

EXECUTIVE SUMMARY

- Adams Integra were commissioned by Hastings Borough Council to review the likely capacity and viability of 14 potential housing development sites. The sites selected were chosen so as to demonstrate a range of characteristics that typically occur on both Brownfield and Greenfield sites of differing sizes within the Borough.
- The sites are reported on generically, by reference to their type, to avoid any potential issues over privacy of information and particularly any potential prejudicing of site specific discussions or outcomes. The context here is back up to the consideration of policy direction, by considering actual site characteristics as far as possible.
- One of the key reasons for the Council to undertake the study was to inform its policy direction for planning led affordable housing under the emerging Local Development Framework. In particular, the Council wished to investigate and make recommendations on the optimum threshold levels and proportions of affordable housing; so as to maximise provision while making sure that the market housing schemes are not unduly impacted and, therefore, that land will continue to come forward for housing development.
- Under adopted Local Plan Policy, which states the site size threshold as 15 dwellings, the Council currently seeks a minimum of 25% affordable housing on Brownfield sites and 30% on Greenfield (all of which is social rented in both cases).
- Adams Integra has completed many development viability studies using this same basic methodology, which has been subject to scrutiny at several Local Plan Inquiries and, very recently, as part of the evidence base to Horsham District Council's successful (Local Development Framework) Core Strategy Examination outcome.
- Having studied the sites and estimated their development potential and capacity, they were appraised using a developer type model. In essence that deducts development costs and profits from the schemes gross development value (scheme revenue) to see what sum of money may be left available for land purchase.
- A large number of appraisals were carried out, varying the affordable housing assumptions within those to gauge likely impact from those on land value and, therefore, scheme viability. Affordable housing provision of 25%, 30% and 40% was considered on all sites reviewed.

- Commercial elements of, or alternatives to, the schemes were also considered where relevant.
- The modelling was carried out having studied the local property market, and prepared estimates of the development capacity of each of the sites.
- The capacity study outcomes produced scheme sizes of 7 to 180 dwellings, and so enabled the considering of impacts across a wide range of site types.
- The main indicator used in reviewing results and making judgements on their meaning is the change in approximate residual land value resulting from changing assumptions.
- In addition to studying changing affordable housing proportion, the study looked at two different scenarios in terms of tenure mix – 100% affordable rent, and 50% rent/50% shared ownership. Both of these were considered with and without social housing grant. An assumption of requiring free land for affordable housing was also explored. Finally, the sensitivity of viability outcomes to increasing values or reduced costs was considered.
- Across the board we found property prices and, therefore, land values to be generally lower in Hastings than the corresponding average for the South East.
- This study can only reflect current market conditions in the Borough and is set in the context of current research. Development site viability in the Borough is not particularly strong even before affordable housing requirements and various other cost burdens are allowed for on sites.
- This is because there is a relatively poor relationship between property (and, therefore, development) values and development costs.
- The study is necessarily based on a snapshot in time as far as the relationship between property values and development costs are concerned. The Council should monitor local property prices and in particular the new build market, on an ongoing basis, as part of its standard processes. Such information could be used a basis to revisit the issue of development viability, alongside monitoring the success of current/future policy positions.
- In all cases land values are reduced as a result of newly introduced or increased affordable housing requirements (from existing levels), sometimes very significantly. This is not a Hastings specific phenomenon. It is primarily because the revenue (development receipts) generated by the affordable housing element of a scheme usually falls well short of open

market sales value. Thus the completed value of the scheme to the developer (Gross Development Value) falls, and he is able to pay less for the land. The introduction of affordable housing to a private site will nearly always lead to a significant reduction in land value.

- From our wider work, the greatest impacts are seen in cases where affordable housing will be required on sites for the first time (as in the case of a lowered threshold) and particularly in the lower property value areas. This applies universally.
- Where policy proposals would result in an increased provision on sites that would already have provided affordable housing (e.g. policy change from 25% to 30%) then the impacts are generally less severe.
- Our overall impression is that while there are some higher value Brownfield scenarios where the existing 25% policy position for such sites will be sustainable (and thus it should be maintained) urban Hastings is an area where the balance still needs to be in favour of incentivising development, not risking deterring it further. It appears that site scarcity is not an issue generally, but the suitability of sites for housing development does need to be considered with regard to the range of issues the study covers.
- Our key recommendations, based upon the site viability appraisals carried out, are that:
 - As a policy headline/target, given the current Hastings market, the existing policy proportion of 25% affordable housing on Brownfield sites is likely to be the optimum achieved. Although it will need to be subject to ongoing review, we would not recommend a higher target for Brownfield sites at present. This is particularly the case for small sites where it appears that commercial uses will often produce higher values, although larger sites also often struggle in viability terms.
 - **Given our results on smaller Brownfield sites, we recommend a continuation of the existing site size threshold level of 15 dwellings.** The viability results would not support a lowering of that threshold at the current time. As with all policy positions, however, that could be kept under review in the future.
 - **Our recommendation is, given the current local economic environment, that the 25% target should be considered the optimum for Brownfield land in the Borough. We recommend the continuation of this as a target for Brownfield land.**
 - **At present we would not recommend increasing the target given the viability of the range of site types reviewed.** While we are aware

that we have looked at a range of often difficult sites with particular issues, it appears that the policy balance still needs to be in favour of encouraging and incentivising Brownfield development in the Borough; not making it a less attractive financial proposition than existing by introducing new or increased requirements on such sites at the current time.

- **Adams Integra's view, however, is that there is potential to consider increasing further the target for affordable housing on Greenfield land on the basis of the different scenario which normally exists in terms of a lack of significant existing or alternative use value on such sites.**
- We like the distinction that the current policy approach makes between Greenfield and Brownfield requirements. Bearing in mind that once affordable housing is sought on a site, the steepness of impact from requiring more affordable housing reduces, **the Council could consider a policy target of up to 40% for Greenfield sites.**
- Abnormal costs and the collective infrastructure burden would need to be taken into account in negotiations, as in all cases. A target figure of up to 40% might be considered. This is in light of the viability gap between a 25% and 30% requirement being relatively small. **Bearing in mind the acknowledged levels of need, we recommend the Council looks at seeking increased provision from Greenfield sites, where the land valuation implications are different. The study explains this.**
- **It is important to state that, at any level, the proportions sought should be regarded as targets. A practical negotiated approach would need to be operated around these, dependent on site specifics and sometimes on wider planning objectives.** For these reasons the Council should consider appropriate policy wording, including dropping the reference to 'a minimum of' in re-stating the target requirements. This recommendation would be consistent with Government Guidance.
- In developing policy wording proposals and justification, in our view the Council will need to consider carefully the phrasing of requirements so as to reflect this negotiated approach.
- Alongside such factors, the availability of social housing grant or other subsidy will also affect the deliverability of specific affordable housing proposals, and should be considered in making viability assessments and looking at the wider approach, as stated in PPS3. The Council will need to continue prioritising affordable rented tenure but will need to be

practical about overall numbers and tenure in terms of reacting to funding availability and viability impacts, and considering cascade type principles in settling on the final affordable housing provision and mix on sites. By this we mean that planning obligations should be framed using an approach which can adapt to funding availability. It might be necessary, for example, to agree a revised number of affordable homes, revised mix of unit and/or tenure types provided. The Council would expect to lead any such re-negotiation and decision, in response to insufficient viability and/or funding, and would expect the requirements for adjustments to be made to be clearly demonstrated by developers and their Housing Association partners.

- The Council could look at a tenure mix starting point in various ways.
- Given the level of need for affordable rented accommodation, as a priority the Council, through its existing policy, has sought the whole of the affordable housing quota on a site as social (affordable) rented tenure. We understand that the Council has met its targets in recent years by adopting an affordable rented driven approach to planning negotiations, whilst securing additional Shared Ownership homes through 100% mixed tenure RSL development schemes.
- Bearing this in mind, the Council might consider a starting point skewed towards affordable rent, as many Local Authorities do, to seek to balance local markets, but with the proviso that behind that approach it needs to acknowledge viability and funding and viability issues and adopt flexibility as above, where necessary.
- We cannot be certain of continued funding availability to support such a high level of affordable rented provision, however. The Housing Corporation's pre-prospectus information for the forthcoming grant funding bidding round, 2008-11, refers to the funding of the simple purchase of properties by RSLs under Section 106 agreements not continuing. It is difficult to say how this will evolve, but it could be that a more workable and deliverable outcome might ultimately be a 50/50 tenure mix, or one much closer to that. Certainly we believe that a mixture of Affordable Housing tenure would help in terms of viability and the underpinning of development activity, as well as potentially having mixed communities benefits. PPS3 includes points about moving away from single tenure development and advocates a tenure mix. The Council will need to consider these points alongside its wider evidence base on need.
- Alternatively, the Council could consider a starting point of a more balanced tenure mix, but also make it clear that dependent on local need - and grant funding permitting - it will expect to exceed this

benchmark and provide more affordable rent where relevant and achievable. If this were linked with the Housing Corporation's "additionality" concept, then it would be on the basis that site viability was not further compromised by requirements for increased affordable rented tenure provision. The information released by the Housing Corporation in advance of the funding bid round reinforces this concept. Put simply, grant funding will only be available where it can be shown to be improving tenure mix, bringing an increase to affordable housing numbers or perhaps, in some cases adding environmental or design improvements.

- Discussions with the Housing Corporation are likely to be fundamental as a part of considering the approach and keeping it under review.
- Landowners and developers require a level of certainty in considering site appraisals. PPS3 (para. 29) includes a statement that Local Authorities should "set separate targets for social-rented and intermediate affordable housing where appropriate."
- A balanced tenure mix softens viability impacts, can usually reduce the reliance on grant and, we must also acknowledge, might well be associated with a more positive general picture by developers considering their new homes marketing.
- The importance of grant in the Hastings context is to be noted again, particularly where values are poorly related to costs (e.g. especially once abnormal costs need to be overcome and/or other significant infrastructure contributions funded by the scheme). There appears to be good scope for demonstrating the benefits of drawing in significant grant funding for outcomes on affordable housing numbers and/or tenure mix (the Housing Corporation's "additionality" thinking, as above).
- While likely to be a secondary policy aspect at most, there could well be a role for a formalised payments-in-lieu approach to affordable housing provision. There might be scope to use this in a creative way effectively to move some elements of subsidy to higher priority needs scenarios or locations. This is a suggestion for the Council to consider within its approach as a whole, rather than a recommendation for a policy position. For example, however, a mixed approach to any expanded affordable housing provision from Greenfield sites could be looked at with a view to translating part in to financial sums to support provision on more difficult Brownfield schemes. Such aspects may be worth reviewing.
- The Council's emerging and confirmed thinking, in whatever shape, will need to be kept under review in the context of housing market and

affordable needs information, site supply and monitoring, delivery track record, etc – the evidence base.