

PAR PLANNING

EARL STREET HEYWOOD OL10 1HT

Proposed development of 23 apartments

Viability Assessment



HEADS OF TERMS FOR S106 AGREEMENT

INTRODUCTION

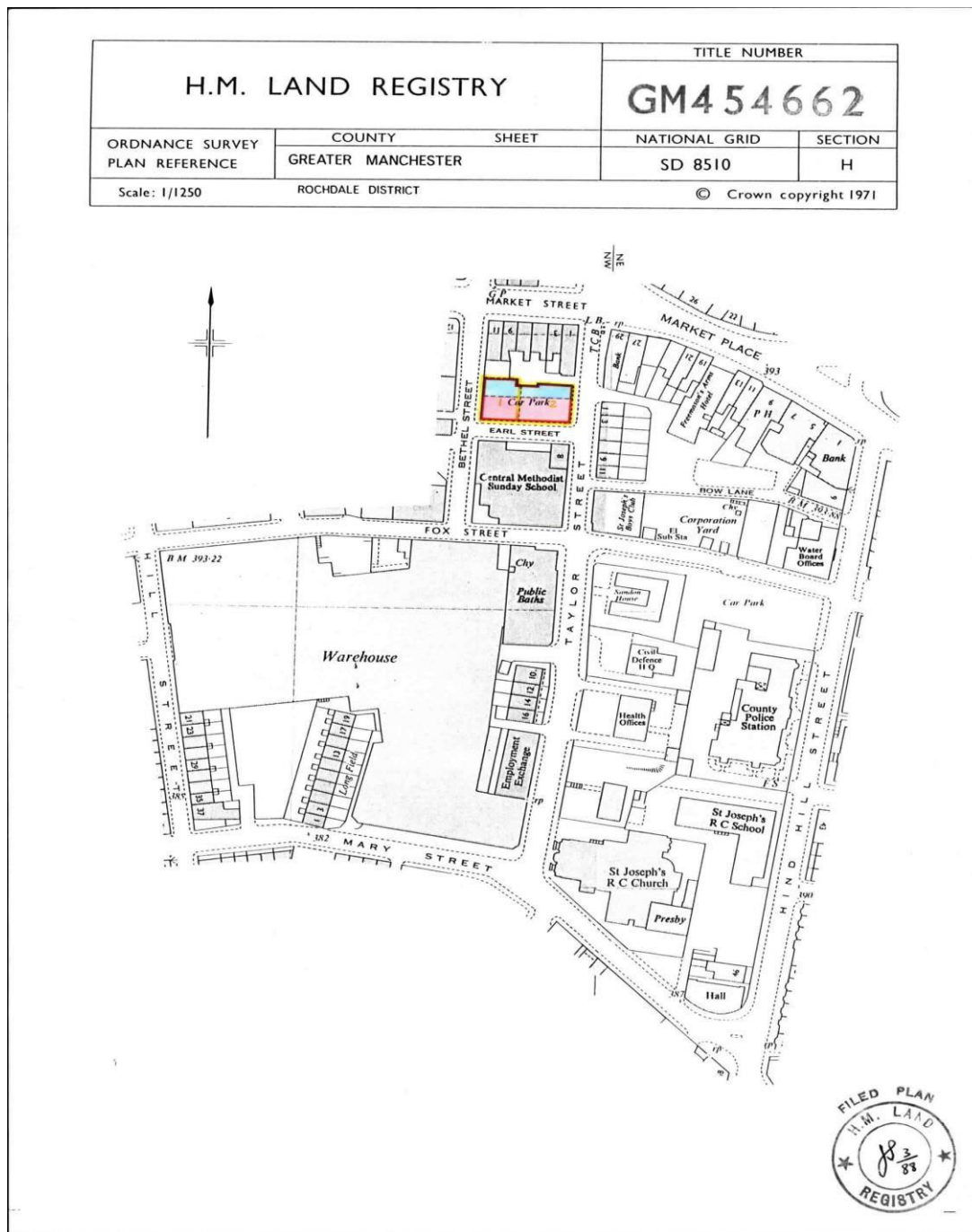
PAR Planning has been commissioned by Tang Associates on behalf of the proposed developer of a site at Earl Street, Heywood to provide a viability assessment for the project in order to inform negotiations on Affordable Housing.

The scheme proposes the development of 23 apartments on land currently vacant and used as a car park at Earl Street which lies close to the centre of Heywood. The 23 apartments are made up of 15 one bed units and 8 two bed units, together with lift, bike store and refuse store.

The developer is.

Style Builders Ltd
Westbourne House,
159 Oldham Road,
Ashton-Under-Lyne,
Lancashire,
England,
OL7 9AR

Evidence of the land title is shown on the plan below.



Guidance from Rochdale Council suggests that the following contributions should be made as the scheme is larger than the 15 units used as the minimum starting point for a requirement to make a contribution:

- Highways and public transport improvements
- On-site open space
- Affordable housing
- Public art and other matters

Of these the scale of the development makes it highly unlikely that any request can be made towards highways and public transport improvements especially as the site is highly sustainable having a town centre location and equally public art contributions seem irrelevant.

This note looks at the requirement for affordable housing and argues that:

The nature of the housing market in Heywood means that the market values achievable are going to be affordable and the proposal does not meet viability standards if a substantial affordable housing contribution is required.

CONTEXT

This Affordable Housing Viability Assessment (AHVA) has been produced in support of a planning application for the construction of 23no. residential apartments at Earl Street, Heywood.

A Viability Assessment is required in this instance to assess whether it is financially viable for the applicant to provide any on-site affordable housing or offer any financial contributions as part of a section 106 agreement whilst still making an acceptable level of profit from the development.

Rochdale Council's Local Validation Checklist requires a Viability Assessment to be provided in order to inform the preparation of an Affordable Housing Statement.

The latest Department for Levelling Up, Housing and Communities (previously Ministry of Housing, Communities & Local Government) guidance on viability states that 'where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.'

Rochdale Council's Affordable Housing policy is contained within the Council's SPD1: Planning Obligations adopted in 2008, and superseded by National Planning Guidance.

Based on this guidance and our assessment of costs and values there is considered to be no scope for any contribution to S106 contributions.

Initial comments from Strategic Housing were.

'Housing need and mix

The scheme proposes a total of 23 new homes with a mix of 1 and 2 bedroom apartments, all of which are proposed for Market Sale. There is no on-site provision for affordable homes within this development.

Strategic Housing is strongly supportive of the provision of new affordable homes within the Heywood Township, in line with the Rochdale Core Strategy - '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.'

Strategic Housing is strongly supportive of the provision of new affordable homes within the Heywood Township, in line with the Homelessness Prevention Strategy. As of November 2023, there are over 9,590 households on the Housing Register, the rate of which is rising exponentially. Within the last year there has been an increase of over 1,400 affordable housing applications, in considering future demand trends, Strategic Housing cannot support a development that does not include an on-site affordable housing contribution.

With regard to housing mix, whilst there is demand for all the suggested property types within this development, we note that there has been no provision for larger family homes, which is increasing in demand across the Borough and within the Heywood Township. Housing Tenure

With regards to housing tenure, it is proposed that all the properties will be allocated via market sale. Whilst we accept that there is a range of housing needs and requirements across the Borough, Strategic Housing can no longer support a development scheme that does not provide an on-site provision of affordable housing, given the high current and increasing demand for affordable properties. Strategic Housing would welcome further discussions surrounding how we may support the developer to provide affordable housing within this development site.

Conclusion

To conclude, given the size of this development, Strategic Housing would require a more diverse development including tenure blind affordable dwellings, pepper-potted across the development. Strategic Housing objects to the current development application, and would seek its withdrawal.'

The remainder of the report sets out the viability of the scheme.

FINANCIAL ASSESSMENT PRINCIPLES

This assessment has been prepared in accordance with the key principles for carrying out a viability assessment as outlined in Ministry of Housing, Communities & Local Government (now the Department for Levelling Up, Housing and Communities, DLUHC) guidance on Viability (as updated September 2019).

To determine the viability of the provision of Affordable Housing at Earl Street, the total land and development costs are deducted from the Gross Development Value. If there is an identified surplus (after accounting for a suitable level of developer's profit), then this is the sum that can be used to fund affordable housing and open space provision. If the result is negative, then the proposed development cannot be expected to provide affordable housing.

The Viability Assessment demonstrates that the scheme can be considered policy compliant without an additional contribution towards the provision of any affordable housing and open space beyond that proposed by the developer.

PLANNING POLICY CONTEXT

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.

Rochdale Core Strategy (RCS) adopted on 19 October 2016 7.7 Policy C4 – 'Providing affordable homes': This advises that the Council will seek affordable housing on all developments of 15 dwellings or more. The proposal at 23 dwellings exceeds this threshold. The policy seeks a contribution to affordable housing of 7.5% of the development sales value of the overall scheme. Policy C4 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.

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.

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

Policy H/7 'Affordable Housing' of the UDP was deleted and replaced by Core Strategy Policy C4 in October 2016.

In 2008 the Council adopted an Affordable Housing Supplementary Planning 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 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 existing 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.

Within Heywood the vast majority of properties are terraced houses (45%). Heywood is noted to have a lower percentage of one bedroom flats (8.4%) than the township of Middleton (11.9%). 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.

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.

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.

Policy C4 advises that when negotiating the level of affordable housing and how it is to be provided the Council will take into account the type of affordable housing required in the area. Based on evidence in the SHMA, the Heywood Township has the highest proportion of affordable flats and housing in the Borough at 28% with affordable provision exceeding that in other townships of the Borough such as Middleton (18%). Owner occupied provision at 57% is lower than the local and national average. The SHMA estimates of need are largely based on survey work completed in 2010 and furthermore confirm that there is no shortage of 2 bedroom affordable units within Heywood. There appears to be no significant confirmed need to seek a small number of affordable 1 bedroom flats in this locality, rather a more pressing need to increase market opportunities for flats for owner occupation and rental which are planning objectives with a higher priority.

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..."

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, now eight 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.

We understand the profit associated with the scheme is unlikely to exceed approximately 12% due to the limited value of apartments in this location. 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.



1. Project Name	2. Project Location
3. Project Description	4. Project Status
5. Project Owner	6. Project Manager
7. Project Architect	8. Project Engineer
9. Project Designer	10. Project Consultant
11. Project Contractor	12. Project Supplier
13. Project Subcontractor	14. Project Subcontractor
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Mr. Agnes Lital	
For: Street, Heywood	
Project: Planning & Proposed Bethel Street and Taylor Street Green Screens	
1:200 @ A1	February 2025
04/05/2025	G

COMMENTARY ON HEYWOOD HOUSING MARKET

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

A low value with the majority of housing being in the lower half of the property market

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 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.

It is clear that the viability of new developments especially apartments is poor hence very little recent development.

What is 'affordable' in Heywood

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 our older population is growing and is 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.

We 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 last year (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 £128,151and Pennies 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.

In 2015, Rochdale Council commissioned a Strategic Housing Market Assessment4 (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.

BENEFITS OF THE SCHEME

The delivery of 23 units on site will provide a number of benefits to the locality. The Planning Statement above has reviewed scheme and found there to be no significant negative impacts associated with the scheme. The proposals amount to the delivery of a well-designed attractive and successfully planned development. The benefits associated with the scheme are identified as follows:

- The redevelopment of a previously developed brownfield site with a scheme of high design quality.
- The provision of apartments which are an under represented housing type within Heywood Township.
- The delivery of a mix of high quality housing that will meet local needs by providing housing opportunities for older residents and contribute to a mixed and sustainable community.
- Securing direct investment into the local community through the provision of jobs during the construction period and spending by future residents within the Heywood Town Centre area.
- Ensuring no adverse impact on the amenity of existing neighbouring residents, whilst the design will enable a good standard of living for future occupants.

The economic, social and environmental planning benefits associated with the proposed scheme are set out in full in the supporting Planning Statement. This statement has considered national and local planning policy guidance on the provision of affordable housing as part of the proposed scheme.

It is evident within the guidance that there are various exceptions for a non / reduced provision of affordable housing and planning obligations, not least the impact that they can have on the viability and deliverability of a scheme.

In accordance with national policy, it is necessary to consider the viability constraints associated with the site and we understand the scheme is considered unlikely to exceed a profit of greater than 12%. This represents a relatively low level of profit and demonstrates the delicate viability associated with the scheme. On this basis it is not considered that the scheme can support the provision of planning contributions such as affordable housing and remain viable.

In considering the acceptability of the scheme there are a number of identified planning benefits which weigh heavily in favour of supporting the scheme. It is considered that the scheme constitutes 'sustainable development' and should therefore be approved without delay.

Securing development on the site is more important than any affordable housing contribution

APPRAISAL INPUTS

The appraisal has been carried out using The Homes & Communities Agency (now Homes England) Development Appraisal Tool (HCA_DAT).

Land Value

The latest DHLUC viability guidance last updated September 2019 requires that benchmark land value should be based upon existing use value (or in certain circumstances alternative use value), allow for a premium to landowners (including equity resulting from those building their own homes) and reflect the implications of abnormal costs; site specific infrastructure costs; and professional site fees.

The DHLUC guidance denotes that “Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value.”

Existing Use Value

The subject site area extends to approximately 500m² and the proposed building provides 1631m² of space. The existing site is currently vacant and has been vacant since at least 2020.

Build Costs

The assessed build costs of the scheme should be based on evidence which is reflective of local market conditions. For the purpose of this assessment, we have, therefore, had reference to the Build Cost Information Service (BCIS) cost data.

Base Build Costs

It is understood that the building does not require excessive works for the construction of flats, therefore, we have had reference to the Lower Quartile Build Costs Information Service (BCIS) costs for construction of 3-5 storey flats (apartments), which gives a value £1,061 /m², resulting in a total construction cost of £1,936,276. We have used the default period given the lack of available data in the 5- or 10-year datasets.

We also note that there is 28m² of unsaleable floor space within the development.

External Works

BCIS includes overheads and preliminaries but does not account for any external works. An allowance over and above the base build cost, therefore, needs to be accounted for.

For this scheme, having reviewed the plans, we have assumed a minimal allowance of 3% of the base build cost or £58088.

Abnormal works

There are not considered to be any abnormal costs associated with the development.

Contingency

A contingency of 8% has been assumed within the development appraisal. This can be considered a relatively low assumption given the complexities associated with a conversion scheme.

Inflation

The above figures need to allow for inflation as the implementation of the scheme has been delayed. The RICS Index of Inflation for 2024 suggest an allowance of 4-5% depending on circumstances. The upper figure has been adopted here.

Professional Fees

A professional fees allowance of 8% has been assumed within the appraisal.

Sales & Marketing Fees

Sales and marketing costs of 3% GDV as well as legal fees of £1,000 per unit have been assumed within the development appraisal. These are ‘market-norm’ assumptions and are considered appropriate here.

Development Timings

For the purposes of this appraisal, we have assumed that construction will last for 12 months. We have assumed that sales will start 3 months prior to the end of construction and last for a total of 6 months at a sales rate of 2.29 units per month.

Developer's Profit

It is legitimate to include an appropriate builder's profit. In normal conditions these range from 12% to 15% although higher figures can be accepted. For this appraisal a lower figure is assumed.

Finance Costs

The interest rate is the cost of funds to the scheme developer; it is applied to the net cumulative negative cash balance each month on the scheme as a whole. According to the HCA in its notes to its Development Appraisal Tool (DAT) 'The rate applied will depend on the developer, the perceived scheme risk, and the state of the financial markets.

For the purposes of this assessment, we have applied an interest rate of 9.5%. In our opinion a 9.5% interest rate for the land and build costs will be appropriate in current market conditions and is unlikely to reduce in the medium term, the total interest costs associated with the development total £93,445.

VIABILITY CALCULATION COSTS

The calculation below sets out the assumed development costs.

Purchase Price	£150,000
Fees on purchase (inc planning)	£52,785
Purchase	£202,785
Total Costs of Construction	£1,730,491
Externals	£58,088
Inflation	£89,425
Fees on Sales/ Marketing	£23,000
TOTAL DEVELOPMENT COST inc purchase	£2,103,793
Contingency 8%	£168,303
Professional Fees 8%	£181,763
TOTAL COSTS	£2,453,859
FINANCE CHARGES @9.5%	£134,962
DEVELOPER'S PROFIT @12%	£310,658
TOTAL COSTS	£2,899,479

VALUES

Values are based on an analysis of properties currently on the market in Heywood These are shown in the three tables attached. Because of the limited apartment market in Heywood with only seven apartments opportunities listed by Rightmove an additional assessment of terraced properties has been included as the availability of low cost terraced property is a clear cap on the values of apartments given they offer more space and are more readily available. There are 21 terraced properties/ townhouses currently on the market.

Table One Apartments available in Heywood in January 2024

Address	Beds	Asking Price £'s	Comment
Buxton Street	12	750,000	Block of 6 new build apartments, good area
Hopwood Manor	2	200,000	Quality apartment in gated community
Schofield Street	2	105,000	Comparable
Mesnes Place	1	90,000	Town Centre Conversion

Table Two Apartments available in Heywood May 2024

Address	Beds	Asking Price £'s	Comments
Burnell Court	2	137,500	Purpose built, good location
Burnell Court	1	125,000	Purpose built, good location
Burnell Court	1	125,000	Purpose built, good location
Burnell Court	1	120,000	Purpose built, good location
Burnell Court	1	110,000	Purpose built, good location
Gregge Street	1	95,000	Purpose built, average location
Kendall Close	1	85,000	Purpose built, average location, tenanted

Table Three Current Terraced Properties available

Address	Beds	Asking Price £'s	Comment
Agincourt Street	2	175,000	
Banff Street	3	170,000	Described as Character Cottage
Green Lane	2	160,000	
May Street	3	160,000	
Claybank Street	3	160,000	
Nelson Street	2	160,000	
Former Council properties X 3	3	150,000	
Walton Street	2	119,500	

Victor Street	2	100,000	On market in January
Adelaide Street	2	70,000	Highest bid at Auction requested

In analysing these figures starting with apartments, it should be noted that apart from Kendall Close all are current asking prices and current trends are that values have not changed since January. The assumption that has to be made here is that values will have recovered by the time the development is completed.

Of the apartments, the Burnell Court scheme is interesting as it is complete and is set in a purpose built cul de sac in a suburban setting and so it has to be regarded as being a better quality development in a more attractive residential area so its value per unit will be higher.

It is noticeable that only one apartment is available with two beds showing the limited nature of the market.

The scheme at Gregge Street does appear to be the best exemplar at an asking price of £95,000.

Of the apartments there does appear to be an average market value of between £110,000 and £120,000 for one bed purpose built units and perhaps £130,000 for two bed. This is believed to provide a cap on the value of the apartments especially given the proposal lies within the town centre and has no parking. This will reduce values over the suburban Burnell Court.

CAPITAL VALUE

The values assumed for the scheme therefore are:

1 bed apartments £120,000

2 bed apartments £130,000

RESIDENTIAL	1 bed X15	£1,800,000	2 bed X 8	£1040,000
TOTAL		£2,840,000	ALLOWANCE FOR VOIDS	nil
NET PROFIT/ LOSS		- £59,479		

NOTE to achieve financial balance would require the reduction in the developer's profit to 10.3%. This is below the norms for property development.

The conclusion from the foregoing analysis is that the scheme is not financially able to make contributions to S106 obligations. The offer of a unilateral contribution of £5000 from the developer should therefore be accepted.

These calculations accord with a study commissioned by Rochdale Council in 2010 into the viability of housing schemes and their ability to make contributions towards S106 payments. The conclusion albeit on a limited sample across the Borough with only one relevant example from Heywood was that a contribution of even 10% made schemes unviable. Whilst now 13 years old, it is assumed that the general conclusions remain valid and the study has not been updated.

Economic Viability of Affordable Housing Requirements, November 2010 (rochdale.gov.uk)

RENTAL MARKET

There is only one apartment on the market in Heywood at present which is a high quality scheme on a gated community and is not comparable.

An assessment of rental potential can therefore only be undertaken by applying typical rates of return to the scheme. The RICS suggests typical rates of return are between 5 and 7% with the lower figure tending to apply only to large and more secure markets such as London.

The aspiration for Heywood must therefore be regarded as 7%.

On this basis rental levels would be £640 per month for a one bed apartment and £700 per month for a two bed apartment. These are considered to be affordable within the context of Heywood.

CONCLUSIONS

There is no doubt that this is a proposal which should be supported by the Local Authority. The scheme tackles a derelict site and brings new housing to the central area of Heywood assisting in supporting the town centre and regeneration aims. In particular it will:

- Provide high quality residential apartments.
- Contribute positively to the local economy and retail.
- Attract development and refurbishments in the surrounding area.

It should also be noted that the low values in the area make Heywood the most affordable part of Rochdale Borough and it can be argued that at an average selling price of around £120,000 the properties fall into the most affordable categories and so the whole scheme should be regarded as affordable.

The evidence of the market however shows that the development will have limited viability and there is limited scope for S106 contributions.

The key point in support of this is the evidence of low property values as seen from current property prices. An added point is the narrow nature of the Heywood property market with very few new homes and a very small apartment market. There is a great need to diversify the local housing market and hence the regeneration and housing benefits of the scheme outweigh any arguments for affordable housing. A full market appraisal is possible but at this stage it is argued that the effort involved for such a small scheme which would be very likely to demonstrate no opportunity for an affordable housing contribution appears disproportionate to the outcome.

The design team have carefully prepared the full planning application and designed a scheme which is sensitive to the character of the immediate context of the church and the wider area. The site was designed to consciously address security, privacy, and accessibility of the future occupants and the wider community.

We feel that the proposal would be a valuable addition to the area by providing high quality and well-designed apartments in Heywood, Manchester.

PROPOSAL

The scheme developer has considered the position on Affordable Housing and is prepared to offer nomination rights to the Council or an agreed Social landlord on **FOUR** properties comprising Two One Bed and Two Two Bed apartments.

These would be intermingled within the development.

The unilateral offer of £5000 to meet other S106 requirements remains.