

PAR PLANNING

PROPOSED DEVELOPMENT OF APARTMENTS, BENTLEY STREET, ROCHDALE



EXECUTIVE SUMMARY

This statement is intended to provide information on the proposed development covering a **Financial Viability Assessment, Affordable Housing Statement and Section 106 Head of Terms** for the project at the **Land opposite to 1-35 Bentley Street, Rochdale OL12 6EU**.

The statement is ordered as follows:

- Description of Project
- Pre Application Advice
- Policy Context
- Affordable Housing Policies
- Affordable Housing Need
- Viability Assessment
- S106 Contributions

Land at Bentley Street Rochdale – Affordable housing and S106 Statement September 2024

The main conclusions of the report are that the scheme values mean that the project is of marginal viability. A key issue is the cost of providing an acceptable car parking solution. The adoption of a car lift system adds considerably to the scheme costs but if a lower cost option could be identified or the Council's engineers accept a lower car park standard in line with local levels of car parking and the good access to public transport then it would be possible to re-examine the potential for Section 106 contributions.

Given the limited viability the scheme it is considered that Affordable Housing contributions will be difficult but there is a willingness to give nomination rights on some units to the Council albeit at market rents. It is known that a number of persons on the waiting lists are able to pay market rentals, especially as this is a relatively low rent area so this offer will provide an additional resource for affordable housing.

BENTLEY STREET ROCHDALE

PLANNING STATEMENT

INTRODUCTION

This statement is intended to provide information on the proposed development covering a **Financial Viability Assessment, Affordable Housing Statement and Section 106 Head of Terms** for the project at the **Land opposite to 1-35 Bentley Street, Rochdale OL12 6EU**.

The proposal is for the: *erection of two residential apartments of 2-3 storeys comprising of 23 apartments (14x2beds apartments and 9x1bed apartments), together with associated parking and landscaping.*
It is prepared on behalf of the applicant.

Mr Musa Shah Managing Director Koplars Group Ltd
10 Saint John Street, Deansgate, Manchester, M3 4DY

1. Description of the Site

The site comprises land opposite 1-35 Bentley Street in Rochdale. The site is roughly triangular in shape, measures around 0.34 hectare, and is bounded along the south edge by Bentley Street. The site has a sloping topography, elevating away from the Bentley Street frontage towards the neighbouring business uses to the north, with a retaining bank at the rear boundary of the site.

In terms of land uses, the site is surrounded at the south and west by houses, and at the north-east by business uses including a car wash and small supermarket situated on Whitworth Street and at a higher elevation than the site. There is also a motor vehicle repair shop at the south-west corner of the site.

There is a former railway line running under Whitworth Road to the immediate north, which is now a recreational footpath, which appears to run in a tunnel beneath land forming the northernmost extent of the site.

It is unclear what the most recent use of the site was, but it is understood that the site has been undeveloped for many years, and was heavily overgrown until quite recently.

In terms of planning policy constraints and designations, the site is within the Defined Urban Area for Rochdale, as designated by saved policy G/D/1 of the 2006 Rochdale Unitary Development Plan. The site is not subject to any other relevant planning constraints or designations, such as Conservation Areas or flood risk zones.

The former railway line to the north of the site is designated as a Greenspace Corridor and a Recreational Right of Way, but this designation appears to apply to the tunnel or cutting running under the northernmost extent of the site.

└

1. The site is within the Defined Urban Area for Rochdale, as designated by saved policy G/D/1 of the 2006 Rochdale Unitary Development Plan.	2. The site is not subject to any other relevant planning constraints or designations, such as Conservation Areas or flood risk zones.
---	--



T+A Tang & Associates Ltd Chartered Surveyors 101-103 Market Street, Rochdale, Greater Manchester, M1 1PL Tel: 0161 275 1234 Fax: 0161 275 1235 Email: info@tang.co.uk Website: www.tang.co.uk	Client Urban Developments North West Ltd
Project Land opposite to 1-55 Bentley Street, Rochdale, Ch 114654	Location Plan
Scale 1:1250 @ A1	Date October 2021
Version 001/001	Sheet 8

L

Planning History

The planning history for the site shows outline planning permissions for the access and siting of 9 dwellings, with reserved matters in respect of scale, appearance and landscaping; both approved subject to conditions. (REF: 12/55738/OUT and 13/01023/REM). These permissions have since lapsed.

Pre-application advice

Pre-application planning advice has been sought and a meeting was held in August 2023 and with revised plans subsequently submitted in September. The overall advice was supportive of the scheme. Ref PREAPP/00047/23.

Key elements of the advice were about the size standards of the scheme and car parking which has had an impact on the revised proposal.

Standard of Accommodation and Occupier Amenity

New residential development is expected to achieve the minimum internal floorspace (and other design metrics) set out in the government's Nationally Described Space Standards, available online and shown below. This is brought into effect locally by PfE policy JP-HE.

Highways and Transport

NPPF paragraph 115 notes that development should only be prevented or refused on highways grounds if there would be an unacceptable impact on highway safety, or the residual cumulative impacts on the road network would be severe. Local requirements for are set out in Core Strategy policies DM1, T2, and PfE policy JP-C7. Adopted parking standards are also set out in the Core Strategy.

The highways officer has commented on the pre-app proposal as follows:

This pre-application includes a parking area for residents with an access road directly off Bentley Street with 23 spaces provided. This parking provision is substantially short of the Council existing parking standards which indicates that 39 spaces should be provided. This shortfall in parking is likely to create overspill parking onto Bentley Street itself. Bentley Street is a bus route and a busy connection between two classified roads with residents of the terraced properties already parking on Bentley Street so any additional overspill parking outside the proposed properties will interrupt the free flow of traffic and have a detrimental impact on road safety. On street parking on and around the proposed access and its junction into Bentley Street will restrict access into the site and create visibility issues at the junction.

Therefore the current proposal includes basement parking to meet the required standards but this has obviously increased the costs of the scheme and impacts on viability.

Proposed Car Parking Solution

To address the comments made by the Council's Highways team, it is proposed to adopt a car lift solution whereby two cars can be inserted into the same ground area by providing a lifting device to raise one car allowing a second to park underneath.

A number of companies provide these solutions and they are increasingly being used in cities. A number of options have been explored but these do come at a cost. The most likely cost per unit for these is £6200 plus installation. This means that on the basis of providing 19 lifts which would provide 38 spaces a total cost of £324,000 is envisaged. This would be additional to the base cost of providing surface car parking and this figure has been used for the viability assessment.

Budget Cost

MODEL TYPE: Parklift 450-200 two level car parking stackers 2.6t units, giving a total of 36 parking spaces based on 8 x Double width units (32 spaces) plus 2 x single width units (4 spaces) = TOTAL £324,000 exc. VAT.

Each platform space has a maximum capacity of 2600kg with a maximum wheel load of 625kg.

The above budget cost has been based on allowing vehicles with a maximum weight of 2600kg to park plus a maximum vehicle height on the lower platforms of 2000mm. The width of the platforms is flexible to suit the final plan

Core Strategy policy C8 *Improving community, sport, leisure and cultural facilities* sets out the Councils' approach for provision of community, sports and leisure facilities in new development. Policy G6 *Enhancing green infrastructure* notes that new residential development will be expected to provide or contribute financially towards recreational open space. Policy C7 notes that we will also seek developer contributions for the provision of educational facilities, including new school places.

Required developer contributions will be further confirmed following submission of an application. This will be dealt with in the viability assessment later.

Principle of Development

Policy SP2 – *The Spatial Strategy for the borough* notes that in the north of the borough, within which the site is located, we will promote a scale of new housing, employment and commercial development appropriate to the accessibility and character of the Pennine fringe. This proposal therefore accords with this key principle. Specific relationships to Affordable Housing Policy are considered below.

Revised Proposal

The applicant amended the drawings based on the pre-application advice, addressing the highways concerns by incorporating car park lifts to ensure sufficient parking spaces. Consequently, it has been possible to retain the original 23 units, with the only alteration being the conversion of one 2-bedroom unit into a 1-bedroom unit. There are now 38 car park spaces instead of 23. The revised proposal is for the: *erection of two residential apartments of 2-3 storeys comprising of 23 apartments (13x2beds apartments and 10x1bed apartments), together with associated parking and landscaping.*

The assessment of viability has demonstrated that this approach is financially more appropriate than reducing the number of units on the site.

The proposal is compliant with space standards for apartments as set out below.

Table 1 - Minimum gross internal floor areas and storage (m²)

Number of bedrooms(b)	Number of bed spaces (persons)	1 storey dwellings	2 storey dwellings	3 storey dwellings	Built-in storage
1b	1p	39 (37) *			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4.0
	8p	125	132	138	

Development Plan

It is a requirement of section 38(6) of the Town and Country Planning Act 2004 that where a development plan contains policies relevant to an application, the decision must be made in accordance with the development plan, unless material considerations indicate otherwise.

Planning Policy Context

The statutory development plan therefore relating to the application site consists of the Rochdale Core Strategy (2016) read in conjunction with the Strategic Housing Market Assessment for Rochdale borough of 2015. Material considerations relating to this application include the National Planning Policy Framework, Planning Practice Guidance and now dated Supplementary Planning Guidance of 2008 prepared by Rochdale Council.

The national and local planning policy documents and SPDs relevant to the site and proposal are listed below.

- National Planning Policy Framework (December 2023)
- National Planning Practice Guidance
- National Design Guide (January 2021)
- Rochdale Core Strategy 2016
- Rochdale Unitary Development Plan 2006 saved policies
- Places for Everyone – Main Modifications Version, October 2023

The local and national policy context relating to the delivery of affordable housing is set out in the following documents:

- The Rochdale Core Strategy (RCS) adopted on 19 October 2016;
- Saved Policies of the Rochdale Unitary Development Plan (RUDP) adopted in 2006;
- Supplementary Planning Document: SPD 'Affordable Housing' (March 2008);

- National Planning Policy Framework (February 2019); and
- National Planning Practice Guidance.



National Planning Policy

Chapter 5 of the NPPF 'Delivering a sufficient supply of homes' sets out that planning policies should specify the type of affordable housing required, and expect it to be met on-site unless: off-site provision or an appropriate financial contribution in lieu can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities (paragraph 62).

Paragraph 63 of the NPPF states that affordable housing should only be sought on major developments and goes on to introduce the vacant building credit with the intention of encouraging the re-use of brownfield land. The policy states 'where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount'. This reduction is the equivalent to the existing gross floorspace of the existing buildings.

In respect of planning obligations the national planning policy framework (NPPF) identifies that local planning authorities should consider whether otherwise unacceptable development could be made acceptable through the use of planning conditions or planning obligations. It highlights that planning obligations should only be used where it is not possible to address unacceptable impacts through a planning condition (paragraph 54). The NPPF also restates the three statutory tests for planning obligations which are defined in the CIL Regulations (paragraph 56).

The NPPF sets out that where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be

viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment as part of the application. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case (paragraph 57).

The NPPF is clear that it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.

National Planning Guidance sets out the government's recommended approach to viability assessment for planning. The approach supports accountability for communities by enabling them to understand the key inputs to and outcomes of a viability assessment.

This National Planning Guidance states that any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government's recommended approach to assessing viability and be proportionate, simple, transparent, and publicly available.

Paragraph 006 of the NPPG Guidance on Viability states: "Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage... Such circumstances could include for, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example building to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force..."

In accordance with the above, this assessment follows the key principles for carrying out a viability assessment as outlined in DLUHC guidance on Viability (as updated September 2019).

The National Planning Policy Guidance also provides specific guidance on the application of the vacant building credit which is intended to incentivise brownfield development, including the reuse or redevelopment of empty and redundant buildings Paragraph: Vacant building credit was introduced to promote development on brownfield sites. It allows the floorspace of existing buildings that are to be redeveloped to be offset against the calculations for section 106 affordable housing requirements (whether financial contribution or provision).

No vacant building credit is applicable to the site.

The NPPG sets out that the role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.

The NPPG goes on to advise that it is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant.

The NPPG is clear that it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.

Such circumstances could include for example, where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force (Paragraph: 007 Reference ID: 10-007-20190509).

The NPPG also provides specific guidance on the application of the vacant building credit which is intended to incentivise brownfield development, including the reuse or redevelopment of empty and redundant building.

Paragraph 006 of the NPPG Guidance on Viability states: “Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage... Such circumstances could include for, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example building to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force...”

Places for Everyone

The Places for Everyone Plan is the overarching plan for Greater Manchester (apart from Stockport) The final version was presented to Council meetings for Adoption with effect from 21 March 2024. Key statements are:

Affordability of New Housing

7.21 A key challenge and priority for Greater Manchester is to ensure that new housing comes forward at a price that potential occupiers can afford. Overall, Greater Manchester is a relatively affordable place to live on average compared to some other parts of the UK, particularly London and the South. This is an important aspect of the competitiveness of Greater Manchester that Places for Everyone Joint Development Plan 2022 to 2039 Version presented to Council meetings for Adoption with effect from 21 March 2024 140 will need to be maintained if high levels of economic growth are to be delivered, and all residents are to share in its benefits.

7.22 However, affordability has been worsening in recent years, and there are a significant number of households who are unable to find suitable homes at an affordable cost. The cost of housing is a challenge to different cohorts within the housing system - including those needing access to social rent or trying to maintain a tenancy as welfare rules are squeezed; private renters sharing; those saving as prospective First Time Buyers looking for routes into home ownership; people in unstable employment in any tenure; older owner-occupiers without the resources to maintain a decaying property, or people living in overcrowded properties because they cannot afford or access a home large enough to meet their needs.

As a result, some people are living in inadequate accommodation and/or spending an unacceptably large proportion of their income on housing, which in turn increases levels of poverty. The official definition of affordable housing does not adequately address the diverse range of need within our boroughs, nor does it reflect the impact of welfare reform and other factors on households' ability to meet their housing costs. Through its housing strategy, Greater Manchester sets out its approach to tackle the housing crisis, to ensure our housing solutions address the needs and aspirations of current and future citizens. Importantly our housing crisis will not be fixed by the planning system alone, although it will play a key role in this work.

7.23 There are over 70,000 households on the local authority registers, with almost 27,000 of these identified as being in reasonable preference for housing. It is estimated that around 38% of newly forming households are unable to afford to buy or rent a home at lower quartile prices. New build is just one of the ways to meet this need. The Greater Manchester Housing Strategy sets out our aim to deliver at least 50,000 additional affordable homes across Greater Manchester as a whole (including Stockport) by 2037. It is important to note that not all affordable housing will be delivered through planning policy requirements and Section 106 Agreements.

Local Plans will set targets for the provision of affordable housing for sale and rent as part of market-led residential development schemes. A high proportion of affordable housing is delivered by Local Authorities, Registered Providers and through the use of Government funding. This is likely to continue to be the case.

7.24 Consequently, increasing the delivery of affordable housing across the Plan area is a very high priority, and it will be essential that new residential developments play a full role in supporting this. There are a variety of ways of delivering affordable housing and the emphasis in some parts of our area may be on increasing the supply of social rented and affordable rented properties, reflecting the low incomes of many households in need. In other parts, alternative types of affordable housing may also be suitable, such as shared ownership, affordable market rent, and discount market sales.

7.25 In doing this it will be important to ensure that a diverse mix of values and tenures of new housing comes forward so that all households can meet their needs and aspirations, helping to ensure that Greater Manchester can attract and retain skilled workers, bring more money into local economies and deliver more mixed and inclusive communities.

Policy JP-H2: Affordability of New Housing

Substantial improvements will be sought in the ability of people to access housing at a price they can afford, including through:

1. Significantly increasing the supply of new housing, in accordance with Policy JP-H1 'Scale, Distribution and Phasing of New Housing Development', thereby reducing the potential for a shortfall to lead to large house price and rent increases
2. Maximising the delivery of additional affordable homes including through local plans setting targets for the provision of affordable housing for sale and rent as part of market-led developments based on evidence relating to need and viability
3. Support provision of affordable housing as part of new developments (avoiding where possible clusters of tenure to deliver mixed communities)
4. Working with Government to maximise the amount of public funding being directed towards the provision of new affordable housing

5. Increasing the supply of low-cost market housing, to complement the provision of affordable homes and diversify options for low income households.

Local Planning Policy

Rochdale Core Strategy (RCS) adopted on 19 October 2016

The adopted Local Plan currently comprises the Core Strategy 2016. The evidence base supporting affordable housing policy which informed Core Strategy policy is from 2015, nine years old. This cannot be considered up to date and as such viability is a matter which needs to be considered on a case by case basis at the decision-making stage.

Saved Policies of the Rochdale Unitary Development Plan (RUDP) adopted in 2006

Previous policies on Affordable Housing were contained in Policy H/7 'Affordable Housing' of the UDP was deleted and this was replaced by Core Strategy Policy C4 in October 2016.

Residential Development

The Council's approach to residential development in the Borough is set out in policies C1 to C5 of the adopted Core Strategy.

C1 notes that, in the north of the borough, the plan will deliver an overall scale and density of development that reflects the accessibility and character of the Pennine fringe. C1 also notes that we will consider the sustainable development of greenfield sites within the urban area where it is demonstrated that:

- a. the development would have limited adverse impact on green infrastructure or amenity value in and around the site; and*
- b. green infrastructure is, wherever possible, incorporated into the scheme.*

It is unclear whether the site has previously been developed and therefore the site would be considered to comprise a greenfield site, therefore the above requirements would apply.

Policy C3 *Delivering the right type of housing* notes that, in the north of the borough, we will:

- a. support lower density development if it delivers higher value dwellings of a type and size that are currently in short supply across the borough; and*
- b. Limit higher density development (50 dwellings per hectare and above) to sites in the centre of Littleborough, close to transport interchanges, and along the canal corridor.*

As proposed the scheme would have a density of around 67 dwellings per hectare (the site area is around 0.342ha and 23 units are proposed) and would therefore be considered high density. Whilst the site would not be in any of the contexts noted in paragraph b) above, a higher-density development is considered by the pre-application advice to be a more appropriate response to the characteristics and context of the site than lower-density residential development such as houses.

Policy C4 sets out expectations for the provision of affordable housing, noting that developments of 15 dwellings or more will be expected to provide affordable housing, either on-site or via development contributions. The policy notes further expectations for the provision of affordable housing. The policy seeks a contribution to affordable housing of

7.5% of the development sales value of the overall scheme. At 23 units this proposal falls within the policy requirements.

The Council's Strategic Housing team were consulted on the pre-application request and have not provided any objections or feedback on the proposal. It was recommended that any future application is supported by a statement setting out how the proposal would meet the requirements of policy C4 in terms of affordable housing provision. If provision cannot be made due to viability constraints, the application would be expected to be supported by a robust financial viability appraisal.

The Policy seeks Affordable housing to be:

a) Provided on-site using this contribution to deliver homes of a type, size and tenure agreed by the developer and the local authority based on local evidence and, where appropriate, delivered in partnership with a Registered Provider; or

b) Provided via an off-site financial contribution in exceptional circumstances, for example, where:

i. The local authority considers that the site is not an appropriate location for affordable housing e.g. poor access to local services and public transport; or

ii. The type of housing on the site makes it difficult to provide an element of affordable housing; or iii. It is not practical to properly manage an element of affordable housing on the site e.g. on-site provision would only deliver a very small number of homes.

8 When negotiating the level of affordable housing and how it is to be provided the Council will take the following factors into account:

i. The type of affordable housing required in the area;

ii. The availability of Social Housing Grant or equivalent;

iii. The need to deliver other planning objectives with a higher priority; and

iv. The economic viability of the development.

Affordable Housing Supplementary Planning Document

In 2008 the Council adopted an Affordable Housing Supplementary Planning Document. This remains an appropriate document. Elements of the guidance are superseded by Core Strategy policy and National Policy however the document remains a guide for developers.

This Supplementary Planning Document sets out more detail regarding the provision of affordable housing. It also sets out the calculation for the contribution within the policy which is based on an assumption of 15% of the homes being affordable with an average discount of 50% of the open market value. The level of off-site contribution will be calculated in the same way as on-site provision (i.e. 7.5% of the total development sales value).

The Note also provides guidance on viability. This notes that Applicants who cite nonviability due to particular development costs as the reason for not complying with UDP policy H/7 must support their case with financial evidence, and evidence that these matters were not ascertainable, which they should submit with the planning application. Where necessary this information will be audited by external experts but confidentiality of commercially sensitive information will be ensured.

Applicants who cite non-viability due to particular development costs as the reason for not complying with UDP policy H/7 must support their case with financial evidence, and evidence that these matters were not ascertainable, which they should submit with the planning application. Where necessary this information will be audited by external experts but confidentiality of commercially sensitive information will be ensured.

6.9 When applicants submit evidence of non-viability, the Council will expect to see the calculations for the important factors set out in enough detail for viability to be properly assessed and tested. The Council accepts that developers seek to achieve a reasonable profit on the schemes they develop.

Assumed Identifiable Costs General Development Costs Planning Policy Requirements

Site Specific Costs

- Demolition
- Drainage
- Site preparation
- Earthworks
- Infrastructure
- Highway works (to ensure access to development)
- Conversion
- Design
- Landscaping (policy BE/8)
- Car-parking (policy A/10 and Appendix C)
- Local open space and outdoor sports provision -whether provided on-site or off-site (policy H/6 and SPD)
- Flood mitigation
- Decontamination
- Nature conservation
- Relocation of telecommunications and other statutory undertakers' equipment
- Education and other community facilities
- Archaeology

Materials

- Legal matters
- Professional fees and consultancy
- Renewable energy (SPD)
- Conservation areas and Listed buildings
- Off-site highway improvements required by LPA and LHA

6.7 It should be noted that this list is not exhaustive and other examples of known or knowable costs may arise in individual cases.

This report has assessed non viability and detailed evidence is shown further in this report. Applicants who cite non-viability due to particular development costs as the reason for not complying with UDP policy H/7 must support their case with financial evidence, and evidence that these matters were not ascertainable, which they should submit with the planning application. Where necessary this information will be audited by external experts but confidentiality of commercially sensitive information will be ensured.

6.9 When applicants submit evidence of non-viability, the Council will expect to see the calculations for the important factors set out in enough detail for viability to be properly assessed and tested. The Council accepts that developers seek to achieve a reasonable profit on the schemes they develop.

We understand the profit associated with the scheme is unlikely to exceed approximately 15% due to the limited value of apartments in this location and abnormal costs. This represents a relatively low level of profit and demonstrates 'delicate' viability associated with the scheme which is unable to support any affordable housing or other contributions.

Strategic Housing Market Assessment for Rochdale borough of 2015

The Strategic Housing Market Assessment for Rochdale borough of 2015 shows an estimated annual requirement, using the recommended Communities and Local Government methodology, of 204 additional affordable homes per year. Table 6.3 of the SHMA shows Heywood at 29% to have the highest proportion of affordable social rented and intermediate housing of all the Rochdale townships: Middleton 25%, Pennines 19%, Rochdale 24%. This suggests that the greatest need for affordable provision is in the areas outside Heywood (Figure 13).

Within Pennines as within the Borough the majority of properties are terraced houses albeit there is a better balance with detached and semi- detached properties . The Strategic Housing Market Assessment for Rochdale borough of 2015 goes on to note that 'Rochdale has a relatively youthful population, with 52.3% of residents aged under 40. However, over the period 2012 to 2028 the number of residents under 40 and between 40 and 64 is expected to reduce (by 4,100). The only cohort of the population expected to increase is the 65+ age group which is expected to increase by 11,700. By 2028, 20% of the population is expected to be aged 65 or over compared with 15.2% in 2012'. This suggests an aging population will be a driver of housing need and suitable accommodation will need to be provided in the Borough.

In 2015, Rochdale Council commissioned a Strategic Housing Market Assessment (SHMA) of the Borough. The assessment indicated an annual imbalance of 204 affordable dwellings across Rochdale.

At the time of publication of the SHMA there were 90,015 dwellings in the Borough, of these:

- 77% of occupied properties are houses, 14% are flats/maisonettes, 8% are bungalows and 1% is other property types (e.g. caravans).
- 17% of occupied properties were built pre 1919, 18% between 1919 and 1944, 23% between 1945 and 1964, 25% between 1965 and 1984 and 17% since 1985.

- 62% of properties are owner-occupied, 24% are affordable (social/affordable rent and intermediate tenure) and 15% are privately rented. This compares with regional figures of 65% for owner occupation, 19% affordable tenures and 17% private renting.

The findings from the SHMA indicated a requirement for affordable housing in all townships, to address shortfalls across a range of property sizes, including older person's accommodation.

Analysis of Housing Need

The need for affordable housing has increased in recent years due to an ever-increasing gap between housing costs, particularly for owner occupation, and household incomes. This national trend is evident throughout the borough and, coupled with the difficulty in getting mortgages, has meant that people are finding it increasingly difficult to access market housing.

The Strategic Housing Market Assessment for Rochdale borough shows an estimated annual requirement, using the recommended Communities and Local Government methodology, of 204 additional affordable homes per year. This represents 44% of the total housing requirement of 460 per year. The Council will work with developers and partners, utilise affordable housing initiatives and bring empty homes back into use to help achieve this target and meet affordable housing needs.

The Council adopted an Affordable Housing Supplementary Planning Document. This Supplementary Planning Document sets out more detail regarding the provision of affordable housing. It also sets out the calculation for the contribution within the policy which is based on an assumption of 15% of the homes being affordable with an average discount of 50% of the open market value. The level of off-site contribution will be calculated in the same way as on-site provision (i.e. 7.5% of the total development sales value).

A key issue in providing affordable housing is how it impacts on the overall viability of the scheme. In order to ensure that the viability of sites is not compromised the Council has carried out an Economic Viability of Affordable Housing Requirements assessment. This study demonstrates that the level of affordable housing set out in the policy can be achieved. Any applicant seeking to reduce the affordable housing requirement will be required to demonstrate why through a detailed financial appraisal of the scheme.

What is 'affordable' in Rochdale

Rochdale Borough is located within the North West of England covering 62 square miles and with a population of 213,000 (2014 ONS mid-year estimate). Rochdale is ethnically diverse with 21% of the total population being from a black and ethnic minority background.

There has been an increase in over 75's and over 80's between 2001 and 2014 and the older population is growing and was expected to increase by 25% between 2012 and 2024. Rochdale Borough has a relatively youthful population, with 52% of residents aged under 40. However, over the period 2012 to 2028 the number of residents under the age of 40 and between 40 and 64 is expected to reduce. Deprivation is becoming more widespread in the Borough with an increasing proportion of the population living in the most deprived 10% of the country.

Residents are living longer, but compared with the rest of England and Wales we live shorter and less healthy lives and a ten year difference exists for some people in some of our most deprived areas. Men in Rochdale live to be 77.2 years compared with those in England and Wales who reach 79.5 years. Women live to be 80.8 years compared with 83.2 years.

The Borough includes the main towns of Rochdale, Heywood and Middleton; and a network of smaller towns and villages particularly in the Pennine area of the Borough. The variety of locations and the proximity to good public transport links and attractive countryside provides opportunities for high quality housing development.

There are currently a number of attractive and popular residential locations particularly in the north of the borough and in the south of Heywood and Middleton. The Census 2011 reported 87,552 households in the Borough, 61% owner occupiers, 23% social rented tenants and 13% in private rented accommodation. The highest concentrations of social rented properties are based within Middleton and Rochdale Townships.

The majority of house sales in Rochdale during the year of the study (2016) were terraced properties, selling for an average price of £97,462. Semi-detached properties sold for an average of £133,530, with detached properties selling for £239,8011 .

Rochdale Borough has an overall average price in March 2017 of £120,196 which is an increase of 2.6%% from the previous year2 .

In Heywood the average house price is £126,563, Middleton is £128,151 and Pennines is £148,972 (April 2016 – March 2017, Land Registry Data3).

Compared to other housing markets in the North West and Greater Manchester, Rochdale and North East Manchester housing markets are generally less attractive. The housing on offer in the Borough has stark differences in terms of quality and price and it fails to address the needs of existing or future residents. An oversupply of older terraced housing and a lack of high value housing across the Borough means that it is failing to attract and retain residents with higher incomes. An ambitious target of providing 460 additional homes per year is considered necessary to meet demand and to help regenerate the Borough.

Commentary on Pennines Housing Market

The Pennines area comprises a distinct market area with high levels of interaction with surrounding areas. There is limited commuting to Manchester. The local market is characterised by being:

- As with the whole of the Borough there is a predominantly low value with the majority of housing being in the lower half of the property market
- Although the apartment market is more robust in Pennines compared with areas outside the Borough it has a lack of an apartment market with very little new development and it is difficult to establish values albeit what evidence of sales exists shows values start below £100,000 for a one bed apartment and semi detached properties can start at £160,000 albeit new properties nearby start at just over £200,000.

Viability Assessment

In undertaking a Viability Assessment note needs to be made of the comments contained in the Council's own assessment of 2015. Although now nine years old this remains a valid document.

'It has been difficult, however, to establish a robust value for apartment property as confidence in this sector of the market has been particularly badly hit. Lenders have tightened mortgage terms for such property and the values of resale properties have often fallen substantially. This has all had a significant impact on the viability of the sites and developers have recently been very reluctant to consider apartment schemes.'

Values

To undertake an assessment of costs an analysis of the current market was undertaken using information on the asking price of appropriate properties which are comparable with those proposed by this scheme.

The following properties have been identified as being on the market in June 2024 within Rochdale. (Source Rightmove). The asking prices are used as they demonstrate what local agents view as the nature of the market albeit they do not reflect achieved process. These however in the current market tend to be very similar and so the asking price is an appropriate guide. They offer a range of types and quality and obviously values vary according to the quality of the location and accommodation. There is also a premium attached to new building properties not shown here as none are new build.

Name	Number of Beds	Price	Comments
Butterworth Grange	2	250,000	Bamford
Butterworth Grange	2	240,000	Bamford
Pegasus Court	2	210,000	
Norden Lodge	2	175,000	Norden
Paperhouse Close	2	170,000	Norden
Hollingworth Court	2	160,000	
Paperhouse Close	2	160,000	
Mill Fold Gardens	2	160,000	
Paperhouse Close	2	160,000	
Bamford Mews	1	150,000	
Harbour Lane	2	147,000	
Red Lumb	2	135,000	
Turnpike Close	2	125,000	
Jacob Bright Mews	2	120,000	
Jacob Bright Mews	2	110,000	
Canberra Way	2	100,000	Shawclough
Canberra Way	1	98,000	
Heights Lane	2	95,000	
Newbola	2	95,000	
Pegasus Court	1	89,950	

Sandy lane	1	85,000	
Manchester Road	2	80,000	Castleton (converted)
Birch View	2	80,000	

From the analysis above the most likely estimated values for the apartments are

2 bed £160,000

1 Bed £140,000

This gives a total value for the scheme of

2 Bed £2,240,000

1 Bed £1,260,000

TOTAL £3500,000

LESS Sales Costs of 2% £3,430,000

Costs

The assessment below is an estimate of the costs of the development.

On average, the typical costs for flat construction will range between £1,800 - £3,000 per m2. When building an apartment block, the budget will be determined by multiple factors. For a start, the price of the land and whether or not you need to demolish an existing structure before building will play a leading role.

Copyright Checktrade.

<https://www.checktrade.com/blog/cost-guides/how-much-cost-build-flats/>

Additionally these are national figures which need to be measured against regional costs. The appropriate cost factor for Rochdale is 0.85 of the national average.

A second costs analysis comes from Cost modelling.co.uk. This gives the range below

Flats/apartments without lifts: 2 storey	1,610 - 1,790
--	---------------

© Copyright 2024 Costmodelling Limited. All rights reserved.

An abnormal cost for the site is the cost of the car lift. The quotation received is set out below.

Budget Cost

MODEL TYPE: Parklift 450-200 two level car parking stackers 2.6t units, giving a total of 36 parking spaces based on 8 x Double width units (32 spaces) plus 2 x single width units (4 spaces) = TOTAL £324,000 exc. VAT.

Each platform space has a maximum capacity of 2600kg with a maximum wheel load of 625kg.

The above budget cost has been based on allowing vehicles with a maximum weight of 2600kg to park plus a maximum vehicle height on the lower platforms of 2000mm. The width of the platforms is flexible to suit the final plan

The gross sizes of the scheme are set out below:

Block A GFA: 546.9 m²

Block B GFA: 287.2 m²

Total: 834.1 m²

Using these figures gives the following cost estimate.

SCHEME COSTS

Value/ Purchase of Site	225,000
Fees on Purchase	30,000
Site Clearance and Excavation	100,000
Planning and other fees	30,000
Construction (new build only)	1,493,039
Abnormals	324,000
Contingency 10%	220,204
Fees (12%)	279,869
Total Costs	2,642,447
Inflation over two years 15%	3,038,814
Profit (@15%)	455,822
Total Costs	3,494,636

Validation of Construction Costs

In the absence of updated figures for 2024 an updating exercise of costs has been undertaken. This is based on cost data from RICS, with additional evidence coming from Appleyard and Trew Quantity Surveyors.

Tender prices in 4th quarter 2021 rose by 4.9% compared with a year earlier. Strong annual increases will continue over the first three quarters of 2022 in the order of 5% to 7% per annum, generally as a result of the following over 2021:

- contractors no longer being able to absorb the additional cost of following social distancing
- a number of contractors going into liquidation
- strong upward pressure from input costs
- rising demand
- materials and labour shortages
- logistics problems.

However, quarterly increases in tender prices slowed over the second half of 2022, resulting in an annual increase of 4.4% in 4th quarter 2022, with materials related pressures subsiding, but still with pressure from site rates. With demand increasing over the remainder of the forecast period, tender prices are forecast to rise ahead of input costs, with prices rising by 22% over the whole of the forecast period (4Q2021 to 4Q2026).

Materials prices rose by 3.8% in 4th quarter 2021 on a quarterly basis and by 20.0% compared with a year earlier. The materials supply situation is expected to stabilise by 3rd quarter 2022 and prices will rise by 12% over the forecast period (4Q2021 to 4Q2026).

There is a shortage of labour currently. According to the Hays/BCIS Site Wage Cost Index, all-in site rates rose by 8% in 4th quarter 2021 compared with a year earlier but quarterly increases slowed from the previous quarter from 3.7% to 1.2% . This will be reflected in the BCIS Market Conditions Index, putting upward pressure on tender prices. By comparison, promulgated wages where they were awarded in 2021 were in the order of 2.0% to 2.5%.

The BCIS General Building Cost Index rose by 2.3% in 4th quarter 2021 compared with the previous quarter, and by 10.7% compared with a year earlier. Costs will rise by 14% over the forecast period (4Q2021 to 4Q2026).

Total new work output increased by 1% in 4th quarter 2021 compared with the previous quarter and by 5% compared with a year earlier. New construction output will rise by 12% over the forecast period (2026 compared with 2021).

Tim Hinsley

From: t.hinsley@appleyardandtrew.co.uk

To: rowlinson.p@sky.com

Cc: Mark Newton

Mon, 6 Nov at 11:42

Hi Peter,

Based on the original Order of Cost being 2Q 2022 using BCIS All in Tender Price Indices we get the following:

Current Day prices (4Q 2023) would be an inflation increase of 6.5% (note in order OoCE we allowed 8%).

However, when apply interest we normally target the midpoint of construction and based on where this project is currently at this is likely to be sometime in 2025, so a range of overall inflation figures (according to BCIS) is as follows:

1Q 2025 – 11%

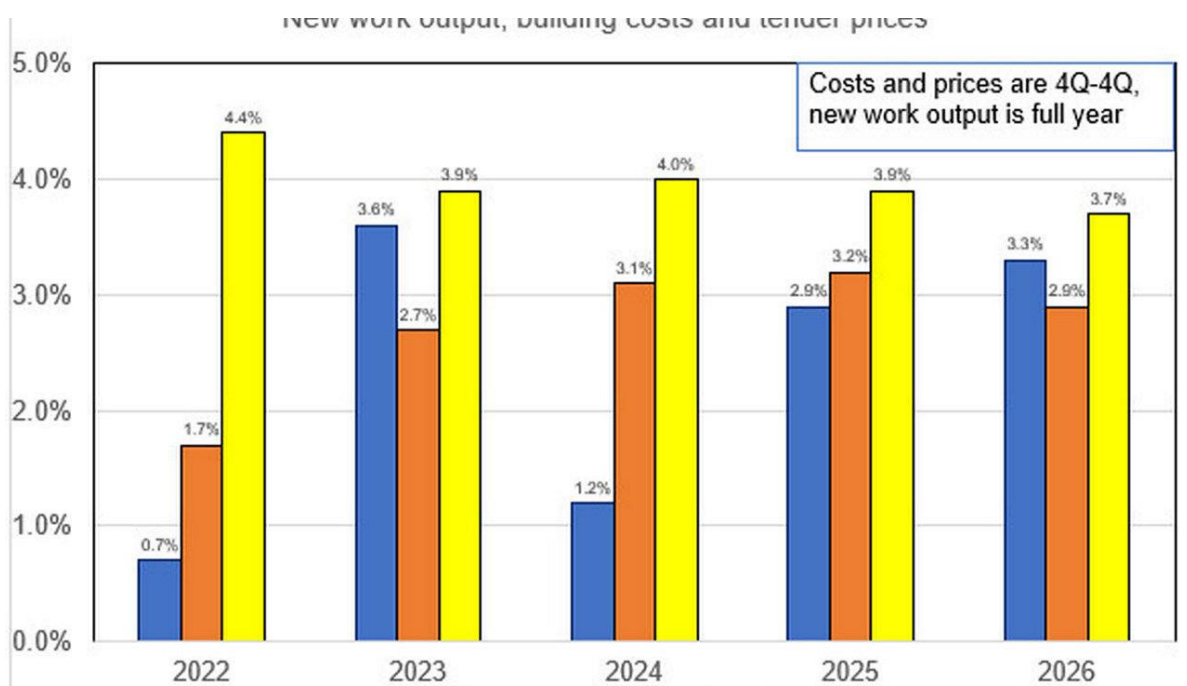
2Q 2025 – 12%

3Q 2025 – 12.5%

4Q 2025 – 13.5%

Based on the above I think 30% uplift is too high and assuming these works are unlikely to be tendered until the end of 2024 at the earliest, I would be tempted to go with a max of 15%.

Figure 1. New work output, building costs and tender prices



Based on the assessments above a figure for construction of £2,137,243 has been derived for construction commencing in 2025. To this must be added initial purchase, fees and an allowance for inflation plus the developer's profit. Arguments could be made for this to be 20% but for the purposes of the current exercise a figure of 15% has been adopted.

Rental Viability

Looking at the rental market, this is dominated by student accommodation to be let on the basis of the academic year. Using information from Rightmove (January 2024) there is a clearly defined rental cost so 2 bed apartments range between £950 and £1250 per calendar month with 1 bed apartments being between £750 and £850 per calendar month. Unique properties will attract higher rentals but there is not a significant difference. Lower rentals are asked for larger properties sharing facilities but an average figure of around £500 per calendar month per bedroom can safely be assumed as a base for any calculations on yield.

Unit	Beds	Rental pcm	Comment
New Bailey Street	1	1085	New Build Town centre
New Bailey Street	1	960	New Build Town centre
Litho House	2	999	
Mere Lane	2	995	
Coral Mill	2	900	
Leywood Drive	2	900	
Brook side Grange	1	875	
Drake Street	2	850	Town centre
Drake Street	1	830	Town Centre
Drake Street	1	795	Town centre
Ivor Street	2	750	
Mizzey Road	2	750	
Tudor Hall Street	1	724	
Rooley Moor Road	1	650	

Assessment Of Viability Rental

As previously mentioned the viability assessment has been undertaken on the basis of both sales values and rental costs. The latter has been translated into capital values by applying a return on investment. Yields do vary but a 7% initial yield is assumed as this will be a new property. Higher yields can be adopted but these will reduce the capital value so a lower return has been used here.

Management costs of 2% have been adopted

Value

RENTAL

9 1 Bed Apartments (£800 per month)	@14YP	£1,209,600
-------------------------------------	-------	------------

14 2 Bed Apartments (£1000 per month)	@14YP	£2,352,000
---------------------------------------	-------	------------

VALUE		£3,561,600
-------	--	------------

Deduct Management Costs @2%		£3,490,368
-----------------------------	--	------------

Based on scheme costs we have the following financial assessment.

Assumed Surplus for Developer Contributions Sales of £3430,000 Minus £64,636

Rent of £3490,368 Minus £4,268

Note this is leaves no potential for any develop contributions

There is no doubt that flexibilities will exist within these scenarios and development by a builder will offer opportunities to reduce costs. Nevertheless the above gives an indication of the viability of the scheme and shows the marginal nature of the development.

No allowance is made in the above for planning obligations. It is considered that the rental levels quoted which are market rates for the area do offer a high level of affordability.

The analysis above shows a number of relevant points.

The calculations above are based on 2024 figures and there may be a slight improvement in the position if rentals and prices increase during 2024 for a project completion date of 2025.

It should be noted, however, that rental growth is expected to reduce during 2024 especially in centres such as Rochdale where rents are believed to be reaching the limits of affordability.

It is clear that there is no significant opportunity for improvement in the near future and these figures are reflective of the position for some time ahead.

Planning Conditions

It is assumed that the majority of planning conditions to be imposed will relate to standard factors such as materials so this section here examines the conditions which are possible around Affordable Housing. At issue is whether the development can make a direct financial contribution which is considered to be difficult. The foregoing analysis shows that the

scheme is of marginal viability so the potential for affordable housing being incorporated in the scheme is limited

It is agreed that nomination rights to ensure people on the waiting list are given access to the properties will be considered and this appears to be an approach which can be pursued. This could involve nominating three properties within the development comprising two 2 bed units and one 1 bed unit as affordable with nomination rights being given to Rochdale Boroughwide Housing albeit the rental levels charged would be market rentals as the analysis shows that rents in Rochdale can be considered to be affordable.

Conclusions

The outcome of the above analysis demonstrates that under conventional forms of development ie developer with contractor there is limited viability and risks are high. There may be methods of reducing costs through a builder/ developer but it is only when returns better 14YP which is an optimistic rate of return that the scheme demonstrates a viable return.

It is argued that the rental levels quoted are realistic for the area and affordable and as a consequence no additional affordable housing obligations are necessary.

1. Brings a vacant site back into use;
2. Serves a market currently limited in scale but potentially growing;
3. It helps diversify the local housing market which has an overdependence on terraced properties.

The analysis above does, however, demonstrate that Rochdale is a low to medium value housing area with a high dependence on terraced and semi detached properties and its social make up reflects this and means that housing values are unlikely to increase in the future.

The scheme proposed is therefore on the margins of viability as it depends on achieving higher sales prices than were achieved by a new build scheme nearby two years ago and marginal increases in costs could make the scheme unviable. A brief assessment of yields on rental income confirms this assessment and if the scheme is to proceed the developer is clearly taking a risk on rental and value growth.

The scheme proposed is on the margins of viability as it depends on achieving higher sales prices than were achieved by a new build scheme nearby two years ago and marginal increases in costs could make the scheme unviable.

This assessment demonstrates that there is relatively little flexibility in the financing of the project to justify significant S106 contributions especially for Affordable Housing.

On this basis there is no possibility of provision for Affordable Housing but the developer is prepared to allow a local Registered Social Landlord nomination rights on 20% of the apartments being an equal mix of one and two bed apartments albeit at the market rental figures quoted below.

The main conclusions of the report are that the scheme values mean that the project is of marginal viability. A key issue is the cost of providing an acceptable car parking solution. The adoption of a car lift system adds considerably to the scheme costs but if a lower cost option could be identified or the Council's engineers accept a lower car park standard in line with

local levels of car parking and the good access to public transport then it would be possible to re-examine the potential for Section 106 contributions.

Given the limited viability the scheme it is considered that Affordable Housing contributions will be difficult but there is a willingness to give nomination rights on some units to the Council albeit at market rents. It is known that a number of persons on the waiting lists are able to pay market rentals, especially as this is a relatively low rent area so this offer will provide an additional resource for affordable housing.