

## Annex 1 – AHVS assumptions, YPF/ Chamber comments and CYC comments and recommendations

Item	Fordham Assumption	YPF/Chamber Assumption	CYC Officer comments and recommendation
<b>Land Value - greenfield</b>	£90,000 per acre	The approach adopted is unrealistic and not supported.	<p>Fordhams have re-run the study with a double cushion value (incentive for landowners to sell) of £160k in place of the £80k set out in the study. This gives an overall value of £170k which is 17 x agricultural land value. The HCA Viability Model recommends that Greenfield sites should be between 10 and 20 x agricultural land value.</p> <p>With the revised figure run through the model one of the greenfield sites assessed remains viable at 40% whilst the other two are viable at 30% and marginal at 40%.</p> <p><b>Officer recommendation – Lower greenfield target to 35%</b></p>
<b>Land Value - brownfield</b>	£205,000 per acre industrial	The approach adopted is unrealistic and not supported.	<p>Hunters letter supports 25% level – based on comments re Terry's</p> <p>Throughout discussions there has been acknowledgement that a 25% target for brownfield sites would be viable. Re-running of the model confirms this.</p>

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			<p>The AHVS uses the typical industrial land value as contained in the VOA Property Market Report July 2009. However, in order to further explore viability, the model has been re-run with a doubling of the brownfield cushion (ie. from £40k to £80k). This brings total industrial land value to £245k which is considered to be reasonable.</p> <p>The HCA Viability Model advises that brownfield values are 10-30% above alternative use value (AUV). Doubling of the cushion value brings brownfield value to over 30%, which is considered to be a fair and generous incentive to sell.</p> <p><b>Officer recommendation – Maintain brownfield target at 25%</b></p>
<p><b>Build Costs</b> (Tables 5.1 and 5.2 of AHVS)</p>	<ul style="list-style-type: none"> <li>• £89 psf</li> <li>• 2 sites were above £110 psf</li> </ul>	<p>Agree that BCIS is a robust form of assessing build costs</p>	<p>YPF&amp;Y/NYCC agree that BCIS are a robust form of assessing build costs.</p> <p>BCIS figures are a recognised national index. They take into account changing costs such as sustainable homes etc over the lifetime of the Core Strategy.</p> <p>It should be noted that experience</p>

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			<p>reveals that the BCIS figures are generally on the high side and therefore will impact negatively on the provision of affordable housing.</p> <p><b>Officer Recommendation - No change to the Study</b></p>
<p><b>Development cost allowances (in addition to construction costs – roads, drainage, services, parking, footpaths, landscaping, etc)</b></p> <p><b>(Table 5.3 of AHVS)</b></p>	<ul style="list-style-type: none"> <li>• 12%</li> <li>• Varies between 9% and 13.5%</li> </ul>	<p>Cannot be generalised as it is site specific</p>	<p>Development cost allowances need to be built into the Study to allow the broad-brush targets to be formulated in accordance with PPS3. Forham’s have built in costs based on their knowledge, research and expertise.</p> <p><b>Officer Recommendation - No change to the Study</b></p>
<p><b>Additional development costs</b></p> <p><b>(Table 5.4 of AHVS)</b></p>	<p>Site specific</p>	<p>Unquantifiable, the whole point of abnormal costs is that they are just that. Agree site specific.</p>	<p>Additional development costs - abnormal costs (development costs which really cannot have been foreseen at site investigation and purchase and are site specific. They have been built into the Study to ensure the broad-brush targets reached are realistic and viable for delivering affordable housing.</p> <p>Applicants will be able to submit individual financial appraisals to demonstrate where costs cannot be identified and might therefore be</p>

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			<p>seen as abnormal costs.</p> <p><b>Officer Recommendation - No change to the Study</b></p>
<b>Density</b>	40 – 45 dph	30 – 40 dph. This is a view held by agents, designers and developers alike.	<p>The study levels align with the SHLAA and the draft Core Strategy which sets minimum density levels of:</p> <p>City Centre 75dph Suburban 40 dph Rural 30dph</p> <p>Lowering density from 45 to 40 dph actually <i>increases</i> site viability as the overall floorspace (fewer houses but bigger) remains the same whilst site contributions (per dwelling) are reduced.</p> <p><b>Officer recommendation - No change to the study</b></p>
<b>Fees</b>	10% of build costs	Possible but highly likely to be an increased figure of up to 13%.	<p>A re-run of the model at 13% reduces the affordable target by 2.5%. However, many developers have not challenged the 13% figure, and 10% certainly conforms with fees identified as part of actual planning submissions.</p> <p><b>Officer recommendation -</b></p>

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			<b>No convincing justification to change from 10%</b>
<b>Sales Rates</b> <b>(Table 5.6 of AHVS)</b>	<ul style="list-style-type: none"> <li>• Largest sites 200+ = 60pa</li> <li>• Medium sites 100-200 = 30 pa</li> <li>• Small sites up to 100 = 22 pa</li> <li>•</li> </ul>	Anecdotally sale completions are at the lowest for some considerable time.	<p>It is accepted that current market sales rates are low but this is a long-term study and the assumptions need to reflect this, so they remain relevant.</p> <p><b>Officer recommendation - No change to the study</b></p>
<b>Sale Rates / Values</b>	Fordham assumptions is £229/sqft	Sales figures from local agents submitted.	<p>Further analysis of sales figures submitted by local agents (to YPF) concludes that revenues should be between £218 and £225 psf.</p> <p>In the evidence submitted by Dacres they suggest a composite figure of £225 psf.</p> <p>The average sale values submitted by the YPF/ Chamber comes to £218 psf.</p> <p>Information received from Hunters relates to second hand sales and so must be discounted.</p> <p>The average sales set out in the Fordham study are £229 psf, but the benchmark site selected to re-run the model assumptions is £222 psf,</p>

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			<p>which is in line with the agents figures submitted (between £218 and £225 psf).</p> <p><b>Officer Recommendation - No change to the study</b></p>
<p><b>Profit margin</b> <b>(Table 5.5 of AHVS)</b></p>	<p>17.5% - 20% (of costs)</p>	<p>It seems to be widely held opinion that a minimum of 25% profit on cost would be required to make a project viable.</p>	<p>Following further research the House Builders Federation appears not to publish a standard profit margin.</p> <p>A 20% profit is widely accepted as the norm by local authorities across North, West and South Yorkshire representing the Northern Affordable Housing Group.</p> <p>Correspondence with the Valuation Office Agency illustrates that they use c15% of the value of the scheme and states that this cross checks well with the methodology used on the HCA's Economic Appraisal tool, which uses 17.5% - 20%.</p> <p>The HCA Viability Model assumes 15-20% developer profit.</p> <p>Whilst in some cases banks may currently be asking for a higher profit level this study needs to ensure that it is not just considered in the short</p>

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			<p>term.</p> <p><b>Officer recommendation - Onus on developer to demonstrate why developer profit must be 25%, not 20%. If accepted, affordable level will be reduced by 3.5%</b></p>
<b>Interest Rate</b>	7.5%	Accepted as current, but would note that with arrangement fees and exit fees a figure of 10% reflects lending costs currently	<p>A 7.5% interest rate is accepted and, given the long-term nature of the study, changes to reflect the cost of current lending is not considered appropriate.</p> <p><b>Officer recommendation - No change to the Study</b></p>
<b>Contingency</b>	<ul style="list-style-type: none"> <li>• 2.5% sites 1, 3, 6 and 12</li> <li>• 5% all other sites</li> </ul>	Advise that 5% contingency is a minimum sum in the current market	<p>Accepted at 5% and no impact on viability.</p> <p><b>Officer recommendation – No change to study</b></p>
<b>Phasing and Timetable</b>	<ul style="list-style-type: none"> <li>• Pre-constructions period of 6 months (except Germany Beck 9 mths and Hungate, 12mths)</li> <li>• Unit built over 9 months (15 mths Hungate)</li> </ul>	<p>From receipt of a satisfactory notice of decision we estimate that for a modest sized site there is a minimum lead in period of 6 month.</p> <p>For larger sits like Hungate and Germany Beck we are unable to generalise but particularly in the</p>	<p>This has no impact on viability.</p> <p><b>Officer recommendation</b></p>

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		instance of Germany Beck we feel the assumptions of 9,months is too short	
<b>Void (post completions of unit)</b>	3 months	A minimum of 6 months in current market but a lot of units are now built to order on the basis of pre sales	No impact on viability. <b>Officer recommendation – No change to study</b>
<b>Site Holding costs and receipts</b>	No allowance	Unrealistic to assume no site holding costs, particularly as schemes take longer to build out with reduced sale rates	No impact on viability <b>Officer recommendation – No change to study</b>
<b>Acquisition</b>	Stamp Duty 4% Agents and Sellers 1.5% of cost	Accepted	Accepted by YPF/Chamber <b>Officer recommendation</b> No change to the Study
<b>S106 Contributions</b>	£8k per dwelling	Figure needs to be York specific. Evidence required explaining how this has been derived.	A random sample of 25 sites taken from the Finance Team spreadsheet, which covers applications between 1st April 2005 and 31 March 2010 has been assessed. The table includes both S106 monies and monies received via decision notices (generally from smaller schemes).  <u>S106:</u> From the random sample of 25 schemes, comprising 1,993



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			<p>dwelling, a total of £8,220,472 was due under the S106 agreements. This equates to approx £4,125 per dwelling.</p> <p><u>Decision Notice:</u> From the random sample of 25 schemes, comprising 98 dwellings, a total of £209,223 was due under decision notices, equating to approx £2,135 per dwelling.</p> <p>Note: for monies raised from decision notices on single dwelling planning applications, there appears to be a wide variation for monies due (from £360 per dwelling to £7,776 per dwelling). This appears to be due to the variation in requirements for open space, which is strongly dependent on the location and type of open space for which a contribution is sought.</p> <p>This very clearly illustrates that the S106 contribution figure used in the study is in fact on the high side and could be reduced. However, it is considered that the 8k figure should remain to ensure longevity.</p> <p><b>Officer recommendation -</b> No change to the study</p>