

North Tyneside Local Plan

**Area Wide Viability
Assessment**

Update, June 2016

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Introduction

This summary update to the Area Wide Viability Assessment (AWVA) seeks to establish an informed understanding of the economic viability of development in North Tyneside and its ability to sustain in particular affordable housing delivery, other section 106 policy contributions – and in some circumstances section 278 highway works. The assumptions and appraisals outlined within this summary update the analysis undertaken and reported within the draft AWVA 2015¹.

The assumptions set out below at Table 1 have generally been updated to reflect latest evidence of economic viability and delivery. It also sets out the assumptions applied to test the potential Local Plan policy costs arising from:

- a. Section 106 contributions informed by monitoring of current contributions for a range of infrastructure including Education needs, highways and transport, green space and biodiversity, play and recreation, allotments, and employment and training.
- b. Application of National Space Standards and Accessible Homes

Table 1: 2016 Update Appraisal Assumptions Summary

Assumption	Value / Cost Update 2016				
Market housing values	Lower = £1,900 per sqm Medium = £2,350 per sqm Higher = £2,550 per sqm				
Affordable housing values	Social Rent: 2 bed £60k; 3 bed £70k Affordable Rent: 2 bed £65k; 3 bed £75k (specialist wheelchair accessible, 3 bed £92k) Intermediate: 2 bed £70k; 3 bed £80k				
Floor area (Incorporating National Space Standards, larger floor area used in appraisal where greater)		National Space Standard	Private	Affordable	
	1 bed flat	45	45	50	
	2 bed flat	65	60	65	
	3 bed flat	80	75	80	
	2 bed house	75	65	70	
	3 bed house	89	85	90	
	4+ bed house	111	115	120	
	Larger 4+ bed house	124	150	N/a	
Construction costs – including contingency	For this issue of the Viability Assessment figures from BCIS Q1 2016 – rebased to North Tyneside. Flats = £1,320m2 (£1,100m2 per sqm and 15% net to gross adjustment.) Houses market = £996m2 (£830m2 build cost plus 20% externals) No difference in build costs between market and affordable due to standards convergence.				
Accessible Homes Uplift per Unit (Cost)		Market and 90% Affordable Homes - M4(2)	Affordable Homes - 10% M4(3)2a)~	Affordable Homes - 10% M4(3)2b)*~	*Required only where specific occupier identified.

¹ http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=562709

Assumption	Value / Cost Update 2016				
inc. additional space)	1 Bed Flat	£1,229.00	£9,917.00	£10,074.00	~ n.b. 10% build requirement would be identified as a condition to planning applications. Assumed that increased development cost would be reflected in increased revenue for home.
	2 Bed Flat	£1,196.00	£11,934.00	£12,091.00	
	2 Bed House	£1,101.00	£15,819.00	£28,303.00	
	3 Bed House	£1,386.00	£17,238.00	£29,722.00	
	4 Bed House	£1,387.00	£17,499.00	£29,983.00	
	1 Bed Flat /m2	£27.31	£220.38	£223.87	
	2 Bed Flat / m2	£18.40	£183.60	£186.02	
	2 Bed House / m2	£14.68	£210.92	£377.37	
	3 Bed House / m2	£15.57	£193.69	£333.96	
4 Bed House / m2	£12.06	£152.17	£260.72		
Applied Build Cost with 20% externals and accessibility uplift	Houses M4(2)	Flats M4(2)	Affordable M4(3)2b)		
	£1,013.61	£1,503	£1,256.72		
s106 Contribution Total Per Unit	Schemes 400 + Homes	Schemes 100+ Homes	Schemes 35+ Homes		
	£6,138.00	£4,111.00	£2,907.00		
Sustainable Construction Uplift	Addition 2% uplift on build costs				
Brownfield land cost uplift	£100,000 per hectare to cover greater risk of additional abnormal costs to development of brownfield land.				
Professional and finance costs	<ul style="list-style-type: none"> i. 10% design and professional fees ii. 3% marketing fees on private sales value iii. £500 legal fees on private sales iv. 5.5% land acquisition and stamp duty on gross residual value v. 6.5% development finance vi. 6.5% credit balance re-investment 				
Developers profit	Market housing = 20%				
	Affordable housing = 6%				
Existing Use value	Greenfield/Agricultural land = £20,000 per hectare				
	Brownfield land = £250,000 per hectare				

These assumptions in Table 1 test Area Wide Viability and consequently do not relate directly to any specific site or proposals within North Tyneside. In addition to this Area Wide Viability Assessment, a site specific Strategic Allocations Viability Assessment² has also been prepared to consider the viability and specific deliverability of the Strategic Allocations of Murton Gap and Killingworth Moor. The appraisals undertaken for that site specific assessment provide a range of assumptions that are broadly consistent with the assumptions above but reflect the greater degree of knowledge and understanding available for those sites.

Appraising recent and current development activity

² Murton Gap and Killingworth Moor Viability Assessments, Capita, June 2016 (link to add)

Appendix 1 provides a summary schedule permitted, under construction or recently completed sites in North Tyneside. This identifies for each site the agreed financial and other contributions of the scheme, land purchase info where available and advertised or recorded sales.

Financial Contributions A key conclusion that can be drawn from the schedule is that no clear pattern emerges for the rate of financial contributions sought from developments. This broadly reflects the approach within North Tyneside to ensure s106 contributions are materially related to the potential impacts of the development, and equally have regard to overall economic viability and the additional costs or limitations placed upon development schemes as a result of the nature of the site or its location.

Despite this, it can be seen that overall section 106 contributions range from being required no contribution at all, and from a low of under £500 per unit to a high of over £7,000 per unit, but average around £3,500 for all developments. When the estimated cost of off-site highway works are additionally incorporated total contributions exceptionally as high as £22,000 per unit are estimated, but overall average at approximately £4,700 per unit.

Purchase Price Information on comparable land sales is also incorporated within the schedule. Again this data shows significant variation depending upon the particular circumstances affecting that site. In some instances purchase prices appear to approach 100 times existing use value of £20,000 per hectare for agricultural land, whilst generally prices lie between 20 and 50 times EUV. For brownfield sites, based at an assumed £250,000 per hectare existing use value, typical purchase prices range from a little of 1 times the EUV to approaching 10 times EUV.

Sales / Revenue Broadly the figures obtained for developments under construction and completed indicates that there are minor variations in value across the Borough in new home prices that broadly confirm the distribution of Lower value, medium and higher value areas identified in the AWVA 2015. Broadly this supports the assumptions identified that an average value of approximately £1,900 per square metre in the lowest value areas is a conservative estimate for new build properties but enables a robust basis for the appraisals.

Key sites such as Scaffold Hill (Holystone Park) located in the A191 corridor are estimated to be advertised at approximately £2,300 per square metre whilst achieved sales at smaller schemes at nearby locations such as Hadrian Education centre are in the order of £2,200 per square metre. Generally higher values of £2,500 per square metre and above are being achieved at West Park, Monkseaton and similarly figures over £2,600 per square metre are estimated at development sites close to the attractive housing market of Benton.

Benchmarking the DAT model against known development sites and costs

The assumptions identified in Table 1 set out the basis upon which the viability for development will be undertaken. However, to further understand the relevance of the outputs of the DAT models, particularly in relation to the resulting “residual value” per square metre and the uplift that arises against identified existing use values a series of benchmarking assessments have been undertaken.

These assessments have looked at the following sites, and a summary of the development mix applied for each is available at Appendix 2:

- Site 107, Scaffold Hill (Holystone Park)
- Site 69, Whitehouse Farm
- Site 114, At Great Lime Road (The Coppice)
- Site 362, Hadrian Education Centre (Hadrian Wynd)
- Site 274, Parkside School (The Meadows)
- Site 138, Ste Stephen School (The Spires)
- Site 279, Norgas House (Lakeside View)

Table 2: Ongoing development benchmark appraisals

Sites and key assumptions	Total s106 costs and estimated highway works	Gross Value (GDV)	Gross Costs (GDC)	Existing Use Value	Residual	Residual / Ha
Whitehouse Farm £2,350m2 revenue, £996m2 build costs Off-site affordable (22ha), 367 units	£13,603,327	£132,716,626	£80,607,489	£440,800	£22,970,068 (52.11 x EUV)	£1,042,199
Whitehouse Farm £2,350m2 revenue, £1014m2 M4(2) build cost Off-site affordable (22ha) 367 units	£13,603,327	£132,716,626	£81,083,266	£440,800	£22,574,838 (51.21 x EUV)	£1,024,267
Scaffold Hill £2,350m2 revenue, £996m2 build cost, 25% affordable (20.39ha country park not included) 460 units	£5,098,790	£105,732,608	£63,752,887	£407,800	£19,372,557 (47.51 x EUV)	£950,101
Scaffold Hill £2,350m2 revenue, £996m2 build cost, 25% affordable (20.39ha country park not included) 460 units	£5,098,790	£105,732,608	£63,752,887	£407,800	(58.88 x EUV with purchase circa £24m DAT residual -£6,094,323)	£1,177,670 (based on purchase price)
Scaffold Hill £2,350m2 revenue, £1014m2 build cost, 25% affordable (10% M4(3)2b) £1,257m2, (20.39ha country park not included,) 460 units	£5,098,790	£97,441,905	£65,059,126	£407,800	£18,256,109 (44.77 x EUV)	£895,346
Land at Great Lime Road, Forest Gate £2,350m2 revenue, £996m2 build cost, 25% affordable (1.78ha) 61 units	£140,326	£13,621,466	£7,674,401	£35,600	£2,797,580 (78.58 x EUV)	£1,571,674
Land at Great Lime Road, Forest Gate £2,350m2 revenue,	£140,326	£13,621,466	£7,674,401	£35,600	(98.34 x EUV with purchase	£1,966,854 (Based on purchase

Sites and key assumptions	Total s106 costs and estimated highway works	Gross Value (GDV)	Gross Costs (GDC)	Existing Use Value	Residual	Residual / Ha
£996m2 build cost, 25% affordable (1.78ha) 61 units					circa £3.5m DAT residual -£915,409)	price)
Land at Great Lime Road, Forest Gate £2,350m2 revenue, £1014m2 build cost, 25% affordable (10% M4(3)2b) £1,257m2) (1.78ha) 61 units	£140,326	£13,648,706	£7,847,263	£35,600	£2,661,808 (74.77 x EUV)	£1,495,398
Hadrian Education Centre (demolition of buildings) £2,350m2 revenue, £996m2 build cost, 25% affordable (2.49ha) 66 units	£200,109	£13,480,097	£8,258,383	£622,500	£2,209,829 (3.55 x EUV)	£982,146
Hadrian Education Centre (demolition of buildings) £2,350m2 revenue, £996m2 build cost, 25% affordable (2.49ha) 66 units	£200,109	£13,480,097	£8,258,383	£622,500	(3.59 x EUV with purchase circa £2.2m DAT residual £162,783)	£994,289 (Based on purchase price)
Hadrian Education Centre (demolition of buildings) £2,350m2 revenue, £1014m2 build cost, 25% affordable (10% M4(3)2b) £1,257m2), (2.49ha) 66 units	£200,109	£13,497,335	£8,429,583	£622,500	2,066,939 (3.32 x EUV)	£918,640
Parkside School (demolition of buildings) £1,900m2 revenue, £996m2 build cost, 25% affordable (2.09ha) 69 units	£348,288	£9,836,726	£7,948,718	£522,500	£421,850 (0.81 x EUV)	£201,842
Parkside School (demolition of buildings) £1,900m2 revenue, £996m2 build cost, 25% affordable (2.09ha) 69 units	£348,288	£9,836,726	£7,948,718	£522,500	(2.87 x EUV with purchase circa £1.5m DAT residual -£1,219,090)	£717,703 (Based on purchase price)
Parkside School (demolition of buildings) £1,900m2 revenue, £1014m2 build cost, 25% affordable (10% M4(3)2b) £1,257m2) (2.09ha) 69 units	£348,288	£10,627,065	£8,153,940	£522,500	£270,809 (0.52 x EUV)	£129,574
St Stephens (demolition of buildings) £1,900m2 revenue	£24,400	£5,678,041	£4,252,026	£240,000	£232,048 (0.97 x EUV)	£222,766

Sites and key assumptions	Total s106 costs and estimated highway works	Gross Value (GDV)	Gross Costs (GDC)	Existing Use Value	Residual	Residual / Ha
£996m2 build cost 25% affordable (0.96ha) 41 units						
St Stephens (demolition of buildings) £1,900m2 revenue, £1014m2 build cost, 25% affordable (10% M4(3)2b) £1,257m2) (0.96ha) 41 units	£24,400	£5,705,279	£4,356,693	£240,000	£158,955 (0.66 x EUV)	£152,597
Norgas House (demolition of office) £2,350/m2 revenue, £996/m2 build cost homes £1,320/m2 build cost flats 20% affordable (fixed sales at £80k flats, £85k homes) (2.64ha) 119 units	£297,815	£20,750,954	£12,334,420	£661,000	£3,777,848 (5.72 x EUV)	£1,428,838
Norgas House (demolition of office) £2,350 & £2,086/m2 revenue, £996/m2 build cost homes, £1,320/m2 build cost flats, 20% affordable (fixed sales at £80k flats, £85k homes), Build size increased from 79 to 89m2) (2.64ha) 119 units.	£297,815	£20,751,234	£13,116,687	£661,000	£3,060,832 (4.63 x EUV)	£1,157,652
Norgas House (demolition of office), £2,350 & £2,086/m2 revenue, £1014/m2 build cost homes, £1,500/m2 build cost flats, 20% affordable (fixed sales at £80k flats, £85k homes) 3 bed size increased from 79 to 89m2) (2.64ha) 119 units,	£297,815	£20,751,234	£13,497,019	£661,000	£2,709,542 (4.10 x EUV)	£1,024,789

Table 2 outlines the results from a range of developments within North Tyneside that are currently being delivered or are recently completed. These development appraisals are adjusted based upon the site areas and development mix approved under the relevant planning applications, and the level of section 106 and other highway costs otherwise estimated. For all other key assumptions the costs and values set out at Table 1 above are utilised. This includes revenue per square metre at £1,900/m2 or £2,350/m2 for low value and medium value areas. Standard build costs of £996/m2 rising to £1,014/m2 for M4(2) homes. Developer profit is fixed at 20% for market homes and £6% for affordable homes.

Medium value Greenfield Sites

The results indicate that in providing calibration for the appraisal model larger schemes such as Scaffold Hill and Whitehouse Farm, within a medium value band achieve an uplift of approximately **50 times** agricultural land value (set at £20,000 per hectare). This output is based on sites that additional support highway and section 106 contributions as follows:

- £22,000 per unit for Whitehouse Farm and £5.5m contribution to affordable housing, and
- £11,000 per unit for Scaffold Hill and 25% affordable housing.

Site 114 Land at Great Lime Road exhibits a greater EUV uplift of approximately **78 times** agricultural land value. This increased uplift reflects the limited further improvements required to the highway network and relatively low requirements for section 106 contributions.

Medium and Lower Value Brownfield Sites

Results for the brownfield sites considered exhibit significantly lower multipliers as would be with the additional cost assumption applied to brownfield development and the greater basic value assumed per hectare.

Within medium value area with standard build costs applied Site 362 Hadrian Education Centre achieved an uplift of over 3 times EUV. Meanwhile, both Parkside School and St Stephens School sites in the lower value band returned at less than existing use value at 0.81 and 0.97 respectively.

Relationship to land purchase price

It is notable that for all of the above sites the resultant residual value when applying the standard assumptions to the DAT model was lower than the recorded price paid for the land. As discussed above and having been reviewed through Appendix 1, the revenues applied per square metre appear robust. It may therefore be possible that the assumed costs upon development, after highway and section 106 contributions, are higher than the burden upon development in practice.

The Effect of Applying Accessibility Standards

The cost uplift applied to the development appraisals is informed by the findings of the Housing Standards Review – Cost Impacts report prepared by EC Harris LLP³. The cost uplift provided in that report indicates that the basic accessible and adaptable standard M4(2) would result in a relatively modest increase in overall build costs of approximately £1,100 to £1,400 in total for houses.

Meanwhile, the more substantial requirements of wheelchair accessible and adaptable homes resulted in a cost uplift for M4(3)2b) of £28,300 to nearly £30,000 per unit depending upon number of bedrooms. This highest standard requires a specifically identified household occupier and is only included within Local Plan policy as required for 10% of affordable homes, with a fall back to M4(3)2a) otherwise. Due to the specialised nature of these homes and the additional support likely to be available to the household discussions with Registered Providers have indicated that a value premium could be applied to such affordable homes.

³https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/353387/021c_Cost_Report_11th_Sept_2014_FINAL.pdf

The introduction of this standard has an effect upon the overall return from development. Broadly our analysis of the sites included above indicates that for medium value Greenfield and Brownfield sites, whilst there is an effect the overall impact is marginal and unlikely to prevent a site from being deliverable.

For lower value sites, where deliverability was already quite marginal the effect upon deliverability may be more significant. For both Parkside and Stephenson schools the standard has the effect of reducing the residual value of the scheme from 0.81 to 0.55 and 0.97 to 0.66. Based upon this analysis it may therefore be necessary whilst current values exist for these areas to acknowledge the need for additional flexibility either over the proportion of affordable homes sought at brownfield sites in lower value areas, or the mix of adaptable and accessible homes sought.

The effect of applying national housing space standards

For the appraisal for Norgas House (Lakeside View) an additional analysis was undertaken to consider the effect of applying the National Housing Standards. The site in Killingworth provided amongst the lowest overall floor area for 3 bed homes at an average of 79 m² for each home compared to a national standard of approximately 89 m². As discussed within the Housing Optional Technical Standards supporting statement⁴ it is primarily three bed products that fall below the proposed standard.

Under the increased space standard model, and to test the effect of the increased standard without additionally increasing the total cost of a three bed home to the purchaser the revenue per square metres was reduced from £2,350/m² to £2,086/m². This retained the average 3 bed house price at approximate £185,600.

Build costs within this scenario were additionally kept at the increased rate to allow for accessible standard M4(2), at £1,013/m². The resultant impact of this adjustment upon the existing land value multiplier for Norgas House was a reduction from 5.72 x EUV to 4.10 x EUV. The remaining residual land value as a result of this fell from £1.4m per hectare to £1.02m per hectare.

Development Typology Testing – Update 2016

In addition to appraising a range of active sites this update additionally reappraises the range of Development Typologies included in the 2015 Area Wide Viability Assessment.

This considers Strategic, Major and Medium sized development sites in brownfield and Greenfield settings, in addition to a Small development typology⁵ for smaller brownfield sites assumed to be developed for apartments. The development mix for each Typology can be viewed at Appendix 2.

⁴ http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=563039

⁵ N.b Small brownfield typology adjusted to enable correlation with build cost increase identified in the Housing Standards Review Costs Report. This increased the scale of small brownfield apartment developments from 20 units to 40 units.

Table 3 summarises the outputs of the revised development appraisals based upon inclusion of all policy costs:

- 25% affordable housing provision,
- Application of National Space Standards,
- Application of the accessibility standard,
- An estimated section 106 contribution, informed by s106 monitoring.

Table 3: Appraisal results – 25% affordable housing, full section 106 contributions, and build costs adjusted for M4(2) and 10% affordable homes at M4(3)2(b)

	Total s106 costs	Gross Value (GDV)	Gross Costs (GDC)	EUV	Residual	Residual / Ha	
Greenfield	Major £2,550/m2 (4.5ha) 100 units	£411,800	£20,742,615	£11,916,655	£90,000	£3,944,135 (43.8 x EUV)	£1,160,040
	Major £2,350/m2 (4.5ha) 100 units	£411,800	£19,259,014	£11,872,147	£90,000	£2,993,134 (33.3 x EUV)	£880,334
	Major £1,900/m2 (4.5ha) 100 units	£411,800	£15,920,914	£11,772,004	£90,000	£853,382 (9.5 x EUV)	£250,995
	Medium £2,550/m2 (1.5ha) 35 units	£238,315	£7,215,738	£4,151,855	£30,000	£1,421,481 (46.4 x EUV)	£1,257,948
	Medium £2,350/m2 (1.5ha) 35 units	£238,315	£6,701,738	£4,136,435	£30,000	£1,068,548 (35.6 x EUV)	£945,618
	Medium £1,900/m2 (1.5ha) 35 units	£238,315	£5,545,238	£4,101,740	£30,000	£274,450 (9.1 x EUV)	£242,876
	Strategic £2,550/m2 (13.5ha) 400 units	£2,723,600	£82,932,380	£48,206,848	£360,000	£15,207,279 (42.2 x EUV)	£1,126,465
	Strategic £2,350/m2 (13.5ha) 400 units	£2,723,600	£76,992,380	£48,028,648	£380,000	£11,485,135 (31.9 x EUV)	£850,751
	Strategic £1,900/m2 (13.5ha) 400 units	£2,723,600	£63,627,380	£47,627,698	£360,000	£3,110,313 (8.6 x EUV)	£230,394
Brownfield	Strategic £2,550/m2 (13.5ha) 400 units	£2,455,200	£82,932,380	£49,556,848	£4,500,000	£14,156,991 (3.1 x EUV)	£1,048,666
	Strategic £2,350/m2 (13.5ha) 400 units	£2,455,200	£76,992,380	£49,378,648	£4,500,000	£10,434,848 (2.3 x EUV)	£772,952
	Strategic £1,900/m2 (13.5ha) 400 units	£2,455,200	£63,627,380	£48,977,698	£4,500,000	£2,060,025 (0.5 x EUV)	£152,594
	Medium £2,550/m2 (1.5ha) 35 units	£101,745	£7,215,738	£4,264,855	£375,000	£1,317,716 (3.5 x EUV)	£1,166,120
	Medium £2,350/m2 (1.5ha) 35 units	£101,745	£6,701,738	£4,249,435	£375,000	£964,784 (2.6 x EUV)	£853,791
	Medium £1,900/m2 (1.5ha) 35 units	£101,745	£5,545,238	£4,214,740	£375,000	£170,686 (0.5 x EUV)	£151,050
	Major £2,550/m2	£411,100	£20,742,614	£12,256,655	£1,125,000	£3,887,296	£1,143,322

	Total s106 costs	Gross Value (GDV)	Gross Costs (GDC)	EUV	Residual	Residual / Ha
(4.5ha) 100 units					(3.5 x EUV)	
Major £2,350/m2 (4.5ha) 100 units	£411,100	£19,259,014	£12,212,147	£1,125,000	£2,902,897 (2.6 x EUV)	£853,793
Major £1,900/m2 (4.5ha) 100 units	£411,100	£15,920,914	£12,112,004	£1,125,000	£686,580 (0.6 x EUV)	£201,935
Small £2,550/m2 (0.25ha) 40 units	£37,560	£5,286,500	£3,980,854	£62,500	£187,790 (3.0 x EUV)	£751,160
Small £2,350/m2 (0.25ha) 40 units	£37,560	£4,920,500	£3,969,874	£62,500	-£76,164.00 (-1.2 x EUV)	-£304,656
Small £1,900/m2 (0.25ha) 40 units	£37,560	£4,097,000	£3,945,169	£62,500	-£670,061.00 (-10.7 x EUV)	-£2,680,244

Table 3 illustrates the residual value of each of the sites and the effective uplift against existing use value. Overall, the residual value and uplift over EUV is lower across the board for the development typology compared to the benchmark appraisals above. With key assumptions such as profit, build costs, and house prices fixed across both appraisals variation particularly in the mix of development and density may influence this. This variation can be observed within the tables to Appendix 2.

Overall under the development model results indicate that for schemes achieving revenues of no more than £1,900/m2 when delivering 25% affordable housing in addition to the other policy costs identified their overall viability is marginal in Greenfield locations and predominantly unviable for Brownfield sites.

To further understand where the margin of viability sits for these lower value sites a range of additional sensitivity tests have been undertaken. These further assessments and the amended assumptions included within them are set out below.

Table 4: Lower value typology further sensitivity testing

	Total s106 costs	Gross Value (GDV)	Gross Costs (GDC)	Existing Use Value	Residual (EUV)	Residual /ha
Major Greenfield £1,900/m2 revenue 0% affordable, £1,014/m2 build cost Standard s106, (3.4 ha) 100 units	£411,000	£18,496,500	£12,114,310	£90,000	£2,113,126 (23.5 x EUV)	£621,508
Major Greenfield £1,900/m2 revenue 0% affordable, £996/m2 build cost Zero s106, (3.4ha) 100 units	£0	£18,496,500	£11,517,624	£90,000	£2,617,175 (29.1 x EUV)	£769,757
Medium Greenfield £1,900/m2 revenue 0% affordable, £1,014/m2 build cost Standard s106, (3.4 ha) 100 units	£101,745	£6,298,500	£4,111,964	£30,000	715,806 (23.9 x EUV)	£633,457
Medium Greenfield £1,900/m2 revenue	£0	£6,298,500	£3,944,757	£30,000	849,374 (28.3 x EUV)	£751,658

	Total s106 costs	Gross Value (GDV)	Gross Costs (GDC)	Existing Use Value	Residual (EUV)	Residual /ha
0% affordable, £996/m2 build cost Zero s106, (1.13ha) 35 units						
Strategic Greenfield £1,900/m2 revenue 0% affordable, £1,014/m2 build cost Standard s106, (13.5ha) 400 units	£2,455,200	£72,139,200	£48,032,583	£360,000	7,709,560 (21.4 x EUV)	£571,079
Strategic Greenfield £1,900/m2 revenue 0% affordable, £996/m2 build cost Zero s106, (13.5ha) 400 units	£0	£72,139,200	£44,827,622	£360,000	10,253,070 (28.5 x EUV)	£759,487
Strategic Brownfield £1,900/m2 revenue 0% affordable, £1,014/m2 build cost Standard s106, (13.5ha) 400 units	£2,455,200	£72,139,200	£49,382,583	£4,500,000	6,659,272 (1.5 x EUV)	£493,279
Strategic Brownfield £1,900/m2 revenue 0% affordable, £996/m2 build cost Zero s106, (13.5ha) 400 units	£0	£72,139,200	£46,177,622	£4,500,000	9,202,783 (2.0 x EUV)	£681,688
Major Brownfield £1,900/m2 revenue 0% affordable, £1,014/m2 build cost Standard s106, (3.4ha) 100 units	£411,000	£17,505,400	£12,111,458	£1,125,000	1,631,380 (1.5 x EUV)	£479,818
Major Brownfield £1,900/m2 revenue 0% affordable, £996/m2 build cost Zero s106, (3.4ha) 100 units	£0	£17,505,400	£11,513,531	£1,125,000	2,136,981 (1.9 x EUV)	£628,524
Medium Brownfield £1,900/m2 revenue 0% affordable, £1,014/m2 build cost Standard s106, (1.13ha) 35 units	£101,745	£6,298,500	£4,222,733	£375,000	£613,398 (1.6 x EUV)	£542,830
Medium Brownfield £1,900/m2 revenue 0% affordable, £996/m2 build cost Zero s106, (1.13) 35 units	£101,745	£6,298,500	£4,057,757	£375,000	759,007 (2.0 x EUV)	£671,688
Small Brownfield £1,900/m2 revenue 0% affordable,	£0	£5,111,000	£4,115,210	£62,500	-144,069 (-2.3 x EUV)	-£576,276

	Total s106 costs	Gross Value (GDV)	Gross Costs (GDC)	Existing Use Value	Residual (EUV)	Residual /ha
£1,100/m2 build cost (Not inc. 20% externals) (0.25ha) 40 units						

For each of the development typologies above two additional scenarios have been appraised based upon the lowest value area at £1,900/m2.

The first is based upon a zero affordable homes requirement but full application of estimated section 106 costs and accessible homes build costs uplift. The second removes all policy impacts from the appraisal and provides a further understanding of the impact of cost such as developer contributions upon these developments.

Such an approach for developments within some of lowest value areas of North Tyneside is not uncommon at present. As identified at Appendix 1 a range of smaller and medium sized developments and brownfield sites have been permitted subject to very low or no developer contributions. Additionally, such schemes are frequently undertaken by smaller local developers or are led by Registered Providers or increasingly North Tyneside Council directly.

In most instances, the scenarios considered that with appropriate flexibility in lower value areas development is economically viable.

The assessment of the “Small Brownfield” development typology is the notable exception to this. This typology tests the delivery of 40 two bed flats in a brownfield setting. The lower value revenue of £1,900/m2 for such development does not provide sufficient return to cover a build cost of £1,100/m2, plus an allowance for demolition or other reclamation of the site and a profit for the developer of 20%. Consequently in a generic assessment this development typology within the lower value areas of the Borough is not economically viable and other development mixes would be more appropriate.

Initial Starter Home Analysis

The affordable housing policy proposed within the Local Plan seeks to enable the delivery of the Borough’s target for 25% of all homes to be affordable, to meet the identified needs of households.

With Royal Assent for the Housing and Planning Act 2016 in place the need for appropriate flexibility to respond to Starter Homes requirements and emerging changes to government policy should be considered. Alongside the submission of North Tyneside’s Local Plan an initial analysis of the needs and demand for starter homes, and their likely impact in North Tyneside has been prepared by Arc4⁶.

For the purposes of this assessment an initial range of scenarios have been undertaken that replace 20% of North Tyneside’s affordable housing requirement with Starter Homes. In this

⁶ Hyperlink to add when document published.

scenario testing a Starter Home is valued at 80% of the equivalent open market home for sale on each site. The typologies tested are within the lower value band under the Strategic and Medium development typology.

- Strategic Greenfield, residual land value = £6,729,000 (£373,833 per hectare)
- Strategic Brownfield, residual land value = £5,678,717 (£315,484 per hectare)
- Medium Greenfield, residual land value = £593,828.9 (£395,885 per hectare)
- Medium Brownfield, residual land value = £490,063 (£326,708 per hectare)

Having undertaken this Starter Home sensitivity appraisal for a small number of typologies at the lower value of £1,900 per hectare an overall uplift in residual land value of approximately £100,000 per hectare is recorded over the equivalent assessment with 25% affordable homes provided.

Conclusions and next steps

This 2016, area wide viability assessment updates the 2015 assessment published alongside the pre-submission draft of the Local Plan.

Having undertaken a range of additional sites scenario testing and incorporating into development appraisals estimated policy costs arising from the local plan this assessment has identified the potential impacts of those costs upon future development in North Tyneside. Overall this concludes that the proposed Local Plan policy costs, with appropriate flexibility where appropriate in their application, are capable of being sought within North Tyneside without harming the delivery of development. This included assessing:

- Application Housing Optional Technical Standards including:
 - A minimum national space standard; and,
 - The application of option buildings regulation M4(2) for all market homes and 90% of affordable homes, and M4(3)2a) or 2b) for 10% of affordable homes.
- Continued collection of section 106 contributions from development informed by the specific impacts of each scheme and with regard to the particular economic viability of those schemes at a general rate of:
 - £6,138 per unit for schemes of approximately 400 units
 - £4,111 per unit for schemes of approximately 100 units
 - £2,907 per unit for schemes of approximately 35 units
- Provision of 25% affordable housing.

Next steps in developing and utilising the Viability Appraisal model will include:

- Further assessment to support future preparation of Community Infrastructure Levy and progress towards Preliminary Charging Schedule consultation.
- Review and update as additional evidence and implications of matters such as Starter Homes are progressed.

Appendix 1: Permitted development sites analysis

Ref	Site Name	Units	GF / BF	Status	Affordable %	s106 / unit	s106 + s278 costs /unit	Other known issues	Sales #	Sales average £ sold (Rightmove) or Advertised	Est. value / m2	Sales (year)	Site area (ha)	Planning App. Ref	Value Band
69	Whitehouse Farm, West Moor	366	GF	not started	£5,520,000	£5,692	£22,086	Roundabouts to A189 (£1.5), site access (£2m), improvements to junction with A1056 (£2.5m),	n/a	Not available			31.53	11/01358/FUL	Medium
107	Scaffold Hill Farm, Holystone	460	GF	not started	25%	£6,737	£11,084	Additional 40ha country park extension, 100+ allotments provided as part of application. £2m contribution to A191 Highway works	342	£287,500	£2,395/m2 at 120m2 avg house	n/a	20.39	15/00945/FUL	Medium
65	Shiremoor West (Phase A)	180	GF	u/c	25%	£4,381	£9,466	Parcel F to provide site for new primary school - relocated from Backworth. Parcel E included in outline application boundary but not anticipated to come forward for residential development.	n/a	Circa £300,000 estimated from current advertised prices	n/a	n/a	11.57	15/00543/REM	High / Medium
65	Shiremoor West (Phase B)	200	GF	u/c									8.71	15/00514/REM	
65	Shiremoor West (Phase C)	50	GF	not started									1.14	13/00781/OUT	
65	Shiremoor West (Phase D)	160	GF	not started									3.23	13/00781/OUT	
65	Shiremoor West (Parcel E)	0	GF	not started									2.82	13/00781/OUT	

Ref	Site Name	Units	GF / BF	Status	Affordable %	s106 / unit	s106 + s278 costs /unit	Other known issues	Sales #	Sales average £ sold (Rightmove) or Advertised	Est. value / m2	Sales (year)	Site area (ha)	Planning App. Ref	Value Band
65	Shiremoor West (Parcel F)	0	GF	not started									1.44	13/00781/OUT	
78	Wellfield, Earsdon Road, Monkseaton	200	GF	u/c	£3,000,000	£4,200	£9,200	Junction to A192, s278 at sainsbury's roundabout.	54	£379,779.81	£2,580/m2 at 150m2 avg house	2014 - 2016	12.55	12/00687/REM	High
74	Former REME Depot (Killingworth Stores), West Lane, Killingworth	125	BF	u/c	25%	£7,449	£7,769	Brownfield site multiple pre WWII bunkers require breaking ...	not available			6.80	14/00730/FUL	Medium	
110	A19 Corridor 3, Backworth	290	GF	not started	25%	£6,792	£7,299	road impls linked to holystone widening	not available			15.65	14/01687/OUT	Medium / High	
99	Land at North Tyneside General Hospital, North Shields	61	Mixed	u/c	21%	£5,718	£5,718		n/a	£295,478 Current avg. advertised 4 bed		n/a estimated from advertised	1.88	15/00617/REM	High / Medium
274	Parkside School, Mullen Road, Wallsend	69	BF	u/c	25%	£5,042	£5,042	School demolition	n/a	£188,000	circa £1,978/m2	n/a estimated from advertised	2.47	14/00897/FUL	Low / Medium
330	Land to the east of 'The Covers', Kings Road South, Wallsend	58	GF	complete	26%	£4,767	£4,767	none	40	£221,281	circa £2,257/m2	2014 - 2015	2.01	12/00802/FUL	Medium / Low

Ref	Site Name	Units	GF / BF	Status	Affordable %	s106 / unit	s106 + s278 costs /unit	Other known issues	Sales #	Sales average £ sold (Rightmove) or Advertised	Est. value / m2	Sales (year)	Site area (ha)	Planning App. Ref	Value Band
70	Tyneview Park, Benton (stables and land at Billy Pit)	75	GF	u/c	25%	£4,487	£4,487	Gas	34	£336,735	circa £2,600/m2	2015	4.10	13/00965/FUL	High / Medium
80	The Covers (Former Cricket Ground), Kings Road South, Wallsend	79	GF	complete	25%	£4,073	£4,073		Relatively old – predominantly complete 2012/13			2.58	10/02040/FUL	Low / Medium	
113	East Wideopen	330	GF	u/c	£675,000	£1,817	£3,635	330 units include 51 bed sheltered scheme forming significant part of affordable housing contribution. Further 15 units off site funded through contribution.	152	£252,284		2014 - 2016	13.82	09/02537/FUL	Medium
72	Station Road East, Wallsend	650	GF	not started	25%	£3,615	£3,615	n.b 25% affordable only guaranteed proportion for 225 homes within full application. Scheme to be submitted for remaining outline.	Not available			28.82	12/02025/FUL	Medium	
362	Hadrian Education Centre, Addington Drive, Wallsend	66	GF	complete	26%	£3,032	£3,032	none	43	£246,382	circa £2,324/sqm at 106m2	2015	2.49	12/02047/FUL	Medium

Ref	Site Name	Units	GF / BF	Status	Affordable %	s106 / unit	s106 + s278 costs /unit	Other known issues	Sales #	Sales average £ sold (Rightmove) or Advertised	Est. value / m2	Sales (year)	Site area (ha)	Planning App. Ref	Value Band
149	Former Stanley Miller Site, Great Lime Road, Palmersville	99	BF	complete	20%	£2,556	£2,556	Intermediate homes not disposed of. Sold at market value with £20,000 contribution made to the Council.	85	£205,811 (may include discounts)		2013 - 2015	4.13	12/00468/REM	Medium
279	Norgas House, Killingworth	119	BF	u/c	20%	£2,503	£2,503	Demolition of former office buildings.	66	£192,205	Circa £2,283/m2 at 84m2	2014 - 2015	2.76	13/00691/FUL	Medium
4	Vine Street Community Centre, Wallsend	14	BF	u/c	0%	£2,451	£2,451	Clearance of former building					0.07	14/01348/FUL	Low
136	Glebe Special School, Woodburn Drive, Whitley Bay	14	BF	complete	0%	£2,413	£2,413	no					0.58	10/03198/FUL	High
114	Land at Great Lime Road (east), Palmersville	61	GF	complete	25%	£2,300	£2,300	Gas	41	£250,044	£2,285/m2 at 109m2	2014 / 15	1.78	12/02039/FUL	Medium
33	Norman Terrace, Willington Quay	14	BF	complete	0%	£1,168	£1,168	former brownfield site already cleared					0.60	11/01346/FUL	Low
292	Cleveland Centre, Cleveland Road, North Shields	11	BF	complete	0%	£1,137	£1,137	none	11	£352,358.64	£2,430/m2	2014.00	0.39	11/02423/FUL	Medium / High

Ref	Site Name	Units	GF / BF	Status	Affordable %	s106 / unit	s106 + s278 costs /unit	Other known issues	Sales #	Sales average £ sold (Rightmove) or Advertised	Est. value / m2	Sales (year)	Site area (ha)	Planning App. Ref	Value Band
113	Land north of East Wideopen	108	GF	u/c	25%	£1,126	£1,126	no					5.79	13/00198/FUL	Medium
138	St Stephen's Primary School, Bardsey Place, Longbenton	41	BF	u/c	25%	£595	£595	School demolition	4	£164,745	£1,938/m2	2015 / 16	2.08	14/01490/FUL	Low / Medium
340	YMCA, Grosvenor Drive, Whitley Bay	25	BF	complete	£212,900	£484	£484	Retirement homes.					0.26	11/00735/FUL	High
94	Smith's Dock, North Shields	701	BF	not started	4%	£178	£178	River bank reinforcement, general reclamation, new link road.	Not available				11.49	11/02390/OUT	Low
208	Earsdon View A (UDP allocation), Land north of Shiremoor	656	GF	u/c	.	.	£0	10 year old planning permission not generally recent enough to be relevant.				20.16	04/03816/REM	Medium / High	
46	Alexander Street and Northumberland Street Block, Wallsend	41	BF	u/c	100%	£0	£0	Former police buildings demolition					0.48	14/00980/LARE G3	Low

Ref	Site Name	Units	GF / BF	Status	Affordable %	s106 / unit	s106 + s278 costs /unit	Other known issues	Sales #	Sales average £ sold (Rightmove) or Advertised	Est. value / m2	Sales (year)	Site area (ha)	Planning App. Ref	Value Band
62	Kendal Building, Waterville Road, North Shields	40	BF	u/c	0%	£0	£0	Erection of day care centre and self-contained apartments targeted at residents with specialist needs.					0.81	13/00394/REM	Low
132	St Joseph's Training Centre, West Lane, Killingworth	24	BF	complete	25%	£0	£0	n.b 6 affordable units provided off-site. Other planning obligations sought through application were dismissed at appeal - including off site highway works, play and open space, employment...	23	£398,314		2012 / 13	1.54	10/02567/FUL	Medium / High
193	Land east of Meadow Drive, Seaton Burn	20	GF	complete	100%	£0	£0	s106 not located but scheme included an integral proposal for replacement play area, fencing etc...					0.87	13/00043/FUL	Medium
275	Annitsford House, Harrison Court, Annitsford	14	BF	complete	0%	£0	£0	none	13	£221,907		2014 / 15	0.92	12/01083/FUL	Medium
350	Wallsend Boys Club, Station Road, Wallsend	0	BF	complete									0.25	12/01759/FUL	Low

Ref	Site Name	Units	GF / BF	Status	Affordable %	s106 / unit	s106 + s278 costs /unit	Other known issues	Sales #	Sales average £ sold (Rightmove) or Advertised	Est. value / m2	Sales (year)	Site area (ha)	Planning App. Ref	Value Band
358	St Edmund's Building, Station Road, Shiremoor	0	BF	complete									0.40	12/00875/FUL	Medium
359	Lynne Club, Netherton Avenue, North Shields	0	BF	complete									0.19	12/00699/FUL	Lower / Medium
360	Stanton Grove, Marden, North Shields	0	BF	complete					14	£182,604		2014	0.35	12/01265/FUL	Medium
361	Former Breeze and Pier 39, South Parade, Whitley Bay	0	BF	complete									0.12	13/00235/FUL	Higher
371	Land at Horsham Grove, North Shields	0	GF	complete									0.18	13/01407/FUL	Medium
377	Land at Sherborne Avenue, Whitehouse Lane, North Shields	0	Mixed	complete									0.58	14/00243/LARE G3	Medium / Lower
394	Warwick House, Warwick Road, Wallsend	0	BF	complete									0.13	13/01220/FUL	Lower

Ref	Site Name	Units	GF / BF	Status	Affordable %	s106 / unit	s106 + s278 costs /unit	Other known issues	Sales #	Sales average £ sold (Rightmove) or Advertised	Est. value / m2	Sales (year)	Site area (ha)	Planning App. Ref	Value Band
395	YMCA Building, Bedford Street, North Shields	0	BF	complete									0.04	13/01307/FUL	Medium / Lower
436	Land and garages to the south and east of 2 Berkley Close, Wallsend	0	BF	complete									0.16	13/01487/FUL	Lower

Appendix 2: Development Appraisal Mix

Benchmark Sites Analysis – Table 1

Build Requirements		Forest Gate						Hadrian Education Centre						Parkside School					
		Standard			Accessibility			Standard			Accessibility			Standard			Accessibility		
		Units	Size	%	Units	Size	%	Units	Size	%	Units	Size	%	Units	Size	%	Units	Size	%
Market	2 Bed Flat	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%
	2 Bed House	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%
	3 Bed House	22	104	36%	22	104	36%	18	86	27%	18	86	27%	35	84	51%	35	84	51%
	4 Bed + House	26	120	43%	26	120	43%	31	118	47%	31	118	47%	17	119	25%	17	119	25%
	4 Bed + House	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%
	Market Avg.	48	113	79%	48	113	79%	49	107	74%	49	107	74%	52	96	75%	52	96	75%
Affordable	2 Bed House	10	79	16%	9	79	15%	6	76	9%	6	76	9%	14	75	20%	13	75	19%
	3 Bed House	3	88	5%	3	88	5%	11	86	17%	10	86	15%	3	95	4%	2	95	3%
	2 Bed House	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%
	3 Bed House	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%	0	0	0%
	3 Bed House	0	0	0%	1	95	2%	0	0	0%	1	95	2%	0	0	0%	2	95	3%
	Affordable Avg.	13	81	21%	13	82	21%	17	83	26%	17	83	26%	17	79	25%	17	80	25%
Total		61	106	100%	61	106	100%	66	100	100%	66	101	100%	69	91	100%	69	92	100%
Build Requirements		Scaffold Hill						St Stephens						Whitehouse Farm			Accessibility		
		Standard			Accessibility			Standard			Accessibility			Standard					
		Units	Size	%	Units	Size	%	Units	Size	%	Units	Size	%	Units	Size	%			
Market	2 Bed Flat	0	0	0%	0	0	0%	0	0	0%	0	0	0%	34	77	9%	Not included as not onsite affordable		
	2 Bed House	3	59	1%	3	59	1%	13	70	32%	13	70	32%	0		0%			
	3 Bed House	81	86	18%	81	86	18%	18	95	44%	18	95	44%	88	89	24%			
	4 Bed + House	261	131	57%	261	131	57%	0	0	0%	0	0	0%	173	155	47%			
	4 Bed + House	0	0	0%	0	0	0%	0	0	0%	0	0	0%	72	267	20%			
	Market Avg.	345	120	75%	345	120	75%	31	84	76%	31	84	76%	367	154	100%			
Affordable	2 Bed House	66	75	14%	60	75	13%	4	87	10%	3	87	7%	0	0	0%			
	3 Bed House	20	95	4%	14	95	3%	3	95	7%	3	95	7%	0	0	0%			
	2 Bed House	6	64	1%	6	64	1%	2	87	5%	2	87	5%	0	0	0%			
	3 Bed House	23	81	5%	23	81	5%	1	95	2%	1	95	2%	0	0	0%			
	3 Bed House	0		0%	12	95	3%	0		0%	1	95	2%	0	0	0%			
	Affordable Avg.	115	79	25%	115	80	25%	10	90	24%	10	91	24%	0	0	0%			

Total	460	110	100%	460	110	100%	41	86	100%	41	86	100%	367	154	100%
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Area Wide Development Typology – Table 2

Build Requirements		Strategic Development					Major Development					Medium Development				
		Units (25% aff)	%	Units (20% aff)	%	Size	Units (25% aff)	%	Units (20% aff)	%	Size	Units (25% aff)	%	Units (20% aff)	%	Size
Market	2 Bed Flat	0	0%	0	0%	0	0	0%	0	0%	0	0	0%	0	0%	0
	2 Bed House	30	8%	41	10%	75	8	8%	10	10%	75	3	9%	4	11%	75
	3 Bed House	150	38%	159	40%	89	37	37%	40	40%	89	13	37%	14	40%	89
	4 Bed + House	100	25%	100	25%	111	25	25%	25	25%	111	8	23%	8	23%	111
	4 Bed + House	20	5%	20	5%	150	5	5%	5	5%	150	2	6%	2	6%	150
	Market Avg.	300	75%	320	80%	99	75	75%	80	80%	99	26	74%	28	80%	99
	Affordable Avg.	100	25%	80	20%	82	25	25%	20	20%	83	9	25.7%	7	20%	84
Affordable	2 Bed House	45	11%	36	9%	75	10	10%	8	8%	75	3	9%	2	6%	75
	3 Bed House	20	5%	17	4%	90	6	6%	5	5%	90	3	9%	2	6%	90
	2 Bed House	15	4%	13	3%	75	3	3%	3	3%	75	1	3%	1	3%	75
	3 Bed House	10	3%	7	2%	90	3	3%	2	2%	90	1	3%	1	3%	90
	3 Bed House	10	3%	7	2%	95	3	3%	2	2%	95	1	3%	1	3%	95
	Affordable Avg.	100	25%	80	20%	82	25	25%	20	20%	83	9	25.7%	7	20%	84
Total		400	100%	400	100%	95	100	100%	100	100%	95	35	100%	35	100%	95

Build Requirements		Small Brownfield Development Typology				
		Units (25% aff)	%	Units (20% aff)	%	Size
Market	1 Bed Flat Low rise	6	15%	6	15%	45
	2 Bed Flat Low rise	24	60%	26	65%	65
	Market Avg.	30	75%	32	80%	61
Affordable	1 Bed Flat Low rise	2	5%	1	3%	45
	2 Bed Flat Low rise	5	13%	4	10%	65
	2 Bed Flat Low rise	2	5%	2	5%	65
	2 Bed Flat Low rise	1	3%	1	3%	65
	Affordable Avg	10	25%	8	20%	61
Total		40	100%	40	100%	61