Annex 1

Table 1 - key issues raised at the AHVS Stakeholder Event – 25 August 2010, Fordham's response, the Property Forums view and Officer comments, including further work being carried.

Issue	Stakeholder Issues Raised	Fordham's Response	Comments/Info from the Property Forum	Officer comments
Land Value Assumption				
Land Values Industrial Land Value = £165k per acre – source: Valuation Office Agency (VOA) 2010 Agricultural Land Value = £10k per acre – source: Fordham expertise Open space/ garden land value= £100k per acre – source: Fordham expertise **Cushion Values** £40k cushion for all land values except agricultural £80k cushion for agricultural land	Land value figures are too low, particularly industrial and agricultural Office land values are higher than industrial land values. Office land worth £250k per acre now; industrial land £150k per acre £305k should be used for Agricultural land based on VOA data for RSS/LDF allocations Landowners will not sell at the prices in the Study 1988 was the last time agricultural land was sold at £90k per acre, figures are out of date and not realistic to aid development VOA values not used in viability testing Values are artificially skewed at the moment There is no market at the moment, so difficult to set prices	A lot of concern was expressed about the land values in the Study being too low. However no substantial comment was made about any of the assumptions or costs being wrong, as distinct from matters of opinion where different valuations can vary. The Study needs to establish realistic broad-brush values; it uses data produced by the VOA (a recognised body), along with expertise from an experienced valuer. VOA data is key as there is currently little evidence due to current market conditions Cushions have been included as incentives for landowners, other studies do not include such an allowance	Land values, especially cushion levels, seem low Industrial £165K (£205k with cushion) seems too low, as is agriculture £10K (£90k cushion) too low Note aspirations/ expectations of landowners in York varies. Majority of landowners will take the long-term view and withhold land if values too low. The Forum has a fundamental issue with the approach taken to land value in the study. Further supporting information to be provided. Data and assumptions need to be current. Forum requested further details of VOA data used. CYC to provide.	Key issue. Awaiting Agent data from Property Forum to analyse and carryout sensitivity testing (Data expected 21st Sept 2010)
As above	Not an accepted mechanism for determining land prices.	There are quite a few valuation processes but none obviously better.	Acknowledge there are other well tried and tested methods/approaches accepted by	Input of Property Forum very much welcomed and joint working to find solutions will continue.

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	Could use DTZ approach to calculate land values – 25% of GDV	DTZ's approach was mentioned, but presumably only because they have in some cases used a slightly more demanding profit rather than the 20% on cost which is standard: 25% of Gross Development Value is slightly more in some cases shown in the analysis but is not so generally used as 20% on cost.	local authorities. Willing to try and make the dynamic model work if possible Fourteen other local authorities and the Homes and Communities Agency National Study have accepted the DTZ approach which uses 25% of GDV as a starting point for land value. Also other studies (eg Entec - Ryedale) use more realistic land value data and assumptions. Key issue is that some of the assumptions used are incorrect for York, are not based on the current situation (or that envisaged for the foreseeable future) and will distort the output.	16 other LA's have signed up to Fordham's approach. Fordham's have discussed their approach with Government Office's and the Planning Inspectorate and have received support and endorsement. Its important that the assumptions are not short term and that they reflect the lifetime of the Study.
As Above	Are there other LA's that have followed this approach?	Sixteen other LA's have adopted this approach.	As above	See above
As above	Is capital gains tax included?	Capital gains tax is not included, it arose after the study and issues like this will change over the life time of the study and should be negotiated as part of the process if applicable	In reality, capital gains tax is going to affect land prices and needs to be built into the picture as it affects land value expectations (and final receipt) of vendors.	Capital gains tax is not designed to improve land values. It is inappropriate for land values to increase by 28%. Evidence produced through the Property Forum into land values and appropriate cushion levels will consider this element
As Above	Housebuilders have land banks. Targets based on lower valuations could have disastrous effects i.e. causing breach of covenants etc	Nobody wants housebuilders to take an even greater hit than they have already. If the land values derived are of the right order, and if these values are at odds with book values of housebuilders, that is unfortunate, but this is not something the study should take into account. This matter is something that will need to be dealt with through site specific negotiations with the Council	The Calcutt Review concluded that housebuilders only have land banks sufficient to secure the immediate future of their business and that there is real risk to their future business if these are not maintained. Need certainty to be able to acquire land.	Accepted – not an issue
Planning Contribution Assumption				
£8K per residential Unit based on Fordham's	Contributions should be higher, particularly on larger sites. For example Germany	The study is not a site specific one, but a broad brush one involving a set of sites that represent market conditions	Agree should be York specific and cannot be site specific, although generalities should not have been applied to specific sites to test	*Analysis to be carried out by officers to determine accuracy/reasonableness for York*

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experience. £14K –15k per unit in Ashford/Milton Keynes (which is the highest in the country), halved for York	Beck requires a much higher amount Developers don't have a set of assumptions. Too many S106 payments are required from Developers – making housing not viable	in York. Site-specific details are not used beyond the area and market location, but use a full set of assumptions to generate estimates of the type of development, its viability and consequent capacity to carry an affordable target. Obviously each site has particular characteristics but one of them cannot be included without including all, and that would create a massive job across 15 sites. Hence the comment is not really relevant to this study, but would of course apply to the site-specific negotiations over a target for any new Greenfield site.	model where different contributions (and additional development costs) were known for these. Evidence required to explain how this has been derived . Council's breakdown and analysis of policy requirements awaited. Needs to detail what the Planning Contributions figure includes and what isn't included. There needs to be a recognition that planning contributions should include both costs arising from Section 106 Agreement and by condition.	
Developer Profit Assumption				
20% (on costs) is the industry norm Fees = 10% of build costs – Source Fordham's Expertise	Many banks are now asking for 25% 20% accepted industrial standard	A 20% profit is the industry norm, in good times and thus is a defensible figure. Banks are now demanding more. But, as one of the housebuilders said, if present market conditions persist for several years more there will be no housebuilding firms, and so we must hope that this is an exceptional time. There are cases where 4% is being charged for fees, and our assumption of 10% is certainly above the industry norm at present. There is a balance to be made - swings and roundabouts.	Not realistic – banks require 25% to lend in current market Don't consider this 25% will change; fiscal policies of country have changed 10% fees are realistic but are often higher. HBF saying generally 20-25% profit is the norm but day to day experience in dealing with financial institutions on the ground is that 25% is now the minimum norm and will be for the foreseeable future. This is supported by comment on experience of many housebuilders of various sizes. Model needs to take account of current financial climate and that of the foreseeable future *Further evidence to be submitted to support the above*	*HBF standard profit to be checked – CYC believe this is 20% nationally* *Need to check what VOA standard is – have been carrying out all NY Aff Hsg appraisals* CYC to check what levels other Study's use CYC have accepted less than 20% profit Need to ensure study is not just short term The study provides generous allowances in other areas for example fees, use of BCIS for build costs, – needs a balance throughout the study *Can the Dynamic model be adapted to take into account changes in profit level? – CYC to address with Fordham's*
Density Level Assumptions				
20-33 dwellings per	40-45 dph Base is not	The present is an exceptional time:	30 – 40 dph per developable acre more	*CYC to compare to SHMA and SHLAA (whilst 2*

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hectare (dph) Edge of settlement – 2,3,4 bed detached 40-45dph Base – mix of 2 & 2.5/3 storey houses including terrace, 15%-25% flats 50dph Urban – 30-35% flats and fewer 2 storey than base 100+dph High – flats in small 3 storey blocks 150+ dph – Very High – flats in large blocks 4-6 storeys Source: Fordham's expertise	achievable currently – developers looking to provide family accommodation based on demand	this study is designed to endure for the plan period and uses densities likely to be typical over that period. It is of course open to applicants in the current market to make that point and to seek different densities and show the viability consequences.	realistic as a base level for majority of suburban and edge of city sites Agree there will be occasional exceptions (eg. niche city centre sites) where densities will be higher Market is not building at the density levels set in the report. There is very limited demand for apartments. Developers and banks perceive them as high risk. Demand is predominantly for 2 to 4 bed family housing in a variety of unit sizes. Most builders have re-planned majority of plots for mainly 2 storey housing for which demand is strongest. and will be building this for the foreseeable future; their business plans are fundamentally based on this model.	*and 3 bed houses are in demand there is still some need for smaller homes)* *CYC to check York Central and British Sugar density levels* Consistent with draft Core Strategy Long-term view important
Proportion of apartments				
1 bed flat/house – 9.2% 2 bed flat – 17.8% 2 bed house – 20.7 3 bed house/flat – 26% 4 bed house – 24.7% 5+ bed house – 1.6% Source Fordham's expertise	RSL want 2 – 4 bed homes not 1 bed or flats Banks will not support flatted schemes	Again this is a short-term point wrongly applied to a longer-term study: exceptional cases can be made at the planning applications stage. The SHMA derives mixes that will endure for the plan period and the viability analysis follows the SHMA.	Will be picked up in the above. The Calcutt Review concluded and confirms that the developer's judgement on what will best satisfy market demand is very likely to be better than the planning authority's. Point is we are trying to set policy for now – so the policy must be based on what we envisage will be developed in the foreseeable future, not based on previous developments of mainly 2 ½ and 3 storey houses and apartments which were much less popular and consequently more difficult to sell. The re-plans outlined above have had financial implications but were necessary to maintain developers'	Will be picked up in the above

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			businesses. Mainly 2 storey family housing is what housebuilders envisage developing for the foreseeable future in response to market demand and higher design standards now required.	
Sale rates/values Assumptions				
Base on sale prices across York, including apartment market, new build and second hand. Data set out in appendix 1 of the Study Price bands in Study range from £203 per sqft – £322 per sqft	Broadly right except £300 per sqft. Should be capped at the moment at £220 per sqft Houses and flats should be the same £220 per sqft Affordable housing on site effects sale prices	There was some criticism of the price per ft2 assumptions (Table 4.4). Prices in the Study do date back to last year, but only two of the 15 are over £300 per sqft. Most (9 out of 15) lie in the band mentioned, with all but the two £300+ ones lying below £250 per sqft. So, even if the present day were taken, this criticism largely does not apply	£300 per sqft - £322 per sqft is too high £200 per sqft - £220 per sqft is about right Use band above and cap at £220 per sqft Evidence being collected by Forum. Valuation office or advertised sales prices will not reflect the hidden "discount" on prices given as sales incentives etc. which are negotiated on a plot by plot basis.	The average in the Fordham Study is £229 per sqft, which isn't all that far away from the £220 per sqft supported by the Forum
Targets/Thresholds				
Brownfield = 25% on sites equal to or greater than 15 Greenfield = 40% on sites equal to or greater than 15 Sites 11-14 Dwellings = 25% Sites 5-10 Dwellings = 20% Sites of 2-4 Dwellings = Commuted sum	40% derived from 2 out of 3 sites but 1 of those sites is Germany Beck and this doesn't stack up. Metcalf Lane - CYC land and different issues connected with charity development, and availability of housing grant t Its recognised that a 0% target is not acceptable and developers need to provide some element of affordable housing. The target should be 15% for green and brownfield sites. With no distinction between urban and rural. 25% feels right, 40% is the only one that is not	Three major Greenfield sites showed a capacity to carry 40% in two cases and was marginal in the third. That justified the 40% proposed target. As was agreed at the meeting, 25% will work on most brownfield sites. Equally clearly greenfield sites can bear a higher target. The analysis was based on the mistaken assumption that the error (including one wrong valuation sheet in the appendices) would affect the outcome on one of the Greenfield sites: it does not. (See comment below) Thus there are no substantial reasons for altering the 40% target proposal for Greenfield sites, though of course this is a policy matter for the City. Other comments were made about the vast amounts of HCA grant involved	The Forum's view is that the Study outputs are based on incorrect assumptions for sites not yet developed, therefore any assumed conclusions so far are incorrect. Model must be re-run after assumptions are agreed with the Forum to confirm what targets are appropriate. 25% mentioned as feeling possibly 'about right' only as better than current requirement but need to re-run with new assumptions to see what genuinely works. Notwithstanding whatever becomes the new target, a further reduced target for a short period would stimulate the market by incentivising some landowners to release land in the short-term. Accept that some sites will achieve the % and some will not, depending on planning gain package as a whole and additional development costs	Need to re-assess targets when assumptions agreed. We could consider a reduced target to kick-start the market in the short term, but this goes against guidance of setting targets based on evidence. The wider dynamics of why private housing isn't coming forward (increased difficulty and cost of borrowing from banks, increase deposits and therefore greater difficulty and cost for buyers) must be acknowledged. Some schemes in York are only coming forward now because of the certainty of affordable housing delivery and funding, not private market housing.

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	achievable, can live with the rest	i.e. Metcalfe Lane, but the valuations upon which the 40% target proposal was based are all 'Zero Grant' and so this point has no application.	Council to provide evidence of sites that are coming forward on privately owned sites and the amount of affordable (%) achieved on these	
	Error in Metcalfe Lane figure	An objection was made that Site 3 (one of the big three Greenfield sites) had an error in it. The printouts in the Appendix do indeed contain an error (a wrong printout having been inserted in place of the correct one) but the figure in question has no effect on the valuation.	Accepted	Noted – Fordham's have responded directly to the representor on this issue
	Why have two targets (i.e. Greenfield/Brownfield?)	Evidence shows that we get lower affordable housing provision on Brownfield sites due to complexity of sites and higher costs of remediation and servicing. Given the massive affordable need in York we need to maximise provision where possible. Hence the reason for two targets.	See above Major greenfield sites can also be complex ' have high additional costs and massive up-front infrastructure works required. Have huge pre-planning costs and cannot rely on 'exceptions' to policy to be promoted. Need to incentivise major schemes to obtain optimum planning package and sustainable high quality developments. One target, allowing for 'additional development costs' to be declared and set against the affordable requirement, would provide a level playing field for all sites and this should be explored further.	Our own local experience demonstrates that Greenfield sites have the capacity to provide more affordable housing than brownfield sites. It is therefore important to retain the two target approach to ensure affordable housing is maximised on sites where it is viable to do so, whilst having realistic targets that limit the need for individual appraisals. It is accepted that large strategic Greenfield sites could have significant infrastructure costs for example but such sites are not the norm and these are sites where the individual appraisals will be necessary.
	Would developers provide more affordable housing then the target require if still viable and target set lower than the target required – answered no from developers	The targets need to be realistic but also seek to maximise provision, in line with government guidance, Reductions can still be negotiated through site specific viability appraisals where this is clear and robust	Accepted	Noted
Short term/long term targets				
Short term targets set based on the Dynamic Model. These short-term targets provide the annual targets for affordable housing	Not clearly explained in document – misunderstanding of 50% aspirational target	PPS3 implies a plan long target. The reason for Dynamic Viability is that PPS3 was written before the Credit Crunch and takes no account of major down and upturns in the market, which render a single target meaningless: as in the adopted target at Wakefield	Should be explained more clearly PPS3 was reissued in June 2010 therefore up to date reflection of Government policy. The Forum is concerned that 50% would not result in balanced and mixed communities.	*Revise and clarify text in report*

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provision required. (current targets are set out under Targets/thresholds above). The long term requirement needs target sets the ceiling level for affordable housing provision. Affordable housing provision required based on the Dynamic Model could rise higher than this target in the future but the Council considers this 50% long term needs target, which is based on housing need, should never be exceeded to ensure mixed and balanced communities are provided. This target also allows grant to be built in to the process.		MBC, which will probably never be deliverable during the plan period to come.	Would also revert to situation (even before the downturn) when landowners were not willing to release land.. Revised text awaited from Council	
	Need targets to take account of other matters i.e. code for sustainable homes, changes in planning gains, renewable energy	BCIS figures will build in the changes of costs associated with sustainable homes, renewable etc	Concerns whether BCIS index will take these matters into account BCIS figure normally on high side but represent a reflection of general market rates.	BCIS figures will take into account changing costs such as sustainable homes etc BCIS figures being on the high side impacts provision of affordable housing rather than developer profit. Recognised national index
Targets and thresholds for all site =>1				
Base on viability modelling for	Should not have targets below 15 – other LA's have	PPS3 encourages targets for sites below 15 dwellings if there is evidence	PPS3 allows LAs to set lower targets where an evidence base demonstrates this is viable	Setting local targets lower than 15 dwellings where viable accords with PPS3. Currently the

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smaller sites the following targets and thresholds are recommended: 5-10 Dwellings = 20% Sites of 2-4 Dwellings = Commuted sum	not lowered their target below this New requirement on small sites will put developers out of business Should have a tax on every home and CYC build them	that they can be deliverable. In York the evidence is that they are at the general level. It remains open to applicants on sites, which have particular problems/ costs to raise them at the planning applications stage.	and where this would not inhibit smaller sites coming forward. Appreciate that this will contribute towards meeting need but concern from small builders that windfall sites will disappear and will not be viable.	study illustrates that this is viable and therefore should not prevent development of small sites.
Dynamic Model Review				
We have recommended the model is reviewed annually, to ensure its remains dynamic and certainty is provided for the development industry	CYC should not have a set period and change when market conditions require this Bi-annually	There was some discussion of the interval at which the Dynamic Viability should be reviewed. There is no absolutely right answer to this. Local authorities do not want to miss out on affordable housing as and when the upturn finally materialises, while housebuilders and landowners would obviously rather see the results of any upturn put into their profit margins. Developments often take more than a year to emerge, but clearly there are market factors that may alter during that period and in turn alter the mix of what housebuilders find most profitable to build. A change in the target is just another of the changes that the market may throw up. There was discussion of an ad hoc interval for reviews of the Dynamic Viability matrix indices. There is nothing in principle against it, except that the format ought really to be agreed at the LDF Core Strategy Inquiry, since such flexibility may require a recall of the Inquiry. The Dynamic Viability process is designed to avoid that extra cost.	The dynamic model principles need to be agreed. Could leave it open to react when market changes but no objection in principle to annual review provided that evidence base agreed jointly and changes are consulted upon CYC could review the target annually but only publish a change if targets change by 5% Important that existing validated apps/pre apps are protected from change of target Major concerns if target can be amended at reserved matters and proposed changes to targets in phased RM applications The affordable requirement has to be fixed at the time when a planning decision is made – ie. outline or full planning permission. The development industry, landowners and financial institutions need certainty if land acquisitions are to be progressed – see Calcutt Review. Uncertainty will mean land transactions will not be progressed and planning permissions not implemented.	Needs a fixed review for certainty and to provide clarity Once the study is approved and agreed, changes to future targets will be based on the Dynamic Model. Any revised target will be published but will not be re-consulted on, as the change will be based on the 3 indexes and the agreed study approach. Both CYC and developers will be bound by the target changes if this approach is endorsed. Exact details and timings of review and implication on existing planning applications to be discussed further with Property Forum – including target set at reserve matters and phased sites. Should not affect developer, as profit not affected. Target will only change based on changes to the three dynamic model principles

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Dynamic Model in practice				
	How is the matrix calculated	The Dynamic Viability procedure takes the three indices, as applied to the Benchmark site and calculates what targets are feasible under a wide range of possible variations in all three of the key indices. The model is a fairly elaborate one based on Excel. It sets the targets on the basis that they can be met in full. For instance if the calculation concludes 29.9% as a target, this would be rounded down to 25%. So the figures in the matrices are in fact quite conservative. This is worth noting in any modest challenges to assumptions used	Council to provide more detail as to how this would work in practice.	Further discussions of the review process in practice will be held, see above.
	How will CYC react to lowering of target	The adoption of the model will set future targets; both CYC and the development industry will be bound by increases and decreases of the target. Whichever way the target changes this will reflect market conditions and what is broadly viable.	Accepted – provided it is evidenced and agreed. See comments above re Dynamic Model Review	Accepted
	When will the interim targets be brought in? Targets should not apply to validated applications % can't change once planning permission approved	The precise working of the model is for the Local Authority, and there will be recognition of validated agreements. The target should be set at reserved matters stage and large developments should have a phasing mechanism built in.	See above response to Dynamic Model Review. Whatever is decided must provide certainty if the development industry is to bring forward housing in the numbers required.	See above response to Dynamic Model in principle