market conditions going forward, which is underpinned by analysis of what can be considered as 'normal' market conditions.
- 3.9 To establish 'normal' market conditions the EVS (2009) included the analysis of average annual house price growth, over the last 30 years regionally, and over the last 13 years at the district level in Trafford. This provided an evidenced 'normal' rate of annual house price growth. This approach allowed focus to be placed on the long-term trends removing the impact of the cyclical nature of the market and the position within short-term 'peaks and troughs' of boom and bust at any point in time.
- 3.10 Drawing on this evidence, GVA established a range of market condition 'scenarios' ranging from a 'good', to 'normal' and 'poor' market. To develop price estimates for a rapidly rising 'good' market, 7% was added to the value for 'normal' conditions and reflecting the situation achieved by the peak of the market cycle in Autumn 2007. To estimate values in a 'poor' market a figure 10% below 'normal' conditions was taken reflecting a continued fall in achievable average transaction values.
- 3.11 These broad scenarios and the application of the moderate or 'normal' conditions are considered to represent a robust level of sensitivity to apply to the tests of viability and upon which longer term policy can be considered. This approach is evidenced on the following graph – taken from the original EVS (2009). Further explanation is presented in Section 3 of the EVS (2009).

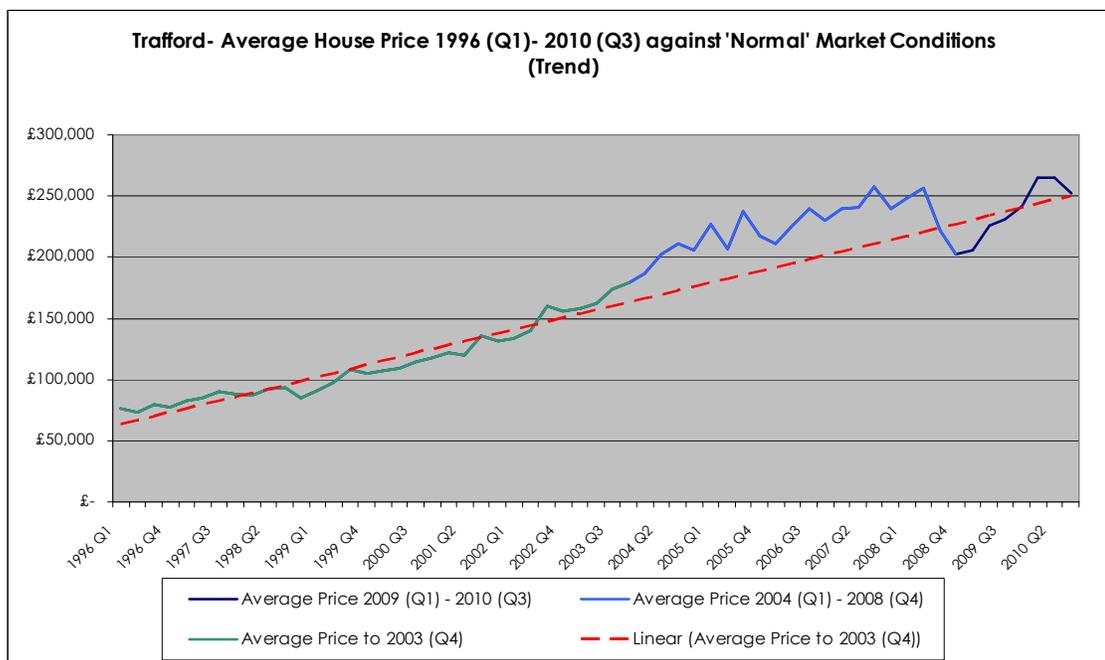
Figure 3.1: Trafford Average House Price (1996 – 2008) against 'Normal' Market Trend



Source: GVA, 2009

- 3.12 For the purposes of the EVS Update (2011), GVA was tasked with undertaking a residential market review to test how market conditions had altered since 2008/09, and to provide a revised position for scenario testing if required.
- 3.13 Property transaction data, provided by Land Registry, was sourced from Trafford Council to provide an update on house price values and sales levels across the borough up to Quarter 3 2010. This demonstrated that the market had fallen considerably since 2008/09, but has realised a stuttering recovery in 2009/10 with transaction values fluctuating to now sit in proximity to the long-term trend of 'normal' market conditions.
- 3.14 However, a further detailed examination – reviewing transactions over the 2010 to 2011 period recorded on Rightmove.co.uk across Trafford, by both property type and location, reveals that a lower level of sales during 2009/10 has 'propped' up a constrained market in Trafford. This has been driven, in part, by high value transactions in locations that remain highly desirable despite the economic downturn – Altrincham and Sale. As a result, it is GVA's professional opinion that market conditions in Trafford remain between a 'poor' and 'normal' market.

Figure 3.2: Trafford Average House Price (1996 – 2010 Q3) against 'Normal' Market Trend



Source: Trafford Council, GVA analysis, 2011

3.15 The updated analysis demonstrates the continued applicability of 'normal' market conditions (alongside 'good' and 'poor') as an appropriate basis for testing economic viability – given that the borough's housing market clearly continues to operate within these parameters. The EVS Update (2011) therefore continues to utilise this approach.

4. Viability Model & Assumptions

- 4.1 This section of the study provides an update summary on the assumptions underpinning the EVS Update (2011), where they have been altered from the original EVS (2009) to account for changes in both the market and planning policy. This should be read in conjunction with Section 4 of the original EVS (2009).

Value Assumptions

Reflecting Spatial Sub-market Distinctions

- 4.2 Updated evidence gathered on house price growth in Trafford through the residential market review undertaken, confirmed that Trafford continues to perform as a property market with a number of sub-markets, each distinct from the other in terms of performance and offer.
- 4.3 The original EVS (2009) linked sub-markets where they shared similar market performance characteristics. The residential market update concludes that the markets retain the same characteristics as in 2009, and therefore their designation into 'hot', 'moderate' and 'cold' locations continues to be relevant and is utilised for the purposes of the EVS Update (2011).
- 4.4 The market values presented in Figure 4.7 of the original EVS (2009) remain representative of the performance of Trafford sub-market and relevant for viability testing within the EVS Update (2011).
- 4.5 The sub-markets, and their relative market performance, are presented in the following figure – drawn from the original EVS (2009).

does not consider the availability of Social Housing Grant funding. The baseline build costs are presented in the following figure.

Figure 4.2: Baseline Build Costs £ per Sq.m (GIA)

| Unit type | Gross Internal Area (GIA) m ² | | |
|--------------------------|--|---------------|--------------|
| | Private Housing | Social Rented | Intermediate |
| 1/2 bed flats/apartments | 1,126 | 1,172 | 1,126 |
| 2/3 bed terrace | 930 | 953 | 930 |
| 3/4 bed semi detached | 913 | 939 | 913 |
| 4/5 bed detached | 969 | 992 | 969 |

Source: BCIS & GVA, 2011

- 4.9 It is recognised that current building regulations ensure that all new dwellings reach Code for Sustainable Homes (CfSH) Level 3, which result in an uplift in baseline costs. The EVS model allows for testing of build costs at CfSH Levels 3 – 6. The costs are presented in the following figure and are based on the costs set out within the Code for Sustainable Homes: A Cost Review guidance published by CLG in March 2010¹.

Figure 4.3: Build Costs £ per m² (GIA) for Code for Sustainable Homes Levels 3 – 6

| Unit Type | Gross Internal Area (GIA) m ² | | | |
|--------------------------|--|--------|--------|--------|
| | CfSH 3 | CfSH 4 | CfSH 5 | CfSH 6 |
| 1/2 bed flats/apartments | £1,172 | £1,232 | £1,460 | £1,663 |
| 2/3 bed terrace | £953 | £1,007 | £1,220 | £1,302 |
| 3/4 bed semi detached | £939 | £989 | £1,197 | £1,274 |
| 4/5 bed detached | £992 | £1,035 | £1,282 | £1,367 |

Source: CLG, 2010 & GVA, 2011

- 4.10 There are a number of other financial costs associated with the delivery of sites for residential or commercial purposes. These include the cost of securing finance (interest payments on debt), professional fees (as a proportion of total construction cost), developer profit, marketing, sales and other contingency costs. The following assumptions have been made within the model for the purposes of this study.

¹ Code for Sustainable Homes: A Cost Review (March 2010) - CLG

Figure 4.4: Other Development Costs (£)

| Cost Element | % Cost | |
|--------------------------|--------|--------------------------------|
| Professional Fees | 10.00% | of gross construction costs |
| 4.1 Overheads & Profit | 20.00% | of gross development value |
| 4.2 Interest Rate (Debt) | 6.50% | on costs (S-Curve) |
| Marketing fees | 3.50% | of gross development value |
| Sales Agent Fees | 1.50% | of gross development value |
| Sales Legal Fees | 0.50% | of gross development value |
| Construction Contingency | 5.00% | of gross construction costs |
| Purchasers Cost (land) | 5.75% | of gross land acquisition cost |

Source: GVA, 2011

- 4.11 The EVS Update (2011) model tests site capacity to contribute 0 – 45% affordable housing provision whilst remaining viable, as well as the full range of other planning obligations as set out in Trafford's Draft SPD1: Planning Obligations.
- 4.12 The costs associated with the planning obligations requirements are calculated as follows within the EVS Update (2011). Where applicable planning obligations are calculated on an occupancy per unit basis, include a management fee (5% of all obligations charged up to a ceiling threshold of £60,000 per development site), include a maintenance cost (of 30%), and draw on the 'quantity cost' only – as determined within Draft SPD1: Planning Obligations.

Figure 4.5: Draft SPD1: Planning Obligations – Costs

TDC 2 – Highways Infrastructure (£ per unit)

| Dev Type | Standard for Highways Network Provision |
|------------|---|
| Apartments | £73 |
| Houses | £218 |

TDC 3 - Sustainable Transport Schemes (£ per unit)

| Dev Type | Accessibility | Standard for Public Transport |
|------------|---------------|-------------------------------|
| Apartments | Most | £215 |
| Houses | Most | £334 |
| Apartments | Accessible | £269 |
| Houses | Accessible | £418 |
| Apartments | Least | £323 |
| Houses | Least | £501 |

TDC 4 – Sustainable Energy Schemes

4.13 The Trafford Draft SPD1: Planning Obligations sets out that developments with a dwelling capacity of 10 units or more will be expected to meet CO² reduction targets on site as follows:

- 40% in the Low Carbon Growth Areas (LCGA) of Altrincham Town Centre, Carrington, Old Trafford and Trafford Park²; and
- 30% outside the LCGA.

4.14 This conforms to Policy L5 of the Trafford Core Strategy. The EVS Update (2011) utilises the Code for Sustainable Homes (CfSH) build requirements as a comparator proxy for the meeting of on-site CO² reduction targets as follows:

- If a site is viable at CfSH L4 (with wider obligations requirements) it will meet 40% CO² reduction; and
- If a site is viable at CfSH L3 it is estimated to meet 30% CO² reduction.

4.15 This allows for TDC4 to be applied and tested as a consideration on site viability within the EVS Update (2011).

TDC 5 – Specific Green Infrastructure (Trees per unit - £)

| Dev Type | Standard | | Financial Contribution per Tree |
|------------|----------|----------------|---------------------------------|
| Apartments | 1 | trees per unit | £310 |
| Houses | 3 | tree per unit | £310 |

² Note: at present there is no residential development within Trafford Park and therefore viability has not been tested within this location through this exercise.

TDC 6 – Spatial Green Infrastructure (per person - £ including maintenance charges)³
& TDC 7 – Indoor Sports Facilities Provision

| Local Open Space & Recreation - TDC6 | |
|---|-----------|
| Open space cost per person* | £161.59 |
| Play Area / Teenager Contribution & Semi Natural Greenspace per person* | £529.75 |
| Outdoor Sports per person* | £520.00 |
| Sub-Total | £1,211.34 |
| Indoor sports facilities provision - TDC7 | |
| Swimming Pool per person | £102.00 |
| Health Facilities per person | £18.00 |
| Sub-Total | £120.00 |

TDC 8 – Education Facilities

| Dwelling Type | Average Contribution by Dwelling |
|--------------------------|---|
| 1/2 bed flats/apartments | £3,729.00 |
| 2/3 bed terrace | £7,458.00 |
| 3/4 bed semi detached | £11,186.00 |
| 4/5 bed detached | £11,186.00 |

Source: Trafford Council, 2011

Sensitivity Testing

4.16 In order to comprehensively and robustly assess the viability of the representative sample of sites, a range of sensitivities has been applied to a set of key variables within the viability model. As in the original EVS (2009), this will enable the determination of a 'sliding scale' of viability. The key sensitivities included:

- Testing Policy L2 and L5 of the submitted Trafford Core Strategy;
- Testing the application of the Trafford Draft SPD1: Planning Obligations;
- Varying the required proportion of affordable housing (0% - 45%); and
- Altering the site size threshold to trigger a requirement for affordable housing (15, 10, 5 units).

³ Includes maintenance charge on contributions accompanied by the * symbol

- 4.17 Furthermore, the sensitivities have been tested across the range of 'normal', 'good' and 'poor' market conditions to facilitate an understanding of the impact of the market context on the 'sliding scale' of viability.

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5. Update Study Results

- 5.1 This section presents the results of the viability assessment model. The results are presented to illustrate the outputs of the research to assess economic viability across a number of different sensitivities traversing a range of market scenarios.
- 5.2 The results section is structured as follows:
- Testing Policy L2 and Policy L5 Sensitivities.
 - Assessment under 'Normal' market conditions.
 - Scenario 1: Assessment under 'Poor' market conditions.
 - Scenario 2: Assessment under 'Good' market conditions.
- 5.3 In line with Policy L2 of the submitted Trafford Core Strategy and Draft SPD1: Planning Obligations, viability testing will be undertaken with a ratio of 50:50 between intermediate (commonly shared ownership) and social rented in the breakdown of affordable tenures sought on sites.

Testing Policy L2 and Policy L5 Sensitivities

Policy Summaries

- 5.4 Policy L2 of the submitted Trafford Core Strategy (December 2010) provides detail on the affordable housing contribution sought from developments across the borough and is set out under Trafford Developer Contribution (TDC) 1 of the Trafford Draft SPD1: Planning Obligations.
- 5.5 Policy L2 of the submitted Trafford Core Strategy assumes normal market conditions and as such a 40% affordable housing target will be applied within 'hot' market locations. However under 'good' market conditions this will be raised to a 45% requirement and maintained at 40%, or decreased as is deemed necessary on an individual site basis under 'poor' market conditions.
- 5.6 Within 'moderate' market locations, a 20% affordable housing target will be applied, with a flexibility to increase this to a 25% requirement under 'good' market conditions and decreased to 10% under 'poor' market conditions.
- 5.7 Within 'cold' market locations no more than a 5% affordable housing target will be applied under normal market conditions, with a flexibility to raise this to a 10%

requirement under 'good' conditions and decreased as is deemed necessary on a site-by-site basis under 'poor' market conditions.

- 5.8 The Trafford Draft SPD1: Planning Obligations sets out that the site size threshold for applying Policy L2 is 5 units within the 'hot' and 'moderate' market locations in Trafford, with a threshold of 15 units in 'cold' market locations. These site size thresholds will not be altered to reflect changing market conditions.
- 5.9 Policy L5 of the submitted Trafford Core Strategy (December 2010), and the associated requirements of TDC4, are as set out within Section 4 of this report.

'Normal' Market Conditions

- 5.10 This sub-section will test a range of sensitivities around Policy L2 and Policy L5 at 'normal' market conditions.
- 5.11 As set out in the Trafford Draft SPD1: Planning Obligations, the site size threshold for applying Policy L2 is set at 5 units within the 'hot' and 'moderate' market locations in Trafford, with a threshold of 15 units in 'cold' market locations. A 50:50 affordable housing tenure split between social rented and intermediate dwellings is also applied.

Testing the Application of Policy L2 and Policy L5 Only (Excluding all other Planning Obligations)

- 5.12 The following figure tests the application of Policy L2 - Meeting Housing Needs and Policy L5 - Climate Change on viability, whilst excluding all other contribution requirements as set out in Draft SPD1: Planning Obligations.

Figure 5.1: Application of Policy L2 and Policy L5 Only

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|------|------|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 33% | 7% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 97% | 97% | 94% | 90% | 87% | 87% | 65% | 32% | 0% | 0% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 96% | 89% | 86% |

Source: GVA, 2011

- 5.13 The results demonstrate that the overwhelming majority of sites in 'hot' market locations can adhere to the policy requirements of Policy L2 – with 89% of sites viable with a 40% affordable housing contribution. Similarly, in 'moderate' market locations, 87% of sites are viable with a 20% affordable housing contribution – in line with the requirements of Policy L2.

- 5.14 Sites in 'cold' market locations have limited viability, although 7% of sites tested are viable with a 5% affordable housing contribution. This would suggest that the application of Policy L2 at this level is appropriate to generate contributions from those viable sites.
- 5.15 Application of Policy L5 within the LCGA demonstrates mixed results across the borough. The results in the 'hot' market location of Altrincham Town Centre suggest that sites in these locations could accommodate the policy requirements whilst remaining viable. However, the limited viability in the current 'cold' market locations of Old Trafford and Carrington – the latter both LCGA - suggests that viability on sites is challenging when applying Policy L5.

Testing the Application of Policy L2 and Policy L5 and 50% of all other Planning Obligations

- 5.16 The following figure tests the application of Policy L2 - Meeting Housing Needs and Policy L5 - Climate Change on viability, whilst introducing 50% of all other contribution requirements as set out in Draft SPD1: Planning Obligations.

Figure 5.2: Application of Policy L2 and Policy L5 and 50% of all other Planning Obligations

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 90% | 90% | 87% | 87% | 74% | 42% | 10% | 0% | 0% | 0% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 96% | 93% | 89% | 82% | 21% |

Source: GVA, 2011

- 5.17 The results demonstrate that the introduction of charging 50% of all other planning contributions has a limited impact on the viability of sites in 'hot' market locations – with 82% of sites viable with a 40% affordable housing contribution. Similarly, in 'moderate' market locations, 74% of sites are viable with a 20% affordable housing contribution – in line with the requirements of Policy L2.
- 5.18 However, the impact is greatest on sites in 'cold' market locations, which have no viability when 50% of all other planning contributions are added to the requirements of Policy L2 and Policy L5.

Testing the Application of Policy L2 and all other Planning Obligations (Excluding Policy L5)

5.19 The following figure tests the application of Policy L2: Meeting Housing Needs and all other contribution requirements as set out in Draft SPD1: Planning Obligations. The requirement of Policy L5: Climate Change is excluded, meaning that all sites are required to build only to CfSH Level 3 standards in line with current building regulations.

Figure 5.3: Application of Policy L2 and all other Planning Obligations (Excluding Policy L5)

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|-----------------|------------------------------|------|------|------|------|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| Market Location | | Sites Economically Viable | | | | | | | | | |
| | | | | | | | | | | | |
| | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 87% | 84% | 77% | 48% | 19% | 10% | 3% | 0% | 0% | 0% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 96% | 93% | 86% | 79% | 11% |

Source: GVA, 2011

5.20 The results demonstrate that the introduction of charging of all other planning contributions, whilst removing the requirement for Policy L5, has a limited – albeit negative - impact on the viability of sites in both 'hot' and 'moderate' locations. As under previous sensitivities viability remains absent in 'cold' market locations. It is anticipated that the cost introduction of all other planning contributions on sites is marginally more than off-setting the cost-benefit of removing the requirement for the application of Policy L5.

Testing the Application of Policy L2 and all other Planning Obligations (Excluding Policy L5) at CfSH Level 4

5.21 The following figure tests the application of Policy L2 - Meeting Housing Needs and all other contribution requirements as set out in Draft SPD1: Planning Obligations. The requirement of Policy L5 - Climate Change is excluded. However, this sensitivity anticipates that a future change in building regulations will result in CfSH Level 4 becoming mandatory across all new developments. As a result, this sensitivity tests viability with build costs beyond the requirements of Policy L5.

Figure 5.4: Application of Policy L2 and all other Planning Obligations (Excluding Policy L5) at CfSH Level 4

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| Market Location | | Sites Economically Viable | | | | | | | | | |
| | | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 84% | 77% | 48% | 16% | 10% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 100% | 100% | 100% | 100% | 96% | 93% | 86% | 82% | 14% | 11% |

Source: GVA, 2011

5.22 The results demonstrate that the uplift to CfSH Level 4 across all sites under Policy L2 and all other planning contributions has no negative impact on the viability of sites in 'hot' market locations. It does, however, impact on the sites in 'moderate' market locations with only 10% of sites now able to contribute 20% affordable housing in line with the requirements of Policy L2.

Testing the Application of Policy L2 and all other Planning Obligations (Excluding Policy L5 and TDC8 – Education Facilities)

5.23 The following figure tests the application of Policy L2 - Meeting Housing Needs and all other contribution requirements as set out in Draft SPD1: Planning Obligations except for TDC8: Education Facilities and the requirement of Policy L5 - Climate Change. All sites are therefore required to build only to CfSH Level 3 standards in line with current building regulations.

Figure 5.5: Application of Policy L2 and all other Planning Obligations (Excluding Policy L5 and TDC8 – Education Facilities)

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|------|------|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| Market Location | | Sites Economically Viable | | | | | | | | | |
| | | Cold | 20% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 94% | 90% | 87% | 87% | 84% | 52% | 19% | 6% | 0% | 0% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 96% | 89% | 86% |

Source: GVA, 2011

5.24 When contrasted against the results of Figure 5.3, this sensitivity demonstrates that the removal of charging for TDC 8 – Education Facilities results in a significant uplift to the viability of sites in 'hot' market locations and 'moderate' market locations. As a result,

almost 90% of sites are able to contribute affordable housing in line with the requirements of Policy L2.

5.25 It does, however, have a negligible impact on the sites in 'cold' market locations with no sites able to contribute affordable housing.

'Poor' Market Conditions

5.26 This sub-section will repeat testing of the range of sensitivities around Policy L2 and Policy L5 explored above under 'poor' market conditions. As set out in the Trafford Draft SPD1: Planning Obligations, the site size threshold for applying Policy L2 is set at 5 units within the 'hot' and 'moderate' market locations in Trafford, with a threshold of 15 units in 'cold' market locations. A 50:50 affordable housing tenure split between social rented and intermediate dwellings is also applied.

Testing the Application of Policy L2 and Policy L5 Only

5.27 The following figure tests the application of Policy L2 - Meeting Housing Needs and Policy L5 - Climate Change on viability, whilst excluding all other contribution requirements as set out in Draft SPD1: Planning Obligations.

Figure 5.6: Testing the Application of Policy L2 and Policy L5 Only

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 81% | 74% | 48% | 23% | 6% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 96% | 93% | 93% | 89% | 89% | 82% | 32% | 14% | 11% | 11% |

Source: GVA, 2011

5.28 When contrasted against the results of Figure 5.1, which tests the same scenario under 'normal' market conditions, this sensitivity demonstrates the significant impact on viability resulting from the change to a 'poor' market.

5.29 As a result, there is now no viability on sites in 'cold' market locations, and viability is also diminished in both 'moderate' and 'hot' locations. These findings support the inclusion of flexibility to market conditions set within Policy L2, for the results suggest that the majority of sites would struggle to meet the requirements of Policy L2 and Policy L5 whilst remaining viable in a 'poor' market.

Testing the Application of Policy L2 and Policy L5 and 50% of all other Planning Obligations

5.30 The following figure tests the application of Policy L2 - Meeting Housing Needs and Policy L5 - Climate Change on viability, whilst introducing 50% of all other contribution requirements as set out in Draft SPD1: Planning Obligations.

Figure 5.7: Application of Policy L2 and Policy L5 and 50% of all other Planning Obligations

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| Market Location | | Sites Economically Viable | | | | | | | | | |
| | | | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 52% | 16% | 10% | 6% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 93% | 89% | 89% | 86% | 75% | 21% | 11% | 11% | 11% | 11% |

Source: GVA, 2011

5.31 As demonstrated in Figure 5.2 under 'normal' market conditions, the results in a 'poor' market reinforce the assertion that the introduction of charging 50% of all other planning contributions has a limited impact on the viability of sites in 'hot' market locations – albeit this is more pronounced in a 'poor' market - with only 11% of sites viable with a 40% affordable housing contribution. Similarly, in 'moderate' market locations, 0% of sites are viable with a 20% affordable housing contribution, and 0% of sites are viable in 'cold' locations – reinforcing the necessity in flexibility when negotiating the application of Policy L2 (alongside Policy L5) within a 'poor' market.

Testing the Application of Policy L2 and all other Planning Obligations (Excluding Policy L5)

5.32 The following figure tests the application of Policy L2 - Meeting Housing Needs and all other contribution requirements as set out in Draft SPD1: Planning Obligations. The requirement of Policy L5 - Climate Change is excluded, meaning that all sites are required to build only to CfSH Level 3 standards in line with current building regulations.

Figure 5.8: Application of Policy L2 and all other Planning Obligations (Excluding Policy L5)

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|--|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| Market Location | | Sites Economically Viable | | | | | | | | | |
| | | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Moderate | | 10% | 10% | 6% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | | Hot | 93% | 89% | 86% | 82% | 68% | 11% | 11% | 11% | 11% |

Source: GVA, 2011

5.33 When contrasted against the results of Figure 5.3, which tests the same scenario under 'normal' market conditions, the results demonstrate that the introduction of charging of all other planning contributions, whilst removing the requirement for Policy L5, has a further negative impact on the viability of sites in both 'hot' and 'moderate' locations. As under previous sensitivities viability remains absent in 'cold' market locations.

5.34 Therefore, despite removing the requirement for application of Policy L5, the application of Policy L2 alongside all other planning contributions presents a considerable challenge under 'poor' market conditions.

Testing the Application of Policy L2 and all other Planning Obligations (Excluding Policy L5) at CfSH Level 4

5.35 The following figure tests the application of Policy L2 - Meeting Housing Needs and all other contribution requirements as set out in Draft SPD1: Planning Obligations. The requirement of Policy L5 - Climate Change is excluded. However, this sensitivity anticipates that a future change in building regulations will result in CfSH Level 4 becoming mandatory across all new developments. As a result, this sensitivity tests viability with build costs beyond the requirements of Policy L5.

Figure 5.9: Application of Policy L2 and all other Planning Obligations (Excluding Policy L5) at CfSH Level 4

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|--|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| Market Location | | Sites Economically Viable | | | | | | | | | |
| | | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Moderate | | 10% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | | Hot | 89% | 86% | 82% | 64% | 11% | 11% | 11% | 11% | 11% |

Source: GVA, 2011

5.36 When contrasted against Figure 5.4, which presents the same scenario at 'normal' market conditions, the results demonstrate that the uplift to CfSH Level 4 across all sites under Policy L2 and all other planning contributions has resulted in a fall in viability of sites in 'hot' and 'moderate' market locations. As a result, only 11% of sites in 'hot' locations are able to contribute 40% affordable housing and 0% of sites in 'moderate' locations can contribute 10% affordable housing in order to reach the requirements of Policy L2.

Testing the Application of Policy L2 and all other Planning Obligations (Excluding Policy L5 and TDC8 – Education Facilities)

5.37 The following figure tests the application of Policy L2 - Meeting Housing Needs and all other contribution requirements as set out in Draft SPD1: Planning Obligations except for TDC8 - Education Facilities and the requirement of Policy L5 - Climate Change. All sites are therefore required to build only to CfSH Level 3 standards in line with current building regulations.

Figure 5.10: Application of Policy L2 and all other Planning Obligations (Excluding Policy L5 and TDC8 – Education Facilities)

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 65% | 35% | 16% | 10% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 96% | 93% | 93% | 89% | 86% | 82% | 21% | 11% | 11% | 11% |

Source: GVA, 2011

5.38 When contrasted against the results of Figure 5.8, this sensitivity demonstrates that the removal of charging for TDC 8 – Education Facilities results in a significant uplift to the viability of sites in 'hot' market locations and 'moderate' market locations even within a 'poor' market. For example, 82% of sites in 'hot' market locations can viably achieve a 25% affordable housing contribution. Nevertheless, meeting the requirements of Policy L2 remains ambitious on the majority of sites and suggests that flexibility in applying policy on a site-by-site basis will be important in order to maintain housing supply.

Assessment under 'Normal' Market Conditions

- 5.39 Testing focuses on establishing the viability of delivering affordable housing under 'normal' market conditions. As Section 3 identifies, such an approach has been recommended by the Planning Inspectorate as key to avoiding quickly outdated point-in-time studies, whilst future proofing viability assessments so that such studies have the capability to recognise the cyclical nature of the property market operating within the UK. All planning obligations are included.
- 5.40 A 50:50 affordable housing tenure split between social rented and intermediate dwellings is applied.

Varying the Code for Sustainable Homes Level from 3 - 6

- 5.41 Current building regulations ensure that all new dwellings reach Code for Sustainable Homes (CfSH) Level 3 as a minimum. This sub-section assesses the impact on the economic viability of providing affordable housing, of lifting CfSH build standards from Level 3 to Level 6 under 'normal' market conditions, with an affordable housing tenure split of 50% social rented and 50% intermediate and a 15 unit threshold on sites before an affordable housing requirement is triggered.
- 5.42 All planning obligations set out within Trafford's Draft SPD1: Planning Obligations are included, with the exception of TDC4 - Sustainable Energy Schemes (which has been tested separately).
- 5.43 The following figure tests the viability of delivering affordable housing at CfSH Level 3.

Figure 5.11: Viability of affordable housing under 'normal' market conditions with CfSH Level 3 – 15 site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 81% | 76% | 67% | 33% | 24% | 19% | 10% | 5% | 5% | 5% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 93% | 87% | 73% | 60% | 13% |

Source: GVA, 2011

- 5.44 The results demonstrate that, at CfSH Level 3, 60% of sites in 'hot' market locations can viably deliver a 40% affordable housing contribution and nearly a quarter (24%) of

sites in 'moderate' market locations can achieve a 20% affordable housing contribution. In contrast, there are no viable sites in 'cold' market locations.

5.45 The following figure tests the viability of delivering affordable housing at CfSH Level 4.

Figure 5.12: Viability of affordable housing under 'normal' market conditions with CfSH Level 4 – 15 site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 76% | 67% | 33% | 19% | 19% | 5% | 5% | 5% | 5% | 5% |
| | Hot | 100% | 100% | 100% | 100% | 93% | 87% | 73% | 67% | 13% | 13% |

Source: GVA, 2011

5.46 The results demonstrate that, at CfSH Level 4, viability is slightly reduced across sites in both 'hot' and 'moderate' locations due to the resultant uplift in build costs moving from CfSH Level 3.

5.47 As a result only 13% of sites in 'hot' market locations can now viably deliver a 40% affordable housing contribution, although 67% of sites can deliver a 35% affordable housing contribution. In 'moderate' locations only 19% of sites can now achieve a 20% affordable housing contribution.

5.48 The following figure tests the viability of delivering affordable housing at CfSH Level 5.

Figure 5.13: Viability of affordable housing under 'normal' market conditions with CfSH Level 5 – 15 site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 14% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 87% | 80% | 73% | 67% | 27% | 13% | 13% | 13% | 13% | 13% |

Source: GVA, 2011

5.49 Viability is further reduced when sites are required to meet CfSH Level 5 build standards – although the uplift is much more pronounced in 'moderate' locations than in 'hot' locations. As a result 13% of sites in 'hot' market locations remain viable when providing a 40% affordable housing contribution. In contrast no sites in

'moderate' locations can now viably achieve an affordable housing contribution and only 14% of sites are viable with no affordable housing requirement.

5.50 The following figure tests the viability of delivering affordable housing at CfSH Level 6.

Figure 5.14: Viability of affordable housing under 'normal' market conditions with CfSH Level 6 – 15 site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 73% | 73% | 67% | 13% | 13% | 13% | 7% | 7% | 7% | 7% |

Source: GVA, 2011

5.51 When sites are required to meet CfSH Level 6 (carbon neutrality) viability is further reduced in 'moderate' and 'hot' locations. No sites in 'moderate' locations are viable – even with no affordable housing requirement.

5.52 Moreover, only very limited proportions (7%) of sites in 'hot' market locations remain viable when providing a 40% affordable housing contribution.

Varying the site size threshold

5.53 National policy guidelines for the site size threshold to trigger a requirement for affordable housing are presented in PPS3. The National indicative minimum site size threshold is 15 dwellings, although PPS3 notes that authorities can set lower thresholds where viable and practicable.

5.54 The testing of the unit threshold at which affordable housing is required allows the study to analyse an appropriate threshold to trigger the requirement for affordable housing and provides a greater understanding of the impact of applying a threshold of 10 units or 5 units under 'normal' market conditions.

5.55 Testing also facilitates an understanding of how imposing a lower site size threshold in certain sub-market locations can, in the right locations, ensure that Trafford gains the maximum affordable housing provision required to meet need without prejudicing site viability.

5.56 Testing is conducted at the baseline CfSH Level 3, in line with current building regulations, and also tests an additional set of sensitivities with sites required to develop to meet CfSH Level 4. All planning obligations set out within Trafford's Draft

SPD1: Planning obligations are included, with the exception of TDC4 - Sustainable Energy Schemes (which has been tested separately).

5.57 The following figure tests the viability of delivering affordable housing at CfSH Level 3 and with a 10 unit site size threshold before an affordable housing contribution is sought.

Figure 5.15: Viability of affordable housing under 'normal' market conditions with CfSH Level 3 – 10 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 85% | 81% | 73% | 46% | 23% | 19% | 12% | 8% | 8% | 8% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 96% | 91% | 83% | 74% | 13% |

Source: GVA, 2011

5.58 When comparing the results with Figure 5.11, which tests viability at a 15 unit threshold, the results demonstrate that viability is slightly improved in both the 'hot' and 'moderate' market locations in Trafford. As a result, 74% of sites in 'hot' market locations can now viably deliver a 40% affordable housing contribution and 12% of sites in 'moderate' market locations can deliver a 30% affordable housing contribution.

5.59 However, reducing the site size threshold to 10 units in 'cold' market locations does not have a significant positive impact on site viability.

5.60 The following figure tests the viability of delivering affordable housing at a 5 unit site size threshold.

Figure 5.16: Viability of affordable housing under 'normal' market conditions with CfSH Level 3 – 5 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 87% | 84% | 77% | 48% | 19% | 10% | 3% | 0% | 0% | 0% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 96% | 93% | 86% | 79% | 11% |

Source: GVA, 2011

- 5.61 Reducing the site size threshold for applying an affordable housing requirement to 5 units results in a further slight improvement in viability in 'hot' market locations. As a result 79% of sites in 'hot' market locations can now viably deliver a 40% affordable housing contribution.
- 5.62 However, viability is actually reduced slightly (compared to Figure 5.15) on sites in 'moderate' market locations.
- 5.63 This suggests that, when CfSH Level 3 build costs are applied, a site size threshold of 5 units capitalises on the strong viability of smaller sites in Trafford's 'hot' market locations resulting in a greater potential for delivering higher volumes of affordable housing than if a 10 or 15 unit threshold was to be applied.
- 5.64 In 'moderate' market locations a threshold of 10 units before an affordable housing contribution is sought achieves the optimum level of site viability. In 'cold' market locations there is no benefit to site viability in lowering the threshold below 15 units.
- 5.65 The following figure tests the viability of delivering affordable housing at a 10 unit site size threshold with dwellings built to CfSH Level 4 standards.

Figure 5.17: Viability of affordable housing under 'normal' market conditions with CfSH Level 4 – 10 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 81% | 73% | 46% | 19% | 19% | 8% | 8% | 8% | 8% | 8% |
| | Hot | 100% | 100% | 100% | 100% | 96% | 91% | 83% | 78% | 17% | 13% |

Source: GVA, 2011

- 5.66 When comparing the results with Figure 5.12, which tests viability at a 15 unit threshold, the results demonstrate that viability is slightly improved in both the 'hot' and 'moderate' market locations in Trafford. As a result, 17% of sites in 'hot' market locations can now viably deliver a 40% affordable housing contribution and 8% of sites in 'moderate' market locations can deliver a 30% affordable housing contribution.
- 5.67 However, reducing the site size threshold to 10 units in 'cold' market locations does not have a significant positive impact on site viability.
- 5.68 The following figure tests the viability of delivering affordable housing at a 5 unit site size threshold.

Figure 5.18: Viability of affordable housing under 'normal' market conditions with CfSH Level 4 – 5 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 84% | 77% | 48% | 16% | 10% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 100% | 100% | 100% | 100% | 96% | 93% | 86% | 82% | 14% | 11% |

Source: GVA, 2011

- 5.69 Reducing the site size threshold for applying an affordable housing requirement to 5 units results in a further slight improvement in viability in 'hot' market locations. As a result 14% of sites in 'hot' market locations can now viably deliver a 40% affordable housing contribution, although 82% can deliver a 35% affordable housing contribution.
- 5.70 However, viability is reduced (compared to Figure 5.17) on sites in 'moderate' market locations.
- 5.71 This analysis of CfSH Level 4 reinforces and supports the assertion made regarding CfSH Level 3 that, when CfSH build cost uplifts are applied, a site size threshold of 5 units is most appropriate to maximise potential affordable housing delivery in 'hot' market locations. In 'moderate' market locations a threshold of 10 units before an affordable housing contribution is sought achieves the optimum level of site viability.
- 5.72 In 'cold' market locations there is no benefit to site viability in lowering the threshold below 15 units.

Scenario 1: Assessment under 'Poor' Market Conditions

- 5.73 Scenario 1 focuses on establishing the effect on viability of delivering affordable housing under 'poor' market conditions in Trafford, to enable consideration of development viability for informing policy across the spectrum of the market cycle.
- 5.74 In line with the original EVS (2009), the EVS Update (2011) estimates that values in a 'poor' market reflect residential transaction values at 10% below the 'normal' market conditions.

Varying the Code for Sustainable Homes Level from 3 - 6

- 5.75 This sub-section assesses the impact on the economic viability of providing affordable housing, of lifting CfSH build standards from Level 3 to Level 6 under 'poor' market

conditions, with an affordable housing tenure split of 50% social rented and 50% intermediate and a 15 unit threshold on sites before an affordable housing requirement is triggered.

5.76 All planning obligations set out within Trafford's Draft SPD1: Planning Obligations are included, with the exception of TDC4 - Sustainable Energy Schemes (which has been tested separately).

5.77 The following figure tests the viability of delivering affordable housing at CfSH Level 3.

Figure 5.19: Viability of affordable housing under 'poor' market conditions with CfSH Level 3 – 15 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|---------------------------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| Market Location | Sites Economically Viable | | | | | | | | | | |
| | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 14% | 14% | 10% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Hot | 87% | 80% | 73% | 67% | 47% | 13% | 13% | 13% | 13% | 13% | |

Source: GVA, 2011

5.78 The results demonstrate that, at CfSH Level 3, only 13% of sites in 'hot' market locations can viably deliver a 40% affordable housing contribution and only 10% of sites in 'moderate' market locations can achieve a 10% affordable housing contribution. This represents a considerable decrease in site viability when compared to the same sensitivity testing at 'normal' market conditions within Figure 5.11.

5.79 As expected, there are no viable sites in 'cold' market locations.

5.80 The following figure tests the viability of delivering affordable housing at CfSH Level 4.

Figure 5.20: Viability of affordable housing under 'poor' market conditions with CfSH Level 4 – 15 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|---------------------------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| Market Location | Sites Economically Viable | | | | | | | | | | |
| | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 14% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Hot | 80% | 73% | 67% | 40% | 13% | 13% | 13% | 13% | 13% | 7% | |

Source: GVA, 2011

- 5.81 The results demonstrate that, at CfSH Level 4, viability is further reduced across sites in both 'hot' and 'moderate' locations due to the resultant uplift in build costs moving from CfSH Level 3.
- 5.82 This has a limited impact on the capability of sites in 'hot' market locations to viably deliver a 40% affordable housing contribution. In 'moderate' locations the impact is more pronounced, with no sites now able to viably provide an affordable housing contribution and only 14% of sites viable without an affordable housing contribution sought.
- 5.83 The following figure tests the viability of delivering affordable housing at CfSH Level 5.

Figure 5.21: Viability of affordable housing under 'poor' market conditions with CfSH Level 5 – 15 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 7% | 7% | 7% | 7% | 7% | 0% | 0% | 0% | 0% | 0% |

Source: GVA, 2011

- 5.84 Uplift to CfSH Level 5 reduces viability further across sites in both 'hot' and 'moderate' locations. No sites are viable in 'moderate' market locations and only a very limited proportion (7%) of sites in 'hot' market locations can viably provide a 20% affordable housing contribution.
- 5.85 The following figure tests the viability of delivering affordable housing at CfSH Level 6.

Figure 5.22: Viability of affordable housing under 'poor' market conditions with CfSH Level 6 – 15 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 7% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

Source: GVA, 2011

5.86 When sites are required to meet CfSH Level 6 (carbon neutrality) viability is further reduced in 'hot' locations. No sites in 'hot' locations are viable with an affordable housing requirement, and a very limited proportion (7%) of sites remain viable when no affordable housing contribution is sought.

Varying the site size threshold

5.87 This sub-section tests the unit threshold at which affordable housing is required to identify an appropriate threshold to trigger the requirement for affordable housing, and provides a greater understanding of the impact of applying a threshold of 10 units or 5 units under 'poor' market conditions.

5.88 Testing is conducted at the baseline CfSH Level 3, in line with current building regulations, and also tests an additional set of sensitivities with sites required to develop to meet CfSH Level 4. All planning obligations set out within Trafford's Draft SPD1: Planning Obligations are included, with the exception of TDC4 - Sustainable Energy Schemes (which has been tested separately).

5.89 The following figure tests the viability of delivering affordable housing at CfSH Level 3 and with a 10 unit site size threshold before an affordable housing contribution is sought.

Figure 5.23: Viability of affordable housing under 'poor' market conditions with CfSH Level 3 – 10 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 12% | 12% | 8% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 91% | 87% | 83% | 78% | 61% | 13% | 13% | 13% | 13% | 13% |

Source: GVA, 2011

5.90 When comparing the results with Figure 5.15, which tests viability at a 10 unit threshold under 'normal' market conditions, the results demonstrate that viability is considerably reduced in a 'poor' market – despite reducing the threshold to 10 units.

5.91 As a result, only 13% of sites in 'hot' market locations can now viably deliver a 40% affordable housing contribution and only 8% of sites in 'moderate' market locations can deliver a 10% affordable housing contribution.

5.92 There is no viability in 'cold' market locations.

5.93 The following figure tests the viability of delivering affordable housing at a 5 unit site size threshold.

Figure 5.24: Viability of affordable housing under 'poor' market conditions with CfSH Level 3 – 5 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 10% | 10% | 6% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 93% | 89% | 86% | 82% | 68% | 11% | 11% | 11% | 11% | 11% |

Source: GVA, 2011

5.94 Reducing the site size threshold for applying an affordable housing requirement to 5 units results in a slight improvement in viability in 'hot' market locations when compared to the application of a 10 unit threshold (as demonstrated in Figure 5.23). As a result 68% of sites in 'hot' market locations can now viably deliver a 20% affordable housing contribution. However, a marginally lower proportion of sites (11%) can viably deliver a 40% affordable housing contribution – therefore suggesting the benefits are mixed.

5.95 In contrast, overall viability is reduced slightly (compared to Figure 5.23) on sites in 'moderate' market locations.

5.96 This suggests that, as under 'normal' market conditions, when CfSH Level 3 build costs are applied in a 'poor' market, a site size threshold of 5 units continues to capitalise on the strong viability of smaller sites in Trafford's 'hot' market locations – although the impact is less pronounced.

5.97 Similarly to 'normal' market conditions, in 'moderate' market locations a threshold of 10 units before an affordable housing contribution is sought achieves the optimum level of site viability. In 'cold' market locations there is no benefit to site viability in lowering the threshold below 15 units.

5.98 The following figure tests the viability of delivering affordable housing at a 10 unit site size threshold with dwellings built to CfSH Level 4 standards.

Figure 5.25: Viability of affordable housing under 'poor' market conditions with CfSH Level 4 – 10 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 12% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 87% | 83% | 78% | 57% | 13% | 13% | 13% | 13% | 13% | 9% |

Source: GVA, 2011

- 5.99 When comparing the results with Figure 5.20, which tests viability in a 'poor' market at a 15 unit threshold, the results demonstrate that viability is slightly improved in the 'hot' market locations in Trafford. As a result, 13% of sites in 'hot' market locations can viably deliver a 40% affordable housing contribution.
- 5.100 No sites in 'moderate' market locations can deliver an affordable housing contribution, and the proportion of sites viable when no affordable housing contribution is sought falls slightly to 12%.
- 5.101 The following figure tests the viability of delivering affordable housing at a 5 unit site size threshold.

Figure 5.26: Viability of affordable housing under 'poor' market conditions with CfSH Level 4 – 5 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 10% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 89% | 86% | 82% | 64% | 11% | 11% | 11% | 11% | 11% | 7% |

Source: GVA, 2011

- 5.102 Reducing the site size threshold for applying an affordable housing requirement to 5 units results in a further slight improvement in viability in 'hot' market locations. As a result 11% of sites in 'hot' market locations can now viably deliver a 40% affordable housing contribution.
- 5.103 However, viability is reduced (compared to Figure 5.25) on sites in 'moderate' market locations.

- 5.104 This analysis of CfSH Level 4 reinforces and supports the assertion made regarding CfSH Level 3 that, when CfSH build cost uplifts are applied in a 'poor' market, a site size threshold of 5 units is most appropriate to maximise potential affordable housing delivery in 'hot' market locations.
- 5.105 In 'moderate' market locations a threshold of 10 units before an affordable housing contribution is sought achieves the optimum level of site viability when CfSH Level 3 and CfSH Level 4 is applied.
- 5.106 In 'cold' market locations there is no benefit to site viability in lowering the threshold below 15 units.

Scenario 2: Assessment under 'Good' Market Conditions

- 5.107 Scenario 2 focuses on establishing the viability of delivering affordable housing under 'good' market conditions. This scenario has been examined in recognition that affordable housing policy takes a longer-term perspective. Gaining an understanding of the impact of a rapidly rising market on site viability is therefore vitally important if affordable housing and planning policy is to be geared to remain flexible to the peaks and troughs that have characterised the market in the past, and that are projected to continue.
- 5.108 In line with the original EVS (2009), the EVS Update (2011) adds 7% to the achievable residential property values under 'normal' market conditions reflecting the situation achieved at the peak of the last property market cycle (Q3 2007), to represent a 'good' market.

Varying the Code for Sustainable Homes Level from 3 - 6

- 5.109 This sub-section assesses the impact on the economic viability of providing affordable housing, of lifting CfSH build standards from Level 3 to Level 6 under 'good' market conditions, with an affordable housing tenure split of 50% social rented and 50% intermediate and a 15 unit threshold on sites before an affordable housing requirement is triggered.
- 5.110 All planning obligations set out within Trafford's Draft SPD1: Planning Obligations are included, with the exception of TDC4 - Sustainable Energy Schemes (which has been tested separately).
- 5.111 The following figure tests the viability of delivering affordable housing at CfSH Level 3.
-

Figure 5.27: Viability of affordable housing under 'good' market conditions with CfSH Level 3 – 15 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | | |
|-----------------|--|------------------------------|------|------|------|------|------|------|------|------|------|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% | |
| Market Location | | Sites Economically Viable | | | | | | | | | | |
| | | Cold | 47% | 27% | 7% | 7% | 7% | 7% | 7% | 7% | 7% | 7% |
| Market Location | | Moderate | 95% | 95% | 95% | 86% | 81% | 81% | 33% | 24% | 19% | 5% |
| | | Hot | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 87% |

Source: GVA, 2011

5.112 The results demonstrate that, at CfSH Level 3, 100% of sites in 'hot' market locations can viably deliver a 40% affordable housing contribution and 81% of sites in 'moderate' market locations can achieve a 25% affordable housing contribution. This represents a considerable increase in site viability when compared to the same sensitivity testing at 'normal' market conditions within Figure 5.11.

5.113 Under 'good' market conditions a limited proportion of sites have become viable in 'cold' market locations. Importantly, over a quarter of sites in 'cold' locations can deliver a 5% affordable housing contribution, and a limited proportion (7%) can deliver above this.

5.114 The following figure tests the viability of delivering affordable housing at CfSH Level 4.

Figure 5.28: Viability of affordable housing under 'good' market conditions with CfSH Level 4 – 15 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | | |
|-----------------|--|------------------------------|------|------|------|------|------|------|------|------|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% | |
| Market Location | | Sites Economically Viable | | | | | | | | | | |
| | | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Market Location | | Moderate | 95% | 90% | 86% | 81% | 76% | 38% | 19% | 19% | 5% | 5% |
| | | Hot | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 93% | 73% |

Source: GVA, 2011

5.115 The results demonstrate that, at CfSH Level 4, viability is slightly reduced across sites in both 'hot' and 'moderate' locations due to the resultant uplift in build costs moving from CfSH Level 3.

5.116 This has a limited impact on the capability of sites in 'hot' market locations to viably deliver a 40% affordable housing contribution. In 'moderate' locations the impact is

more pronounced, with 38% of sites now able to viably provide a 25% affordable housing contribution.

- 5.117 Moreover, uplift to CfSH Level 4 results in all viability being removed from sites in 'cold' market locations.
- 5.118 The following figure tests the viability of delivering affordable housing at CfSH Level 5.

Figure 5.29: Viability of affordable housing under 'good' market conditions with CfSH Level 5 – 15 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 43% | 29% | 19% | 19% | 5% | 5% | 5% | 5% | 5% | 5% |
| | Hot | 100% | 100% | 100% | 100% | 93% | 80% | 73% | 33% | 13% | 13% |

Source: GVA, 2011

- 5.119 Uplift to CfSH Level 5 reduces viability further across sites in both 'hot' and 'moderate' locations. As a result only 13% of sites in 'hot' market locations can deliver a 40% affordable housing contribution – although 73% of sites can still deliver a 30% affordable housing contribution.
- 5.120 Site viability in 'moderate' market locations declines resulting in only a limited proportion (5%) of sites viably being able to provide a 20% affordable housing contribution.
- 5.121 The following figure tests the viability of delivering affordable housing at CfSH Level 6.

Figure 5.30: Viability of affordable housing under 'good' market conditions with CfSH Level 6 – 15 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 10% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Hot | 100% | 100% | 93% | 87% | 73% | 67% | 13% | 13% | 13% | 7% |

Source: GVA, 2011

- 5.122 When sites are required to meet CfSH Level 6 (carbon neutrality) viability is further reduced in 'hot' locations, although 13% of sites can still provide a 40% affordable housing contribution, and 67% of sites can provide a 25% affordable housing contribution.
- 5.123 In contrast, no sites in 'moderate' locations are viable with an affordable housing requirement, and a very limited proportion (10%) of sites remain viable when no affordable housing contribution is sought.

Varying the site size threshold

- 5.124 This sub-section tests the unit threshold at which affordable housing is required to identify an appropriate threshold to trigger the requirement for affordable housing, and provides a greater understanding of the impact of applying a threshold of 10 units or 5 units under 'good' market conditions.
- 5.125 Testing is conducted at the baseline CfSH Level 3, in line with current building regulations, and also tests an additional set of sensitivities with sites required to develop to meet CfSH Level 4. All planning obligations set out within Trafford's Draft SPD1: Planning Obligations are included, with the exception of TDC4 - Sustainable Energy Schemes (which has been tested separately).
- 5.126 The following figure tests the viability of delivering affordable housing at CfSH Level 3 and with a 10 unit site size threshold before an affordable housing contribution is sought.

Figure 5.31: Viability of affordable housing under 'good' market conditions with CfSH Level 3 – 10 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|------|------|------|------|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 45% | 20% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 96% | 96% | 96% | 88% | 85% | 85% | 46% | 23% | 19% | 8% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 91% |

Source: GVA, 2011

- 5.127 When comparing the results with Figure 5.15, which tests viability at a 10 unit threshold under 'normal' market conditions, the results demonstrate that viability is considerably enhanced in a 'good' market.

- 5.128 As a result, 100% of sites in 'hot' market locations can now viably deliver a 40% affordable housing contribution and 85% of sites in 'moderate' market locations can deliver a 20% affordable housing contribution. Moreover, almost a quarter of sites in 'moderate' locations can deliver 35% affordable housing.
- 5.129 There is a reduced level of viability in 'cold' market locations at a 10 unit threshold when compared to testing at a 15 unit threshold as set out in Figure 5.27. This suggests that retaining a site size threshold of 15 units before applying an affordable housing requirement in 'cold' market locations results in the optimum level of site viability.
- 5.130 The following figure tests the viability of delivering affordable housing at a 5 unit site size threshold.

Figure 5.32: Viability of affordable housing under 'good' market conditions with CfSH Level 3 – 5 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|------|------|------|------|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 43% | 19% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 97% | 97% | 97% | 90% | 87% | 87% | 48% | 19% | 10% | 0% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 93% |

Source: GVA, 2011

- 5.131 Reducing the site size threshold for applying an affordable housing requirement to 5 units results in no significant improvement in viability in 'hot' market locations when compared to the application of a 10 unit threshold – although this is likely to be due to the already strong level of viability under such conditions.
- 5.132 Overall viability is reduced slightly (compared to Figure 5.31) on sites in 'moderate' market locations.
- 5.133 This suggests that, as under 'normal' and 'poor' market conditions, when CfSH Level 3 build costs are applied in a 'good' market, a site size threshold of 5 units continues to capitalise on the strong viability of smaller sites in Trafford's 'hot' market locations.
- 5.134 Similarly to 'normal' and 'poor' market conditions, in 'moderate' market locations a threshold of 10 units before an affordable housing contribution is sought achieves the optimum level of site viability. In 'cold' market locations there is no benefit to site viability in lowering the threshold below 15 units.
- 5.135 The following figure tests the viability of delivering affordable housing at a 10 unit site size threshold with dwellings built to CfSH Level 4 standards.

Figure 5.33: Viability of affordable housing under 'good' market conditions with CfSH Level 4 – 10 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|------|------|------|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 5% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 96% | 92% | 88% | 85% | 81% | 50% | 19% | 19% | 8% | 8% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 96% | 83% |

Source: GVA, 2011

- 5.136 When comparing the results with Figure 5.28, which tests viability in a 'good' market at a 15 unit threshold, the results demonstrate that viability is slightly improved in the 'hot' market locations in Trafford. As a result, 96% of sites in 'hot' market locations can viably deliver a 40% affordable housing contribution.
- 5.137 In 'moderate' market locations 81% of sites can deliver an affordable housing contribution, which suggests an improvement in site viability when the threshold for an affordable housing contribution is decreased to 10 units.
- 5.138 Moreover, a slight improvement in viability is demonstrated in 'cold' market locations – although this is not significant and does not result in the ability of sites to provide an affordable housing contribution.
- 5.139 The following figure tests the viability of delivering affordable housing at a 5 unit site size threshold.

Figure 5.34: Viability of affordable housing under 'good' market conditions with CfSH Level 4 – 5 unit site threshold

| | | Affordable Housing Provision | | | | | | | | | |
|-----------------|----------|------------------------------|------|------|------|------|------|------|------|-----|-----|
| | | 0% | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| | | Sites Economically Viable | | | | | | | | | |
| Market Location | Cold | 5% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | Moderate | 97% | 94% | 90% | 87% | 84% | 52% | 10% | 10% | 0% | 0% |
| | Hot | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 96% | 86% |

Source: GVA, 2011

- 5.140 Reducing the site size threshold for applying an affordable housing requirement to 5 units results in a further slight improvement in viability in 'hot' market locations. However, viability is reduced (compared to Figure 5.33) on sites in 'moderate' market locations.

- 5.141 This analysis of CfSH Level 4 reinforces and supports the assertion made regarding CfSH Level 3 that, when CfSH build cost uplifts are applied in a 'good' market, a site size threshold of 5 units is most appropriate to maximise potential affordable housing delivery in 'hot' market locations.
- 5.142 In 'moderate' market locations a threshold of 10 units before an affordable housing contribution is sought achieves the optimum level of site viability when CfSH Level 3 and CfSH Level 4 build requirements are applied.
- 5.143 In 'cold' market locations there is no significant benefit to site viability in lowering the threshold below 15 units.

6. Conclusions

Study Overview

- 6.1 The primary purpose of this study is to review the economic development viability of sites within Trafford to ensure any Planning Obligations 'tariffs' on development within the borough are realistically set, taking into account any changes in market conditions and planning policy since 2009.
- 6.2 This has been achieved through the 'high level' development appraisal of a sample of 100 sites across the borough, identified within Trafford's SHLAA. This EVS Update (2011) will inform and support existing and future planning policies and housing strategy development for Trafford Council through the preparation of the LDF in line with PPS 12.
- 6.3 It is important to note that this high level assessment of sample sites assumes and applies a number of generalised assumptions. The model will allow Trafford Council to assess future planning applications and opportunities on a site by site basis using more specific and detailed cost and value information where available.

Recommendations

Property Market Conditions

- 6.4 The results of the residential market review conducted as part of the EVS Update (2011) reveal that Trafford continues to perform as a property market with a number of sub-markets, each distinct from the other in terms of performance and offer.
- 6.5 The original EVS (2009) linked sub-markets where they shared similar market performance characteristics. The residential market update concludes that the markets retain the same characteristics as in 2009, and therefore their designation into 'hot', 'moderate' and 'cold' locations continues to be a relevant basis for assessing economic viability and underpinning policy.
- 6.6 However, at the borough scale market conditions have fluctuated considerably since the original EVS (2009) was undertaken. A low level of sales during 2009/10 has 'propped' up a constrained market in Trafford. This has been driven, in part, by high value transactions in locations that remain highly desirable despite the economic

downturn – Altrincham and Sale. As a result, market conditions across the borough as a whole remain between a 'poor' and 'normal' market.

- 6.7 This updated analysis demonstrates the continued applicability of 'normal' market conditions (alongside 'good' and 'poor') as an appropriate basis for testing economic viability – given that the borough's housing market clearly continues to operate within these parameters. The EVS Update (2011) therefore continues to utilise this approach.

Application of Policy L2, Policy L5 and other Planning Obligations

- 6.8 The testing of Policy L2 of the submitted Trafford Core Strategy (December 2010) under 'normal' market conditions in Trafford, indicates that this applies an appropriate requirement on development to generate the maximum affordable housing contribution from sites without hindering the supply of housing.
- 6.9 The additional application of Policy L5 within Trafford's LCGA demonstrates mixed results across the borough under 'normal' market conditions. The results in the 'hot' market location of Altrincham Town Centre suggest that sites in these locations could accommodate the policy requirements whilst remaining viable. However, the limited viability in the current 'cold' market locations of Old Trafford and Carrington – the latter LCGA - suggests that viability on sites is challenging when applying Policy L5. This should be considered with the caveat that schemes to be brought forward in these locations over the medium-term would be significant in scale and would be likely to result in an uplift in the nature of the market to represent a position closer to 'moderate' locations and above. If this were to occur, the sites in these locations could be expected to achieve greater returns and therefore generate improved viability from which Policy L5 could be achieved.
- 6.10 The addition of the range of other S106 contributions sought (as set out in Trafford's Draft SPD1: Planning Obligations) adds considerable cost to sites when applied alongside Policy L2 and Policy L5. It will be important for Trafford Council to remain flexible in setting policy to enable prioritisation of specific contributions on a site-by-site basis where market conditions dictate that viability cannot be achieved when the full requirements of Policy are sought.

Varying Market Conditions from 'Normal' to 'Poor' and 'Good'

- 6.11 The results of the EVS Update (2011) support the concluding recommendations of the original EVS (2009) Namely, that through scenario testing the analysis reveals that variation in property market conditions from 'normal' to 'good' or 'poor' has a significant impact on the viability of sites.

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- 6.12 Under 'good' market conditions site viability is dramatically improved, with this effect being particularly acute within Trafford's 'cold' market locations.
- 6.13 In contrast, in a 'poor' market the number of economically viable sites is substantially reduced from that witnessed under 'normal' and, in particular, 'good' market conditions. As a result no sites located within 'cold' locations are found to be economically viable despite a 0% requirement for affordable housing provision.
- 6.14 Importantly, the impact of 'poor' market conditions has the most minimal negative impact on those sites situated in Trafford's 'hot' market locations.

Varying the Code for Sustainable Homes Level from 3 – 6

- 6.15 Building regulations now dictate that all new build residential dwellings are to be built to CfSH Level 3 standards. As a result, the EVS Update (2011) tests viability at CfSH Level 3 as a baseline. Anticipating a future change in building regulations will result in CfSH Level 4 becoming mandatory across all new developments, with scope for further uplifts in build requirements, the EVS Update (2011) also tests viability with build costs at CfSH Levels 4 - 6.
- 6.16 When viability is assessed under 'normal' market conditions at CfSH Level 3, alongside all planning obligations, the results demonstrate that 60% of sites in 'hot' market locations can viably deliver a 40% affordable housing contribution and nearly a quarter (24%) of sites in 'moderate' market locations can achieve a 20% affordable housing contribution. In contrast, however, there are no viable sites in 'cold' market locations.
- 6.17 Increasing build standards to CfSH Level 4 does serve to reduce viability due to the resultant uplift in build costs moving from CfSH Level 3. However, the majority of sites in 'hot' and 'moderate' locations can still viably contribute a reduced level of affordable housing. A further increase to CfSH Levels 5 and 6 eradicates viability in 'moderate' locations, yet the strong levels of viability in Trafford's 'hot' market locations results in the majority of sites still viably delivering a 10% affordable housing contribution at CfSH Level 6.
- 6.18 With a step up to 'good' market conditions, site viability in Trafford is considerably improved. As a result sites in 'moderate' locations can viably contribute affordable housing – albeit at low levels – up to CfSH Level 5. Moreover, the majority of sites in 'hot' market locations can contribute up to 25% affordable housing at CfSH Level 6.
- 6.19 However, with a decline to 'poor' market conditions site viability in Trafford is reduced, with a subsequent impact on the financial capacity of sites to meet the build costs associated with higher CfSH Levels. At CfSH Level 3 only 13% of sites in 'hot' market

locations can viably deliver a 40% affordable housing contribution and only 10% of sites in 'moderate' market locations can achieve a 10% affordable housing contribution. When this is increased to CfSH Level 4, viability is further reduced. The impact is more pronounced in 'moderate' locations with no sites able to viably provide an affordable housing contribution. No sites, even in 'hot' locations, can viably meet CfSH Level 6 in a 'poor' market.

- 6.20 As a result, delivering the upper levels of CfSH will be a challenge for sites within Trafford (particularly those outside the 'hot' locations) unless:
- market conditions improve to 'normal' or 'good' (and returns are therefore greater); or
 - if planning obligations are applied flexibly where a priority exists to deliver a highly sustainable build; or
 - if technological improvements result in build costs (or materials costs) reducing considerably.

Varying the Site Size Threshold

- 6.21 The application of a site size threshold has a further substantial impact on the viability of sites within Trafford. Testing within 'normal', 'good' and 'poor' market conditions the EVS Update (2011) results broadly support the position set out in the Trafford Draft SPD1: Planning Obligations. This establishes that the site size threshold for applying Policy L2 is 5 units within the 'hot' and 'moderate' market locations in Trafford with a threshold of 15 units in cold market locations. These site size thresholds will not be altered to reflect changing market conditions.
- 6.22 The EVS Update (2011) demonstrates that when build costs are uplifted to CfSH Level 3 (in line with current building regulations) and CfSH Level 4, a site size threshold of 5 units continues to capitalise on the strong viability of smaller sites in Trafford's 'hot' market locations.
- 6.23 In 'moderate' market locations a threshold of 10 units before an affordable housing contribution is sought achieves the optimum level of site viability. Nevertheless, application of a 5 unit threshold has only a minor negative impact in proportional terms (i.e. the proportion of sites viable) and may support an enlarged supply of affordable housing delivery by increasing the absolute number of sites (at a 5 unit threshold) from which an affordable housing contribution is sought.
- 6.24 In 'cold' market locations there is no benefit to site viability in lowering the threshold below 15 units.

Further Policy Implications

- 6.25 It is however, necessary for viability to be established on an individual site basis. For, as explained previously, this EVS Update (2011) examines viability across a representative sample of sites within Trafford and, as such, is not designed to establish economic viability on particular individual sites. The role of this assessment will be to inform future policy decisions and will provide Trafford with a tool to aid site specific negotiations with developers regarding the contributions of affordable housing required by policy.
- 6.26 It is recognised that market conditions at present are not 'normal' and in fact bear a closer relationship to the 'poor' market condition scenario established within the study. Furthermore, the protracted recovery from recession coupled with instability in the financial markets, tightening of mortgage credit and debt-driven development finance and the subsequent decline in house building, conspire to make judging a likely point at which there will be a stable return to 'normal' housing market conditions difficult.
- 6.27 Therefore, it is imperative that Trafford Council monitor the relative health of the market in taking forward elements of the study for consideration in applying policy.