



TRAFFORD
COUNCIL

**Trafford Council response to Inspector's
Query in relation to the TEVS conclusions
on the % viability of sites tested in the
'cold' market areas**

23rd September 2011

Introduction

The Council has been asked to provide the Inspector with clarification in relation to the conclusions of the Trafford Economic Viability Study (TEVS) on the % viability of sites tested in the 'cold' market areas applying a 5% target for affordable housing to a 15 dwelling threshold, as required by policy L2.

The Trafford Economic Viability Study (TEVS)

The TEVS tested 100 sites derived from the Council's SHLAA database. Paragraphs 3.14-3.18 of the TEVS detail the steps taken in the selection of the sample of sites.

Figure 6.1 (page 60) of the TEVS illustrates the viability of affordable housing under "normal" market conditions, with a 50:50 tenure split.

As set out in paragraph 6.31 of the TEVS, that analysis indicates that only 9% (2 sites) from a total of 22 sample sites located in cold market locations are economically viable, regardless of whether any affordable housing requirement is imposed or not. This is reduced to 5% (1 site) of the 22 sample sites when a 5% affordable housing requirement is incurred. The viability declines to 0% of sites when 10% or more affordable housing provision is required.

The TEVS also stated, however, that it is important to note that, as demonstrated by Case Study 3 (p 58 of the TEVS), it is feasible that sites in "cold" market locations can deliver affordable housing of up to 5% when abnormal costs are not identified/limited on site and that the affordable housing split is 50% social rented and 50% intermediate product. Reflecting the size of sites predominantly evidenced as available within the SHLAA for this type of location, this conclusion was based on a small, 0.5ha, vacant land site. The site was anticipated to bring forward 20 units for development, built to Code for Sustainable Homes Level 2 standard and it was considered under 'normal' market conditions.

Conclusion

The TEVS concluded that, although the results of the economic viability model inferred a marginal nature of returns is achievable, with or without affordable housing contribution, on the majority of the sampled sites in "cold" market locations within Trafford under "normal" market conditions, sites in "cold" locations could provide a limited contribution to affordable housing provision where abnormal costs are minimal. Consequently the TEVS concluded that no more than a 5% affordable housing target could be applied within "cold" market locations without inhibiting development. It did however consider that this target should be flexible to wider market conditions to enable the target to be raised to a 10% requirement under "good" conditions and decreased as is deemed necessary on a site-by-site basis under "poor" conditions.

Therefore the Council considers that there is sufficient evidence to demonstrate that where development is viable in cold market locations (i.e. when abnormal costs are not identified/limited on site), the development profits can withstand a 5% affordable housing contribution. In circumstances where developments would be unable to withstand a 5% affordable housing contribution, the TEVS considered that it was unlikely that development would take place in any event.

For these reasons the Council considers that it is appropriate to seek a 5% affordable housing contribution in cold market locations, with a site threshold of 15 units being applied, as set out in policy L2. It should also be noted however that the Council considers that sufficient flexibility is included within Policy L2, to enable negotiations to take place should circumstances require it.

For these reasons the Council considers that Policy L2 is consistent with both PPS3 and the draft NPPF.