

Draft
Initial North Tyneside Area
Wide Viability Assessment
2015

North Tyneside Local Plan

Contents

1. Introduction	3
The Role and Scope of the North Tyneside Viability Assessment	3
Definition of Viability	4
Proposed “key outcomes” for the North Tyneside VA	4
The Assessment Methodology.....	4
Viability for the life of the plan	6
Engagement on Viability Assumptions	7
2. Local Planning Policy and Evidence Review.....	7
3. Analysis of emerging Local Plan Policy	11
Supplementary Development Plan Documents	17
4. Residential Development Appraisals	20
The housing market	20
New Home Prices	23
Residential Viability Modelling – Assumptions.....	27
Market Housing.....	27
Affordable Housing	27
Intermediate sale	30
Technical housing standards – nationally described space standard, DCLG, March 2015	31
Land Value Assumptions.....	31
Construction Costs	31
Site Infrastructure Costs	33
Professional and Finance Costs.....	33
Developers Profit	34
Planning Obligations and Community Infrastructure Levy.....	34
Impact of Price Change	34
Development Typologies	35
Specific Site Area Net to Gross Ratio	35
Housing Mix	35
Assumptions Summary	37
Residential Development Appraisals – Results Summary	38
Development Viability Appraisals – Next Steps.....	48

1. Introduction

- 1.1 North Tyneside Council is in the process of preparing a Viability Assessment (VA) to form part of the ongoing development of its evidence base to support the emerging North Tyneside Local Plan. At this stage, this report sets out the broad method applied by the Council to establishing its assessment of area wide viability. Further work to consider the specific impacts arising from the proposed policies, proposals and infrastructure requirements of the Local Plan is ongoing.
- 1.2 The Local Plan has been subject to public engagement on a Consultation Draft in November 2013 that provided a range of growth and sites and a further Consultation Draft in 2015 that identified a proposed level of growth and suggested housing sites. The Council is will shortly publish its draft Local Plan for pre-submission consultation with submission to the Secretary of State for independent examination anticipated in late spring 2016. Overall there will be a period of at least 18 months before the plan is examined, found sound and adopted. Over this period, the viability assessment will continue to be developed and refined to provide a robust assessment of the policy costs of the Local Plan and deliverability of potential development sites.
- 1.3 Production of the North Tyneside Local Plan combines and progresses work previously undertaken on a separate Core Strategy and three Area Action Plans for North Shields, the Coast and Wallsend.
- 1.4 A Community Infrastructure Levy (CIL) is proposed within North Tyneside's Local Development Scheme. Further work is to be undertaken in light of development of the North Tyneside Infrastructure Delivery Plan and monitoring of existing section 106 Planning Obligations to determine the requirements for progressing CIL in North Tyneside.
- 1.5 As such, at this stage the implications of potential CIL charging rates are not considered within this Initial Viability Assessment. Further work will be undertaken as CIL is developed to specifically test the viability of any proposed charging schedule as it is developed.
- 1.6 The North Tyneside VA is being prepared by the North Tyneside Council and Capita partnership. This involves a wide cross section of the Partnerships development and market expertise including the Strategic Property Team, led by two Senior Property Surveyors, and an Assistant Property Surveyor. The Strategic Property Team has an extensive record of development and property market expertise and has particular knowledge and experience within North Tyneside.

The Role and Scope of the North Tyneside Viability Assessment

- 1.7 The National Planning Policy Framework (NPPF) emphasises the importance of securing sustainable development through planning. Key messages within the NPPF highlight the importance of plans being deliverable, with an understanding of the viability of

development and the cumulative impact Local Plan policies and requirements might have on delivery.

- 1.8 Central to undertaking assessment of the viability impacts of Local Plan policies is paragraph 173 of NPPF. This requires that ...

“To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.”

- 1.9 The North Tyneside Viability Assessment is being undertaken in accordance with the guidance provided in Section 2 of the June 2012 Local Housing Delivery Group Paper “Viability Testing for Local Plans”¹ and other available sources of information and guidance including “Financial Viability in Planning”² prepared by the Royal Institute of Chartered Surveyors.

Definition of Viability

- 1.10 The paper “Viability Testing for Local Plan” usefully includes a definition of viability, particularly in the context of the deliverability of a Local Plan. In summary, this establishes that:
- i. A development can be said to be viable if once all costs are taken into account, the scheme provides a competitive return to the developer and generates a land value sufficient to persuade the land owner to sell the land; and,
 - ii. Specifically with regard to housing (and for the purposes of this assessment of viability and the Local Plan Employment and other forms of commercial development) a Local Plan is deliverable if sufficient sites are viable in order to deliver the plan’s housing requirements over the plan period.

Proposed “key outcomes” for the North Tyneside VA

- 1.11 Taking into account available guidance and advice it is proposed that the North Tyneside VA be based on a proportionate approach to the evidence required to demonstrate the proposals of the emerging Local Plan are deliverable, and include:
- i. An assessment of area wide plan viability over the short, medium and long term.
 - ii. An update to the Affordable Housing Viability Assessment 2009.
 - iii. Local Plan Site Allocation appraisals for residential and economic development.
 - iv. An agreed mechanism to review and update the Viability Appraisal as part of the iterative process of plan making and over the life of the plan.
 - v. Development of an assessment tool to test economic impacts of potentially Community Infrastructure Levy.

The Assessment Methodology

- 1.12 The North Tyneside Viability Assessment will continue to be developed and enhanced in tandem with progression of the Borough’s Local Plan to ensure the assumptions and

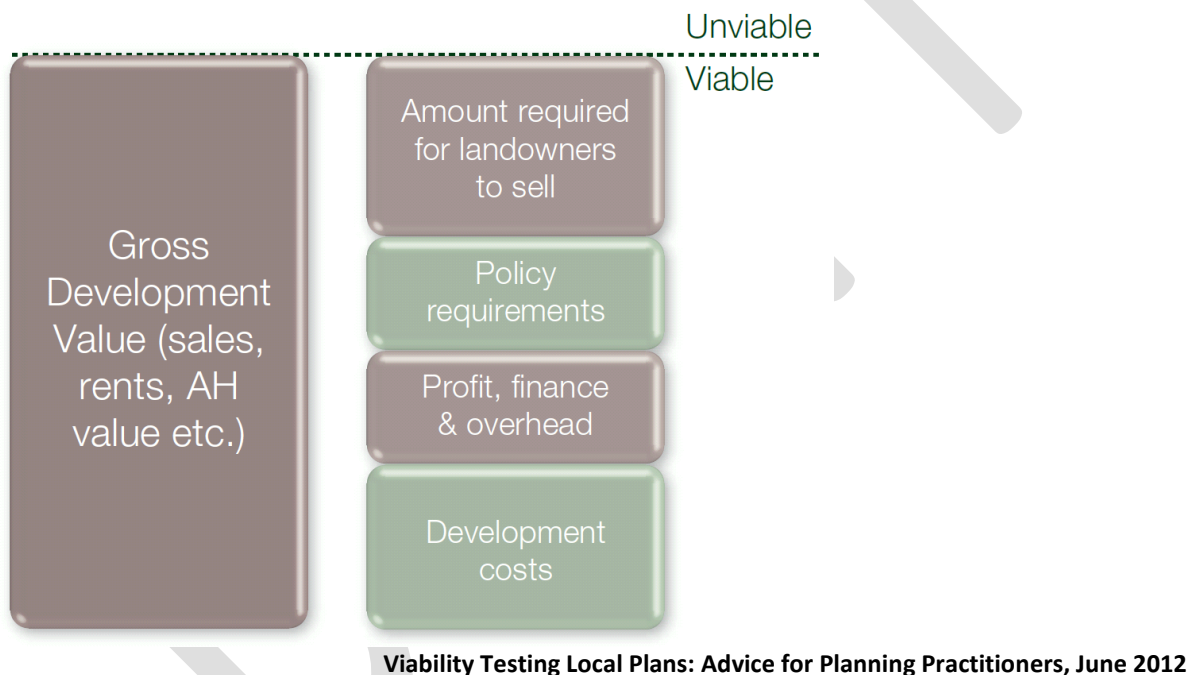
¹[Local Housing Delivery Group Paper, “Viability Testing for Local Plans”, June 2012](#)

²[Royal Institute of Chartered Surveyors, “Financial Viability in planning”](#)

assessments regarding the deliverability of the local plan are made in an open and transparent manner.

- 1.13 *Appraising Local Plan Policy:* As the North Tyneside Local Plan is progressed potential policies and proposals will be assessed for their potential cost implications for development. Results of this assessment and will be used to inform any additional plan costs to include within the assessment of economic viability of development.
- 1.14 *Development Appraisals:* The viability appraisal element of the assessment will be based on a residual land value. In simple terms, a calculation taking the overall sales value of any development less the full range of costs associated with bringing forward the scheme. As illustrated in Figure 1 where after undertaking that calculation all costs and necessary profits can be covered by the value of the development, the scheme is a viable proposition.

Figure 1: Basic outline of elements required for a viability assessment



- 1.15 A number of models to appraise viability have been considered in determining the most appropriate approach. Initially work was undertaken using the Homes and Community Agency's Area Wide Viability Model. This offered significant flexibility in assessing the overall potential for all developments in North Tyneside to accommodate affordable housing.
- 1.16 However, it was finally determined that the freely available Homes and Community Agency Development Appraisal Tool³ for residential development provided the most appropriate modelling tool. This provided greater flexibility in the level of detail that could be provided

³ Homes and Communities Agency, Development Appraisal Tool
<http://www.homesandcommunities.co.uk/ourwork/development-appraisal-tool>

for sites, enabling a cross-over between area wide and site specific appraisals as the Local Plan is developed. It also provides a commercial appraisal function that can ensure greater standardisation in North Tyneside's approach to assessing the viability of both commercial and residential development.

- 1.17 The specific details for each of the assumptions are outlined in greater detail later in this Viability Assessment Consultation Report. As a basic outline, the approach proposed and adopted to date in preparing the North Tyneside VA has identified:
- i. Development Typologies based on evidence in the Strategic Housing Land Availability Assessment, Strategic Housing Market Assessment, Employment Land Review, and recognised patterns of development and available sites in North Tyneside for residential and commercial development.
 - ii. Threshold Land Values below which selected sites are unlikely to be released by a landowner for development, taking into account the Existing Use Value of the land and an appropriate uplift based on the type of development proposed.
 - iii. Initial Residual Land Value taking into account the total cost assumptions, including developer profit, and the gross development value,
 - iv. The margin between the threshold land value and Initial Residual Land Value.
 - v. The remaining funding per unit or square metre potentially available as required for additional site specific cost, Local Plan policy costs, and developer contributions.
- 1.18 In establishing the Final Residual Land Value, regard will be given to the emerging Infrastructure Delivery Plan and the outcome of appraisal of the additional potential costs arising from Local Plan policy, in particular considering:
- i. A range of potential affordable housing requirements,
 - ii. Any proposed Development standards for high quality design and sustainable construction,
 - iii. Other section 106 contributions and / or as it is developed any CIL charging rate.

Viability for the life of the plan

- 1.19 Planning Guidance and guidance for testing the viability of Local Plans indicate that assessments of viability should consider viability into the future. The clear challenges in forecasting accurately development values and build costs and market conditions in general clearly present challenges to this. To ensure a flexible and dynamic North Tyneside Viability Assessment that recognises the scope for change in viability over the life of the plan, the appraisals will take account of uncertainties affecting many of the assumptions.
- 1.20 The approach and assumptions will in the first instance focus upon viability within the Short Term (0-5 years). For this period information will be collated on the basis of market values and costs at the latest available date.
- 1.21 To provide some indication of the potential for change over time in the Medium Term (6-10 years) and Long Term (11-15 years) guidance advises a more flexible approach recognising the impact of the economic cycle, changes to the national policy and regulatory regime and continued shifts in construction costs will be adopted. Given the clear uncertainties in

looking to the future in this manner a range of potential scenarios for the potential value and costs of development have been developed, and identifying how those changes would affect the viability of each typology.

Engagement on Viability Assumptions

- 1.22 Initial engagement has been undertaken with the development industry and significant landowners in North Tyneside to discuss the range of appraisal assumptions, development and land values included in the model.
- 1.23 A key element of this engagement in relation to residential viability was a series of workshops involving private house builders and Registered Providers. Notes of these workshops are available at Appendix 1.
- 1.24 As stated previously, with publication of this 2015 draft of the North Tyneside Area Wide Viability Assessment comments are welcomed on all aspects of the approach, assumptions and data supporting them. For details on how to submit any comments please refer to the planning pages of the Council's website, www.northtyneside.gov.uk/planning.

2. Local Planning Policy and Evidence Review

- 2.1 A range of evidence base documents have, or are being prepared, that support and inform the North Tyneside Viability Assessment. A summary of each of these documents and their potential relationship to the Viability Assessment is set out below.
- 2.2 Planning Obligations Supplementary Planning Document
- 2.3 The North Tyneside Unitary Development Plan (UDP) is supported by the Planning Obligations Supplementary Planning Document 2009 that sets out greater detail on the range and scope of likely contributions to be sought from developers when necessary as part of the planning application process. Planning Obligations are expected to remain a key element of developer funding following adoption of the emerging Local Plan and a revision of the Planning Obligations SPD is planned following adoption of the Local Plan.
- 2.4 The North Tyneside Planning Obligations SPD 2009 currently outlines the Council's requirements for developer contributions for a range of services and infrastructure. Analysis of the current level of contributions secured through the SPD provides a useful summary of the current costs currently arising for development schemes to ensure that the impact on infrastructure provision is addressed.

Figure 2: Funding Identified through Planning Contributions Monitoring 2010 to 2014

Project Type	Type	Number of Schemes	Number of Homes or Metres Squared	Average £ per Home or Metres Squared	Highest £ per Home or Metres Squared
Parks Play Areas and Planting	Housing	37	4,884	£1,200	£604
Allotments	Housing	11	1,679	£660	£213

Project Type	Type	Number of Schemes	Number of Homes or Metres Squared	Average £ per Home or Metres Squared	Highest £ per Home or Metres Squared
Environment (Biodiversity, Air quality)	Housing	23	2,636	£220	£305
Education	Housing	16	3,320	£4,000	£2,242
Highways and Transport	Housing	23	3,647	£2,000 / unit	£948
	Commercial	6	18303 m2	£40 m2	£12
	Recreation	2	32.6ha	£2,678/ha	£1,840
Employment Skills & Training	Housing	4	928	£536 per home	£423
	Housing	7	1,953	21 units per apprentice	28 homes per apprentice
	Commercial	3	20,033.5 m2	£10 m2	£5
Sports (Pitches & facilities)	Housing	14	2,673	£3,500	£775
Libraries	Housing	4	723	£230	£168
Health	Housing	18	2,996	£550	£463
Culture and Art	Housing	2	342	£1,170	£52
	Commercial	3	18,361.5 m2	£2.49 m2	£3

Source: Local Authority Developer Contributions Monitoring

- 2.5 It is not typical for any one scheme to make contributions to all forms of funding requirement. A maximum contribution from housing development, excluding affordable housing provision, based on past monitoring and where a contribution to each of the project types was sought would be a maximum of £5,535 per home. Usually, actual contributions from any one scheme are less than this as the requirements would depend on the specific impacts arising from that scheme; and indeed the actual viability of the individual scheme to deliver any or all of the proposed contributions being sought.
- 2.6 Commercial development typically have far fewer requirements in terms of planning contributions, and a majority of schemes are found to require only minimal funding contributions to most Project Types other than Highways and Transport. Overall the monitoring above indicates that commercial developments contribute a maximum of £25 per square metre of additional floorspace. Again the actual contributions required would typically be less than this, based on the impacts of each scheme.
- 2.7 Infrastructure Delivery Plan
- 2.8 Alongside development of the emerging Local Plan, North Tyneside Council is preparing its Infrastructure Delivery Plan (IDP). The IDP seeks to describe North Tyneside's infrastructure requirements for the life of the Local Plan, the funding identified to support delivery of that infrastructure and potential gaps in funding that may be sought through other as yet unconfirmed sources, including contributions from development.

- 2.9 Production of North Tyneside's IDP has been informed by extensive consultation with utility and service providers and key stakeholders with a role in the delivery of facilities and infrastructure in the Borough.
- 2.10 The conclusions from both the North Tyneside Infrastructure Delivery Plan and this document, the North Tyneside Viability Assessment, will be key to establishing the amount of funding that might be sought through a Community Infrastructure Levy and / planning obligations.
- 2.11 The Draft IDP 2015, published alongside the Local Plan estimates essential infrastructure costs. These estimated costs require further investigation and supporting evidence, to establish the degree to which before they can be drawn on as potential funding requirements. Not least to establish the apportionment of funding between that arrived at through development contributions and that arrived at through other funding opportunities.
- 2.12 Community Infrastructure Levy
- 2.13 North Tyneside Council has included production of a Community Infrastructure Levy (CIL) within its Local Development Scheme 2014. CIL is a locally based development charge that Local Authorities as the Charging Authority can choose to impose to help finance a wide range of identified infrastructure requirements within their area. CIL came into force on 6 April 2010, under the [Community Infrastructure Levy Regulations 2010 \(SI 948\)](#). The regulations were amended in, [2012](#), [2013](#) and [2014](#). [National Planning Guidance](#)⁴ for CIL was published in 2014 and last updated in June 2014.
- 2.14 The CIL regulations place clear controls on the role of planning obligations and limit the degree to which contributions can be pooled to contribute to a single infrastructure project or type. However, planning obligations will continue to be the means to secure contributions to affordable housing provision and can be used for a more limited range of site specific infrastructure requirements arising from development.
- 2.15 In order to charge CIL, the Local Authority must set out its proposed levy rates in a Charging Schedule. Introduction of CIL is subject to an independent examination where evidence is required to:
- i. Demonstrate that the charging schedule is consistent with and supports the implementation of an up-to-date development plan – for North Tyneside this will be the Local Plan;
 - ii. Identify the total cost of the infrastructure that the Local Authority wishes to fund through the CIL, known as the “aggregate funding gap” that would be demonstrated through the Infrastructure Delivery Plan; and,
 - iii. Demonstrate as background evidence the potential impact of the CIL charge on the economic viability of development in the area; tested through the Area Wide Viability Assessment.

⁴ CIL Planning Guidance: <http://planningguidance.planningportal.gov.uk/blog/guidance/community-infrastructure-levy/>

2.16 The North Tyneside Employment Land Review 2015 (ELR)

2.17 A review of the 2009 Employment Land Review has now been completed. Part of this Study has been to appraise the commercial and industrial property market in North Tyneside. It has directly informed the work of the North Tyneside VA in appraising the suitability and market attractiveness of these sites within the Borough for this form of development. Further work examining specifically the financial viability of commercial development is required.

2.18 The Strategic Housing Market Assessment (SHMA)

2.19 A review of the SHMA, published in 2015, included a comprehensive household survey and provides up to date evidence of the housing market, including analysis of sales values and value areas in North Tyneside to inform the North Tyneside VA. The SHMA in particular provides important evidence to inform and support the value bands identified for development within the North Tyneside Viability Assessment. It also sets out evidence of specialist housing needs.

2.20 Market Position Statement Housing – North Tyneside Council has prepared additional detailed analysis and evidence of the needs for housing provision to meet key needs such as extra care in each of the four areas of the Borough. This document will be referred to in addition to the Strategic Housing Market Assessment to help the Council's Housing Strategy team determine the mix of provision for agreed affordable housing supply.

2.21 The Strategic Housing Land Availability Assessment (SHLAA)

2.22 In accordance with the jointly agreed North East Assembly Methodology⁵, information on deliverability within the annually updated SHLAA is based on developer and housebuilder responses rather than a detailed financial assessment of market viability. For the 2014 SHLAA and subsequent updates, key results for residential viability established through the Viability Assessment will directly inform the SHLAA analysis, informing overall deliverability of the sites.

2.23 The Affordable Housing Viability Assessment (AHVA)

2.24 North Tyneside's existing AHVA, completed in 2009 will ultimately be replaced by this area wide Viability Assessment. The AHVA provides a dynamic viability model to enable review of viability over time. The approach of the AHVA was reviewed in developing the methodology for this Viability Assessment.

2.25 Retail and Leisure Study 2011 and Update 2014

2.26 The 2011 study prepared by Roger Tym and Partners could provide contextual data to support the appraisal of retail and leisure development. However, it does not include

⁵NEA SHLAA Methodology http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=224092&p_subjectCategory=809

detailed financial information for such development. An update of the Retail Study was completed in early 2015, providing useful supporting information about the potential for retail growth in North Tyneside, informing assessments of viability.

3. Analysis of emerging Local Plan Policy

- 3.1 The Viability Assessment will provide an ongoing monitoring role for the potential impacts upon deliverability of Local Plan policies. Any potential additional requirements and impacts from Supplementary Planning Documents will also be considered through this process.
- 3.2 The last published stage of the Local Plan consultation was the Local Plan Consultation Draft. Published in November 2015 for consultation. That draft of the North Tyneside Local Plan included over 90 fully drafted policies setting out the Council's preferred strategy and approach to area specific and development management policy. It also included a range of options covering issues such as population and employment growth and Potential Development Sites.
- 3.3 An assessment of each of the proposed policies included within the Consultation Draft 2015 considering their potential cost implications that could affect viability and the delivery of development has been carried out and is available at Appendix 1. This outlines the basic role of each policy, whether it is considered to have a potential cost implication, and a basic explanation of why that assessment has been made.
- 3.4 Outlined below are those policies where a direct or indirect cost may arise from the draft policy. Please note that as the Local Plan is developed the specific policy references will be subject to change.
- 3.5 **Policy DM5.7 Employment and Skills** - This policy sets out specific considerations for development management. The policy makes reference to requiring contributions from development to support creation of employment opportunities and training. Consequently placing a potential cost on development, that would be met through a s106 contribution. Presently no wording within policy takes account of potential impact of proposal on viability.

During the Local Plan Consultation Draft, comments were received from the development industry regarding policy DM 5.7 expressing concern about the potential impact upon implications for viability.

Contributions Monitoring

Employment and Training Potentially supporting draft policy S 5.7. Since 2010, monitoring indicates 13 schemes have made contributions towards employment or training provision. This includes 2 commercial schemes and 11 residential schemes. Contributions are in the form of either a commuted sum paid towards initiatives to increase to employment and training in the area, or a commitment to local employment and creation of apprentice opportunities.

For residential schemes, when sought an average contribution of £430 per unit has been agreed and apprenticeship recruitment has been agreed at an overall average rate of 28 units per apprentice.

For the two commercial schemes involving a contribution funding was sought at an average overall average rate of £9.60 per square metre. No agreements involved additional recruitment of apprentices.

- 3.6 **Policy AS 6.9 Northumberland Park District Centre Retail Development** - This policy is a site specific proposal for potential extension of an existing district centre. It includes requirements for integration of any new development with the existing area, that would potentially lead to additional cost implications for particularly based on access arrangements and layout. As a site specific policy, this will not have wider implications for the Local Plan's impact on development viability. However, the specific implications require further investigation and engagement with the relevant landowners and developers to ensure delivery.
- 3.7 **Policy DM7.6 Affordable Housing** - The policy seeks specific financial or development contributions from development that would directly impact upon the viability of residential schemes. From sites of 10 or more homes or over 0.5ha, the Policy aims to secure delivery of a Borough wide 25% target for new homes to be in affordable tenures.
- 3.8 The policy sets out that the requirement will be informed by the specific site circumstances and evidence of economic viability. As part of the area wide viability assessment a series of affordable housing contributions will be tested.
- 3.9 During the Local Plan consultation, responses from housebuilders sought greater clarity over the proportion of affordable housing that may be sought from sites and evidence that the costs of making provision of affordable housing are considered alongside the full range of potential costs upon development.

Contributions Monitoring

Affordable Housing – Potentially supporting delivery of draft policy *S7.6 Affordable housing*, 20 schemes have agreed on-site provision of affordable housing. The type and mix of affordable housing provision varies for each scheme and incorporate either social or affordable rent, intermediate housing or provision of elderly or dementia homes. However, the overall average provision of units per scheme sits at 21%. This is impacted particularly by the agreement at Smiths Dock for development. Due to the particular costs associated with delivering this large scheme providing up to 800 homes, just 30 affordable homes are sought in the section 106 agreement. If this site were removed as an exception, the average agreed provision increases to 27%.

Since 2010, monitoring indicates 24 schemes have made financial contributions towards affordable housing provision. Three schemes have made contributions in the form of a

commuted sum for provision of affordable housing off-site. The average cost per unit of those off-site contributions have been £14,770.

- 3.10 **Policy DM7.9 Self Build** - The policy includes a proposal that developments of 200 homes to set aside 10% of the net development area be set aside for self build housing. The policy makes particular reference to this encouragement being also subject to economic viability. In affecting the mix of development on a site there could be implications for development viability. However, as a self build plot the volume housebuilder would not be subject to building costs whilst they would be free to set the value for sale of any land or on site services made available self builders.
- 3.11 During the Local Plan consultation, no comments were received about the impact of the policy upon development viability.
- 3.12 **Policies DM8.12 Development and Flood Risk and DM 8.13 Flood Reduction Works** – (See also S9.1, and DM10.10) Where development is proposed, Policy DM 8.12 requires, in accordance with national guidance, that development should avoid flood risk and the risk of flooding should not increase as a result of the development. As such developments would be required to make specific measures to ensure potential flood risk is reduced, managed and mitigated. This would include avoiding areas of flood risk within larger sites through adjustments to the development types or layout and introduction of appropriate Sustainable Urban Drainage and any other flood prevention measures appropriate to the site and development.
- 3.13 Meanwhile Policy DM 8.13 proposes that where development could impact on future planned investment and existing drainage capacity, developers will be expected to contribute to enhancements.
- 3.14 The costs that may arise as a result of the policy would be dependent on the specific conditions affecting the site.
- 3.15 During the Local Plan consultation, no comments were received about the impact of the policy upon development viability.
- 3.16 **Policy DM9.1 Sustainable Design and Construction** - The policy outlines a key range of measures that should be incorporated into developments to ensure schemes minimise their carbon emissions, improve overall energy efficiency and address the causes and consequences of climate change. Schemes are not required to comply with the policy criteria where it can be demonstrated that complying with the policy would not be financially viable.
- 3.17 The sustainability criteria have been carefully considered so that they can be incorporated into a developments design and construction from the outset. Some of the criteria will not be relevant on every site and therefore the policy can be applied flexibly depending on site conditions and constraints.

- 3.18 Some of the criteria simply require consideration to ensure, for example, the suitable location for the storage and collection of waste; this would add no cost. The policy does not require any specific standard of sustainable construction but in requiring reductions in carbon emission, site specific schemes will need to demonstrate through Sustainability Statement the measures they have taken or where no such measures have been taken to reduce Carbon Dioxide emissions outline the technical or economic viability constraints for doing so.
- 3.19 Since publication of this last draft of the Local Plan revised government policy on Local Standards and revision to building regulations mean a number of criteria will be reviewed.
- 3.20 During the Local Plan consultation, no comments were received about the impact of the policy upon development viability.
- 3.21 **Policy DM9.2 Design of Development** - The policy sets a particular requirement for high and consistent design standards. The policy also includes a requirement for schemes of 10 units or more to demonstrate that they have addressed Building for Life 12 criteria.
- 3.22 During the Local Plan consultation, some comments were received questioning the approach to this Building for Life requirement and the 10 unit threshold. Some concerns were also highlighted around the government review of housing standards and the potential implications of design standards upon viability.
- 3.23 The Council's approach to ensuring high quality design is also set out within the Design Quality Supplementary Planning Document. Whilst this will be updated pending completion of the Local Plan the following explores further the possible implications of the SPD for viability.
- 3.24 Policy DM 9.2 and the Design Quality SPD require all applications (new build, conversions and extensions) to consider how a place looks, works and functions to meet the needs of users. This should ensure a sensitive response to the context of a scheme that successfully links into the neighbouring and wider area. If considered at the start of the process then good design can be achieved with little or no additional costs. The Council is committed to the consideration of design as early in the application process and encourages use of pre-application and Design Review to ensure that amendments to schemes that could improve design can be introduced early and will work with developers to ensure such improvements can be delivered without cost implications.
- 3.25 Good design does not need to impact on the number of dwellings that can be delivered on any given site and should be seen to be a thought process that can offer functional and urban design benefits.
- 3.26 **Policy S9.5 Improving Image** - This policy seeks to improve the attractiveness of the Borough and requires high standards of design at specific locations in the Borough and development allocations. In particular the policy proposes provision of high quality green urban environments and the use of high quality materials and street furniture and also the provision of public art.

- 3.27 During the Local Plan consultation, no comments were received about the impact of the policy upon development viability.

Contributions Monitoring

Public Art – Potentially supporting delivery of draft policy S9.5. Three developments have made contributions towards public art since 2010. These include two residential schemes and a mixed retail, office and hotel scheme. With a limited number of schemes subject to this contribution no clear pattern emerges with one residential scheme contributing over £1,000 per unit and a further contributing roughly £15 per unit. Meanwhile the single commercial scheme making contributions to art and culture made provision at £2.50 per square metre.

- 3.28 **Policy DM9.11 Heritage Assets** - This policy has the potential to lead to direct additional costs for developments that are or could affect North Tyneside's heritage assets. For example, within a Conservation Area or listed buildings constraints may be placed upon the scale of development or the type and quality of materials used to prevent harm to the particularly significance of the heritage asset.
- 3.29 Whilst having such implications for potential viability, the approach of policy DM 9.11 reflects NPPF policy and guidance. The potential cost implications are also entirely site specific and do not apply in general to development within North Tyneside. As the Local Plan is further progressed, the potential implications of this policy for viability of delivering sites that may have an impact upon heritage assets will be taken into account.
- 3.30 **Policy S10.1 General Infrastructure and Funding** - This policy directly addresses the circumstances in which funding may be sought from development as part of a planning application. Whilst not outlining the specific infrastructure for which contributions would be sought the following broad topics are known to require contributions:
Green infrastructure, environmental quality, education (statutory school age education as opposed to additional training opportunities), transport and highways, sports provision, libraries, health and utilities.
- 3.31 As the Local Plan and Infrastructure Delivery Plan are advanced, the specific improvements necessary to the Borough's infrastructure required to meet planned growth will be further established. An assessment of current sources of funding and the gap that exists and could be filled through s106 contributions or Community Infrastructure Levy is currently underway.
- 3.32 A full review is currently underway of North Tyneside Council's approach to securing s106 planning obligations. This will explore the degree to which the Council's approach conforms to CIL regulations.
- 3.33 As part of the Local Plan Consultation Draft, comments were received regarding Policy S10.1 broadly acknowledging the role of development in meeting appropriate costs of

infrastructure requirements where required through planning obligations. The responses sought to draw attention to paragraph's 203 to 206 of the National Planning Policy Framework. This sets out the general circumstances in which Planning Obligations should be sought from development.

- 3.34 A specific concern highlighted through comments is the reference the policy makes to seeking to address existing deficiencies in infrastructure provision. The wording approach to this statement will be considered to clarify that the intention is to seek such improvements through all means of funding and the thrust of the policy is not directed solely at developer contributions. This also acknowledges that where properly considered and planned a contribution can make such an improvement without necessarily costing any more than a less considered contribution that only addresses the impact of a development alone.
- 3.35 **Policy DM10.2 Development Viability** - This policy has implications for development viability as it enshrines consideration of the cost placed upon development through planning obligations. In particular the policy sets a condition based approach where by, if any scheme where a contribution towards funding is able to demonstrate that it would not be viable to do so and delivery of the scheme was critical to the objectives and policies of the Local Plan; the Council would consider waiving part of the required contribution or explore mechanisms to defer contributions until it is viable to do so.
- 3.36 Responses to the Local Plan Consultation Draft indicated this approach was broadly in accordance with the principles of NPPF. However, some concern was expressed regarding the requirement for schemes to also be of importance to achieving the objectives and policy of the emerging Local Plan. The overall wording will be amended to provide additional clarity about the circumstances and approach to negotiating developer contributions to secure the most effective balance between enabling viable development to proceed and protecting the core principles of sustainable development and the objectives of the local Plan.
- 3.37 **Policy S10.3 Community Infrastructure** – This strategic policy provides the mechanism through which contributions or support particularly for social infrastructure such as health or education needs can be met.
- 3.38 Through making reference to adequate maintenance of the level of provision of such facilities as the borough grows suitable contributions from development would be required. Where quantifiable the potential costs of such contributions will be considered through the viability assessment as part of the overall s106 costs.
- 3.39 **Policy DM10.4: New development and Transport** - Policy sets criteria for the consideration of transport implications and introduction of appropriate mitigation. Overall it is considered that such costs are central to the need to ensure that the Local Plan places adequate requirements on ensuring highway safety is maintained, potential severe impacts on traffic and congestion are addressed and sustainable modes of transport are supported and encouraged. See assessment of Transport & Highways SPD.

- 3.40 **Policy S10.9 Water Supply and DM10.10 Sustainable Drainage** - (See also policies DM 8.12 and DM 8.13 and DM9.1.) This policy has potential cost implications for developments that would require improvements to water infrastructure and incorporation of measures such as SuDS.
- 3.41 Policy DM 10.10 : Sustainable Drainage is a development management consideration, this Policy requires inclusion of drainage infrastructure sufficient to enable development to comply with nationally set standards and policy.
- 3.42 Comments were received about the impact of the policy upon development viability, and in particular the Council's current and potential approaches to the adoption and future management of SuDS. Without this clarity it is noted that the additional costs could fall on the developer, leading to long term implications for the viability of schemes. At this time, overall approaches to maintenance of SuDS are subject to consideration across the region. Potential sources of funding to maintain these could include developer led payments, an annual fee levied on householders and Local Authority support.

Supplementary Development Plan Documents

- 3.43 A number of supplementary planning documents are also either adopted or programmed for preparation in the current Local Development Scheme.
- 3.44 **Weetslade Development Brief SPD 2007**: specifically outlines development approach to a Key Employment Site within the north west of North Tyneside. The current SPD requires review as there have been significant changes in available evidence and proposed development forms that need to be considered as part of a revised framework for development.
- 3.45 **Transport and Highways SPD 2010**: sets out relevant requirements that would be imposed on developments to ensure highway safety is maintained and sustainable travel is encouraged, included parking standards. Whilst guiding the delivery of specific measures related to transport and highways, the SPD does not impose additional local standards, and primarily guides the delivery of features that would form a standard component of any development in the Borough.
- 3.46 **Design Quality SPD 2011**: Provides a range of good practice examples and sets out the Councils key expectations for good design from development. The role of the SPD is therefore supportive in providing potential applicants with an understanding at the earliest opportunity of potential opportunities and methods to ensure good design.
- 3.47 **Register of Historic parks and Buildings SPD 2008**: Identifies buildings, structures and spaces of particular significance that are not otherwise a heritage designation. The SPD seeks to ensure that the potential harm or loss of such non-designated assets is a material consideration in considering planning applications. The SPD largely applies policy in accordance with NPPF principles and does not apply additional restrictions upon development.

4. Neighbouring Local Authorities – The duty to co-operate

- 4.1 In considering and assessing viability and ensuring appropriate development contributions towards infrastructure needs and sustainability, regard the methods and assumptions adopted by neighbouring Local Authorities is a useful exercise. In particular an understanding of the approach of Newcastle City Council and Northumberland County Council as North Tyneside’s nearest neighbours will be important.
- 4.2 **Newcastle City Council** - Newcastle City Council submitted its Core Strategy and Urban Core Plan in early 2014 and an Examination in Public took place during June with final hearings held in October 2014. The Core Strategy will be followed by a Delivery and Allocations Plan and production of an Community Infrastructure Levy (CIL).
- 4.3 Newcastle City Council consulted on a Preliminary Draft Charging Schedule for CIL in 2012. This proposed dividing the City into three value bands, with different zones for residential development and commercial development.
- 4.4 For residential development Zone A included the majority of the rural area of Newcastle, Zone B included an area centred on Great North Road including areas of Newcastle such as Gosforth and Jesmond. The remainder of the city outside zones A and B made up the third area.
- 4.5 For residential development a CIL rate of £0 was proposed for any area outside zones A and B. A charge of £166 per square metre was proposed for Zone A and £88 per square metre was proposed for Zone B.
- 4.6 For Commercial development, Zone 1 included the City Centre, Zone 2 included the area north of the city centre focused upon Gosforth and Jesmond plus small pockets at Newcastle Airport and Kingston Park. The following table outlines the proposed CIL rate for commercial development.

Figure 3: Newcastle City Council – Preliminary Charging Schedule 2012

Chargeable Use	Zone 1	Zone 2	Outside of Zones 1 & 2
A1 supermarket (over 1,000 sq m,)*	£128/sq m	£128/sq m	£128/sq m
Small scale A1, A2, A3, A4, A5 uses (1,000 sq m or under)			£0
A1 comparison, A2, A3, A4, A5 uses, vehicle sales (sui generis) (over 1,000 sq m)			£80/sq m
Office B1	£64/sq m	£0	£0
Hotel C1	£3/sq m	£40/sq m	£0

Source: http://onecorestrategyng-consult.limehouse.co.uk/portal/cil_-_preliminary_draft_charging_schedule?pointId=2207025

- 4.7 In February 2014 Newcastle and Gateshead published the “Gateshead and Newcastle Viability and Deliverability Report, February 2014”⁶ to accompany submission of the joint Core Strategy. This sets out the methodology, assumptions and conclusions of the two Council’s assessment of economic viability and the assessment of the impacts and deliverability of the proposed plan policy and proposals.
- 4.8 **Northumberland County Council** – Work is ongoing on production of Northumberland’s Core Strategy with the latest consultation on a draft of their plan underway from December 2014 to February 2015. Prior to this Northumberland consulted on a draft Viability Assessment from October 2013 to January 2014⁷. This consultation set out some of the key principles and proposed methodology for undertaking the Northumberland County Council Viability Assessment. Meanwhile, alongside the December 2014 Core Strategy consultation the County published the Northumberland Core Strategy and Community Infrastructure Levy Viability Assessment: Interim Report, December 2014.

⁶ NewcastleGateshead – Viability Report <http://onecorestrategyng.limehouse.co.uk/file/2833828>

⁷Northumberland Viability Assessment Consultation 2013 <http://northumberland-consult.limehouse.co.uk/file/2680189>

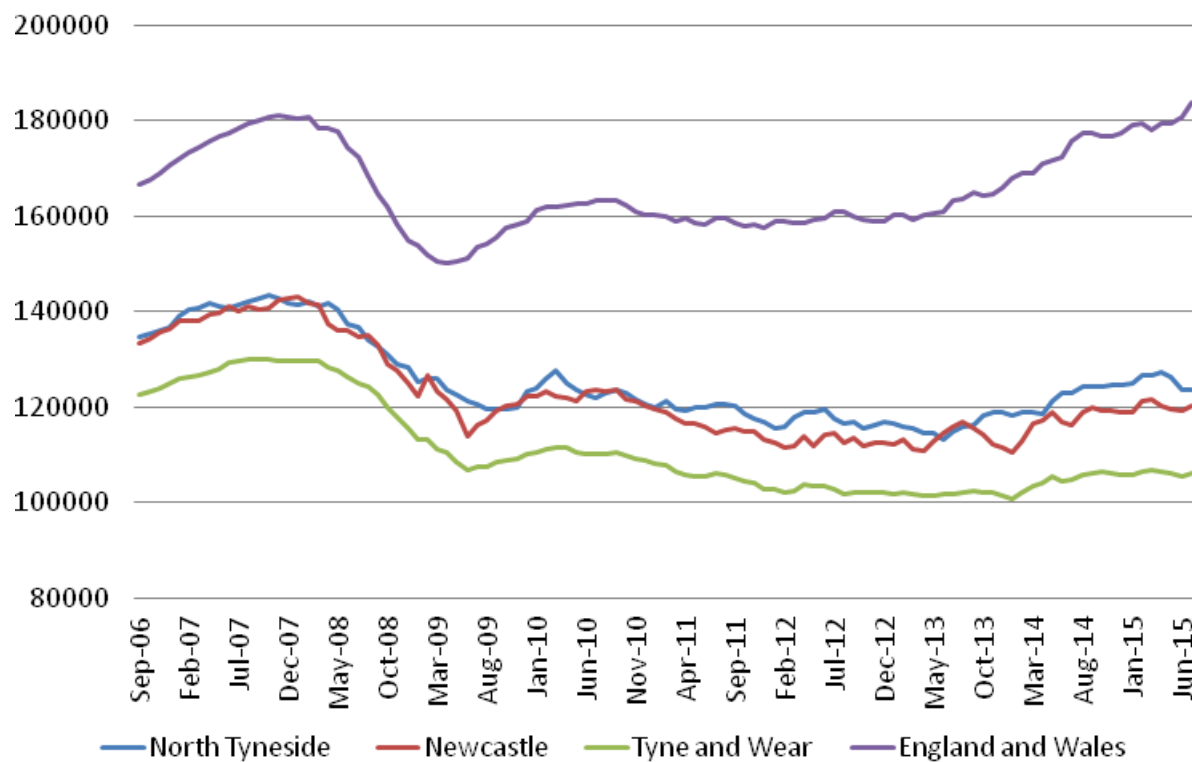
4. Residential Development Appraisals

4.1 Whilst there are specific issues affecting every development scheme that makes them unique and affects their viability, this area wide Local Plan assessment will develop a set of assumptions that consider the broad costs and values for housing development in the Borough.

The housing market

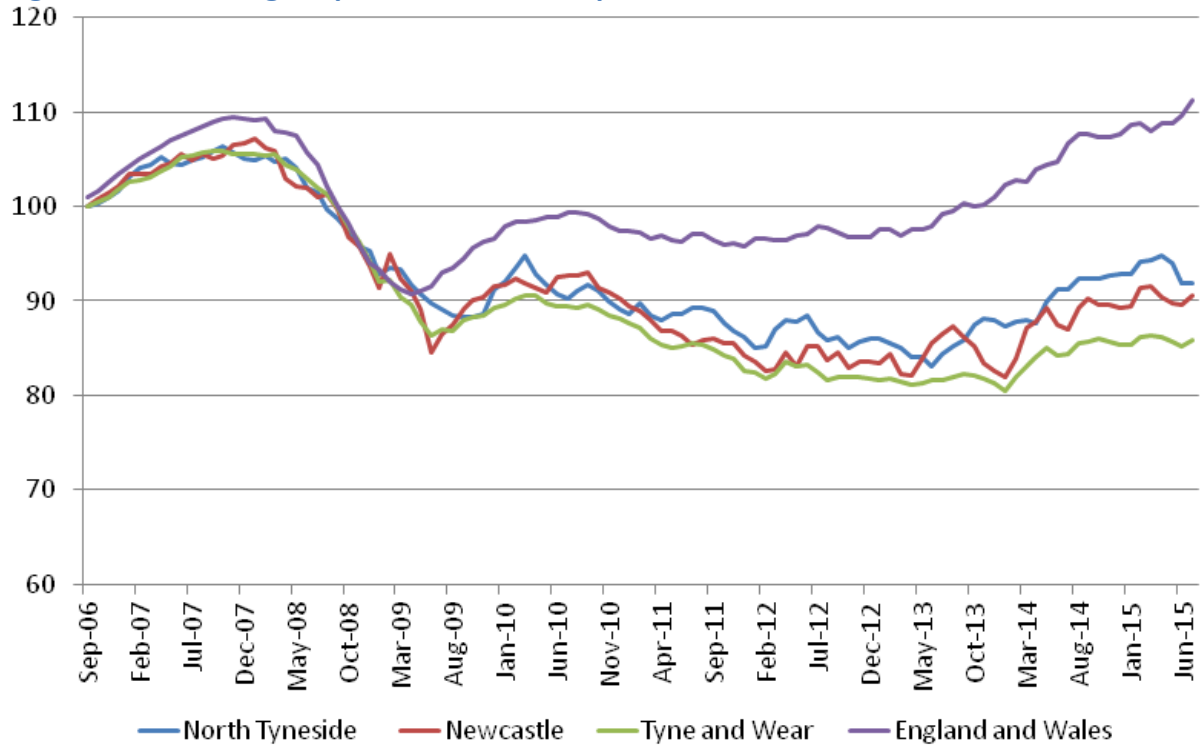
4.2 House prices and the delivery of new homes in North Tyneside declined significantly from the onset of the economic downturn in 2007/08. Figure 4 below, shows average house prices for 2006-2014 for North Tyneside, Newcastle and Tyne and Wear. Figure 5 also identifies relative change in house prices since 2006. North Tyneside's house prices are higher than the North East and Tyne & Wear house prices but lower than the national average and as illustrated in Figure 5 have, along with the North East as a whole, failed to recover as quickly as average prices in England and Wales

Figure 4: Average House Prices September 2006 to September 2014



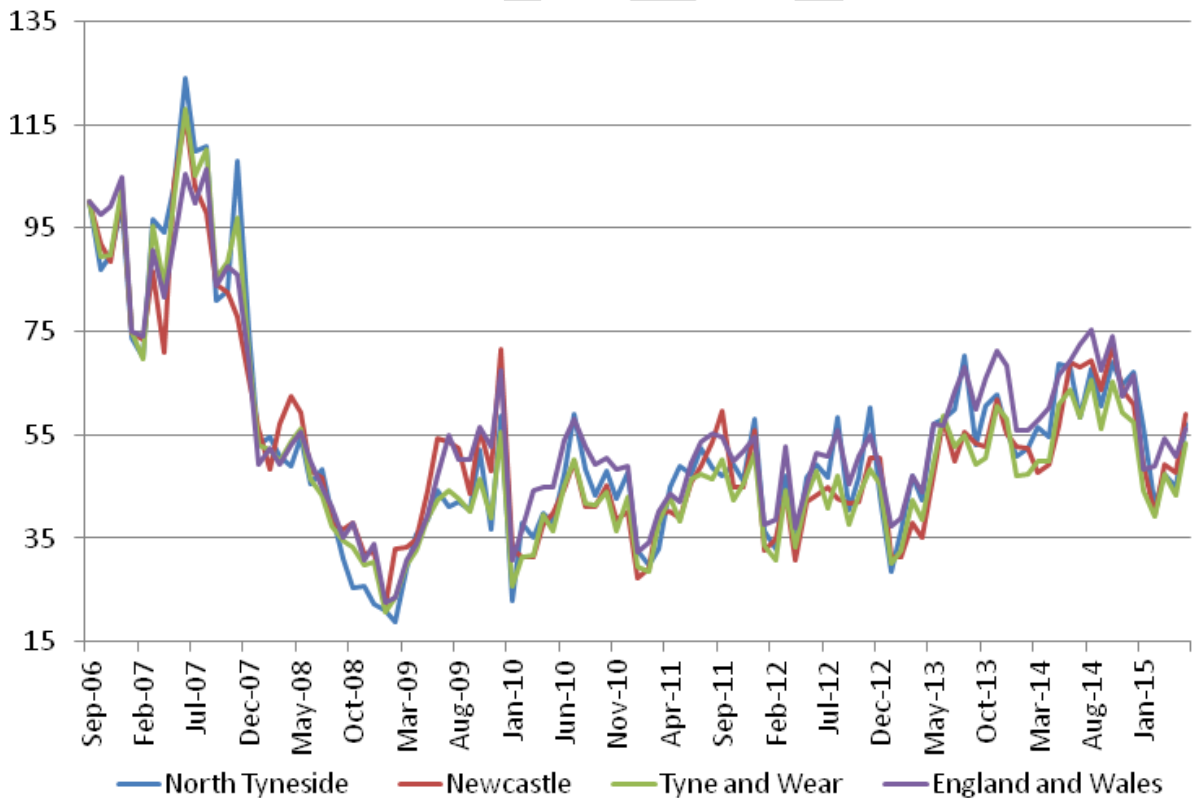
Source: Land Registry House Price Index, Monthly Average House Price, September 2015

Figure 5: Price change September 2006 to September 2015



Source: Land Registry House Price Index, Monthly Average House Price, September 2015

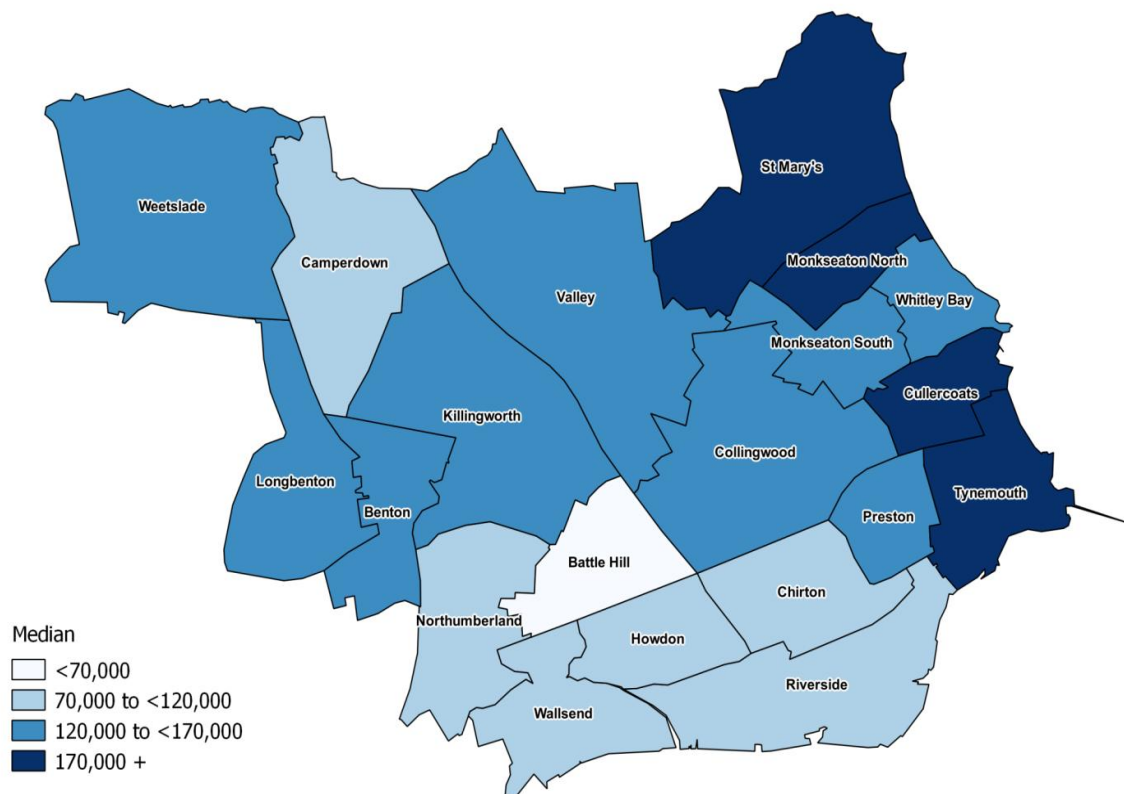
Figure 6: Volume of sales transactions for the period September 2006 to September 2015



Source: Land Registry September 2015

- 4.3 The data in Figure 6 has been indexed to give a common starting point quarter 4 2007 = 100. The volume of sales in North Tyneside hit a low in quarter 4 of 2008 when they fell by 71% from the levels seen in 2007. The market has recovered slightly, however sales are still only 59% of the sale levels at the height of the market in quarter 4 of 2007. The number of sales has been fairly consistent since 2009 taking into account seasonal trends. Sales in the North East and North Tyneside market have not recovered as well as nationally.
- 4.4 Further analysis has been undertaken to consider the distribution of house prices across North Tyneside. Overall North Tyneside represents a fairly contiguous urban area. However, there are clear variations in average house prices across the area, illustrated in Figure 7 below. The emerging North Tyneside Strategic Housing Market Assessment (SHMA) broadly supports the identification of these broad value areas.

Figure 7: Average House Prices – North Tyneside 2012/13



Source: Land Registry House Prices / North Tyneside SHMA (Arc4)

- 4.5 As can be seen from the map above there are three very general price bands within North Tyneside. These provide a potential basis for developing three market areas for assessing area wide viability within North Tyneside, as illustrated in Figure 8.
- 4.6 The higher value area extends generally along the Coast, whilst areas to the south and west of the Borough are generally of lower value. The remaining areas and greatest number of wards within North Tyneside are of medium value.

Figure 8: Market value areas by Ward

Lower value £70,000 to £120,000	Medium value £120,000 to £170,000	Higher value £170,000 plus
Battle Hill Camperdown Chirton Howdon Northumberland Riverside Wallsend	Benton Collingwood Killingworth Longbenton Monkseaton South Preston Valley Weetslade Whitley Bay	Cullercoats Monkseaton North St Mary's Tynemouth

New Home Prices

- 4.7 Average house prices provide a good indication of the overall market in North Tyneside and provide the clearest indication of variation across the Borough. However, it is the prices sought and achieved for new homes that are particularly pertinent to a study of viability.
- 4.8 To develop an understanding of the price ranges of currently active and recently completed housing schemes in North Tyneside research into the online asking prices and recorded sold prices of thirteen housing schemes has been undertaken. These are on sites that range in scale from 14 to over 600 homes and are shown at Figure 9 and 10.

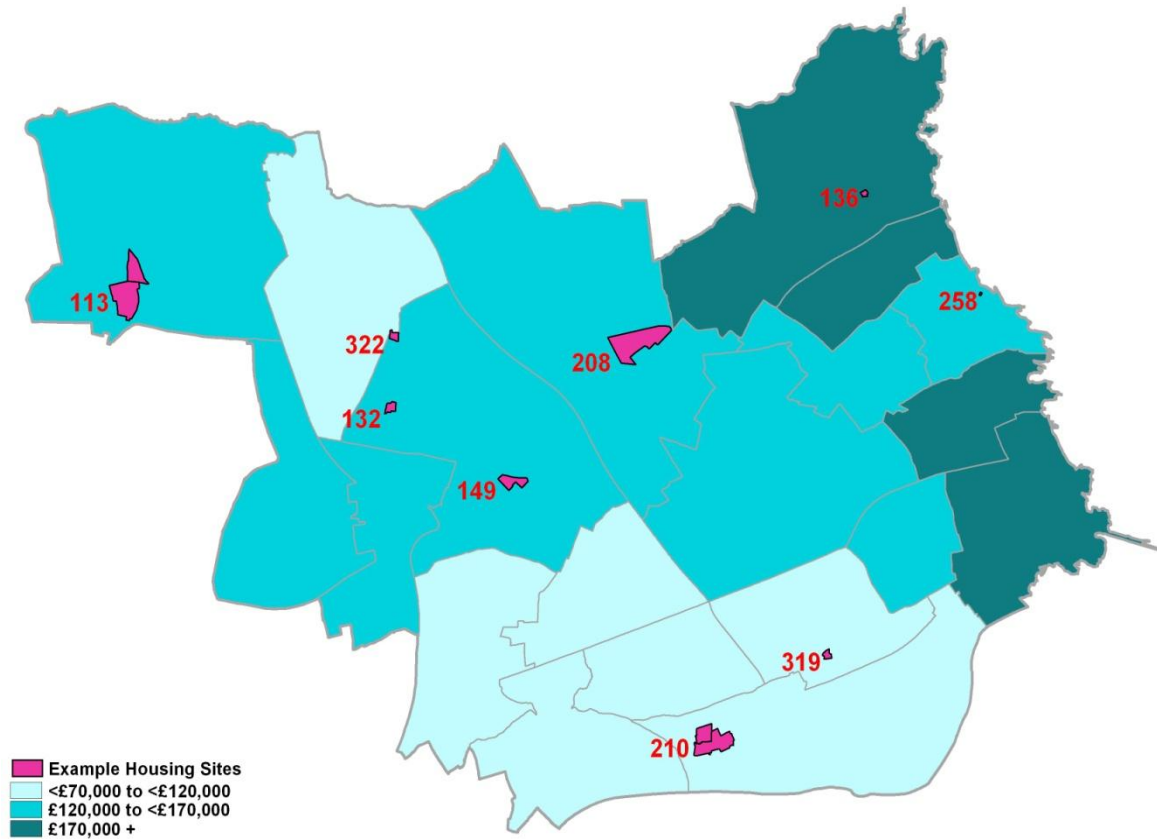
Figure 9: Specific new build schemes – to research asking / sold prices

Site	Included house types	#	Beds	Type	Asking Prices	Size (m2)	Asking Price (m2)
Site 208: At land north of shiremoor (Earsdon View) 200 Homes Bellway	Sandhurst 3	x1	3	detached	£196,995	83	£2,373
	Somerton 2	x1	3	detached	£209,995	90.8	£2,312
	Stourton	x5	4	detached	£234,995	109.7	£2,142
	Weston 2	x4	4	detached	£249,995	118	£2,118
	Wedmore	x7	4	detached	£309,995	149.5	£2,073
	Plane	x3	4	detached	£314,995		
	Stourton	x4	4	end terrace	£215,000	109.7	£1,959
	Sandhurst 2	x15	3	s-detached	£179,995	83	£2,168
	Salisbury	x6	3	s-detached	£174,995	81	£2,160
	Salisbury mid terrace	x5	3	terrace	£174,995	81	£2,160
	Stourton	x5	4	terrace	£210,000	109.7	£1,914
All	X55	-	-	£222,395			
Site 113: East Wideopen (5 Mile Park) 330 Homes Bellway	Apartment		2	apartment	£119,995	58.4	£2,054
	Eastleigh	x6	3	s-detached	£174,995	91.9	£1,904
	Sandhurst	x7	3	detached	£204,995	83	£2,469
	Somerton	x7	3	detached	£209,995	90.8	£2,312
	Weston	x4	4	detached	£249,995	118	£2,118
	All (exc Apartment)	X28	-	-	£215,531		
Site 210: Willington Quay	Faceby 2	x8	3	s- detached	£169,995	95.9	£1,772

Site	Included house types	#	Beds	Type	Asking Prices	Size (m2)	Asking Price (m2)
(Hadrian Village) 228 Homes Bellway	Belsay 2	x8	4	detached	£222,995	126.5	£1,762
	Brentwood 2	x8	4	detached	£222,995	125.7	£1,774
	All	X24	-	-	£205,328		
Site 33: Norman Terrace (Hadrian Green) 14 Homes Bellway	Salisbury	-	3	detached	£159,995	81	£1,975
	Sandhurst 2	-	3	detached	£164,995	83	£1,987
	Brampton 2	-	3	detached	£170,000	89.4	£1,901
	All	-	-	-	£163,567 (est)		
Site 149: Stanley Miller (The Limes) 99 Homes Taylor Wimpey	Ardingham	x11	3	detached	£191,995	88.3	£2,174
	Bisham	x4	4	detached	£209,995	100	£2,099
	Bradenham	x14	4	detached	£219,995	105.6	£2,083
	Petford	x13	4	detached	£229,995	114.5	£2,008
	Downham	x7	4	detached	£229,995		
	Eyensham	x7	4	detached	£244,995		
	All	x56	-	-	£220,477		
Site 80: The Covers 79 Homes Bellway	Brampton 2	x8	3	s-detached	£179,995	89.4	£2,013
	Brampton 2	x8	3	detached	£199,995	89.4	£2,237
	Belsay 2	x8	4	detached	£254,995	126.5	£2,015
	Kirby 2	x3	4	detached	£279,995	133	£2,105
	All	x27	-	-	£219,254		
Site 43: Former Battle Hill Library 55 Homes Keepmoat	apartments	-	-	-	-		
	terraced	-	-	-	-		
	semi-detached	-	-	-	-		
	All	-	-	-	-		
Site 319: Former Meadowell Primary 40 Homes Ben Bailey Homes	Piper terrace	x4	2	terraced		56.4	
	Piper semi	x4	2	s-detached		56.4	
	Dove terrace	x3	3	terraced		65	
	Dove semi	x3	3	s-detached		65	
	Whitworth	x5	3	s-detached			
	Sopwith	x2	3	detached			
	Handley semi	x4	3	s-detached			
	Handley detached	x5	3	detached			
	Vulcan	x1	4	detached			
	Lockheed	x5	4	detached			
	Blenheim	x4	4	detached			
	All	x40	-	-	-		
	Site 322: North of Amberley Primary 35 Homes Persimmon	Terraced	-	-	-	-	
Semi-detached		-	-	-	-		
Detached		-	-	-	-		
All		-	-	-	-		
Site 132: St Josephs, Killingworth	Newbury	x4	4	detached	£409,995	175.4	£2,337
	Southwell	x4	4	detached	£414,995		
	Haydock	x2	5	detached	£489,995		

Site	Included house types	#	Beds	Type	Asking Prices	Size (m2)	Asking Price (m2)
24 Homes Bellway	All	10	-	-	£427,995		
	Kempton	x2	4	detached	-		
	Goodwood	x2	4	detached	-		
	Aintree	x5	4	detached	-		
	Lingfield	x1	4	detached	-		
	Worcester	x2	5	detached	-		
	Fontwell	x2	5	detached	-		
Site 25: Former North'land Arms PH	Tyrone	x14	3	s-detached	£110,995	68.55	£1,619
	Cork	x6	2	s-detached	-	58.6	
	Cork	x3	2	terraced	-	58.6	
23 Homes Gleeson							
Site 258: Montague Apartments (former Esplanade Hotel)	Apartments	x14	2	apartments	£240,000		
14 Homes							
Site 136: Former Glebe School, Monkseaton 14 Homes Charles Church	The Chichester	-	4	detached	£319,950	134	£2,387
	The Blenheim 2	-	5	detached	£425,950		
	The Grasmere	-	5	detached	£384,950		
	The Blenheim 2	-	5	detached	£419,950		
	The Chichester	-	4	detached	£329,950		
	The Chichester	-	4	detached	£329,950		
	The Eslington	-	4	detached	£379,950		
	The Grasmere	-	5	detached	£379,950		
	The Chichester	-	4	detached	£319,950		
	All	-	-	-	£328,887 (est)		

Figure 10: Distribution of example sites by value band



Source: North Tyneside Housing Site Monitoring

Figure 11: New Homes Sold Prices

Site	# Sold	Sold Prices (Average £)	Value Area
SHLAA # 208: Land N. of shiremoor (Earsdon View)	15	£226,912 (£104,975 - £300,000)	Higher
SHLAA # 113: East Wideopen (5 Mile Park)	-	£195,126 (£108,500 - £309,495)	Medium
SHLAA # 210: Willington Quay (Hadrian Village)	30	£166,958 (£138,000 - £237,452)	Lower
SHLAA # 149: Stanley Miller (The Limes)	23	£203,000 (£161,495 - £249,995)	Medium
SHLAA # 80: The Covers	35	£204,620 (£161,463 - £295,000)	Lower
SHLAA #43: Former Battle Hill Library		£112,777 (£85,020 - £149,995)	Lower
SHLAA #319: Former Meadowell Primary		£118,177 (£67,500 - £169,995)	Lower
SHLAA #322: North of Amberley Primary		£172,334 (£104,965 - £230,000)	Medium
SHLAA #132: St Josephs, Killingworth		£387,375 (£323,000 - £483,000)	Medium
SHLAA #25: Former North'land Arms PH		£98,625 (£87,355 - £110,995)	Lower
SHLAA #258: Montague Apts (Esplanade Hotel)	1	£275,000	Higher
SHLAA #136: Former Glebe School, Monkseaton		£374,260 (£330,000 - £425,950)	Higher

Source: Rightmove survey

Residential Viability Modelling – Assumptions

4.9 Based on the range of information collected about the current housing market in North Tyneside and an understanding of the housing market within the Borough the following assumptions are proposed for the Viability Assessment modelling.

Market Housing

4.10 From the analysis of the housing market set out above the following assumptions are applied to market housing values for the area wide viability assessment.

Figure 12 – Market housing land value assumptions

	Lower Value	Medium Value	Higher Value
£ / sqm	£1,550	£2,000	£2,250

Affordable Housing

4.11 Definitions relating to affordable housing have been revised in the National Planning Policy Framework (March 2012). Affordable housing is comprised of Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.

- i. **Social rented** housing is typically owned by local authorities and private Registered Providers (as defined in Section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime.
- ii. **Affordable rented** housing is let by local authorities or private Registered Providers of social housing to households who are eligible for social rented housing. Affordable rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).
- iii. **Intermediate housing** is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the affordable housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing. This does not include “low cost market” housing, which may not be considered as affordable housing for planning.

4.12 Affordable housing delivery has increased in North Tyneside, after very low levels of delivery in from 2008/09 through to 2011/12. This increase reflects a period in which North Tyneside has increased the emphasis on securing delivery of affordable housing as clearer evidence of need has been established. It also highlights the relative security of affordable housing delivery that house builders found through the most difficult period of the economic slump from 2008/09 to 2010/11.

Figure 13: Affordable Housing Delivery 2004/05 to 2011/12

	Affordable	Market	Total (Gross)	Percentage
2004/05	13	850	863	1.5%
2005/06	65	789	854	7.6%
2006/07	21	705	726	2.8%
2007/08	23	642	665	3.4%

	Affordable	Market	Total (Gross)	Percentage
2008/09	80	366	446	17.9%
2009/10	189	177	366	51.6%
2010/11	141	222	363	38.8%
2011/12	89	366	455	19.5%
2012/13	126	369	495	34%
2013/14	106	341	447	31%

Source: North Tyneside Housing Strategy and Planning Information Monitoring

- 4.13 North Tyneside currently seeks 25% affordable housing for all residential developments of 15 homes and above. The continued suitability of this target will be considered as part of this Viability Assessment.
- 4.14 The requirements for the type of affordable housing sought from developments will vary between sites. Reference will be made to the Strategic Housing Market Assessment that includes information about the bedroom requirements and type of affordable housing required.
- 4.15 Through 2014, a full review of North Tyneside's Strategic Housing Market Assessment has been undertaken. This provides a detailed assessment of housing need for North Tyneside informed by analysis of market signals and a detailed Household Survey, distributed to over 20,000 households in the Borough. Amongst the key conclusions included within the SHMA, it is recommended that of affordable housing delivery the following mix should be pursued:
- i. Social housing for rent – 75% of affordable housing delivery.
 - ii. Intermediate (Shared Ownership) – 25% of affordable housing delivery.
- 4.16 As noted above the value of social rented housing is established through guideline target rents, whilst affordable rented housing is set at 80% of market value. Whilst the current SHMA does not consider the requirements for affordable rented housing in North Tyneside it is expected that this sector will be popular with registered providers due to the flexibility and returns it provides them. In general within, the approach taken to such delivery within North Tyneside given the relative difference between affordable and social rents, is to welcome either tenure as a contribution to providing the 75% target for rented accommodation.
- 4.17 The probable prices for affordable rented housing can be reasonably estimated from the current advertised rental market. Figure 14 below outlines the results of a survey of properties on the Rightmove website in May 2013.

Figure 14: Private rented prices (per month)

Dwelling Type		Higher Value	Medium Value	Lower Value	Borough-Wide
1 Bed Flat	Average	£524	£450	£371	£440
	Lower Quartile	£450	£383	£300	£375
	80% Affordable	£419	£360	£297	£352
2 Bed Flat	Average	£568	£512	£454	£494
	Lower Quartile	£468	£450	£413	£425

Dwelling Type		Higher Value	Medium Value	Lower Value	Borough-Wide
3 Bed Flat	80% Affordable	£455	£410	£363	£395
	Average	£559	£588	£492	£524
	Lower Quartile	£480	£556	£425	£425
4 Bed Flat	80% Affordable	£447	£470	£394	£419
	Average	£765	-	-	£724
	Lower Quartile	£648	-	-	£695
2 Bed Terraced	80% Affordable	£612	-	-	£579
	Average	£636	£568	£502	£545
	Lower Quartile	£564	£500	£450	£475
3 Bed Terraced	80% Affordable	£509	£454	£401	£436
	Average	£861	£666	£575	£701
	Lower Quartile	£743	£613	£513	£573
4+ Bed Terraced	80% Affordable	£689	£533	£460	£561
	Average	£1,157	-	£785	£1,083
	Lower Quartile	£525	-	£863	£825
2 Bed Semi-Detached	80% Affordable	£926	-	£628	£866
	Average	-	£581	£556	£563
	Lower Quartile	-	£550	£518	£525
3 Bed Semi-Detached	80% Affordable	-	£465	£445	£450
	Average	£924	£683	£617	£692
	Lower Quartile	£811	£631	£550	£618
4+ Bed Semi-Detached	80% Affordable	£739	£546	£494	£554
	Average	£1,013	-	-	£904
	Lower Quartile	£788	-	-	£756
2 Bed Detached	80% Affordable	£810	-	-	£723
	Average	£748	-	-	£723
	Lower Quartile	£721	-	-	£685
3 Bed Detached	80% Affordable	£598	-	-	£579
	Average	-	£870	-	£883
	Lower Quartile	-	£750	-	£775
4+ Bed Detached	80% Affordable	-	£696	-	£707
	Average	£1,217	£1,025	£1,131	£1,135
	Lower Quartile	£1,200	£987	£850	£884
All	80% Affordable	£973	£820	£905	£908
	Average	£683	£582	£498	£563
	Lower Quartile	£492	£490	£425	£450
	80% Affordable	£546	£466	£398	£451

Rightmove Survey: May 2013

Figure 15: Social housing for rent, North Tyneside

Price per tenure	1 Bed		2 Bed House		3 Bed House		Ave Weekly rent
	Weekly	Annual	Weekly	Annual	Weekly	Annual	
Affordability of 80% Private Rent							£96.37
Affordability of Social Rent	£60	£3,100	£74	£3,842	£73.3	£4,127	£71.92

Source: North Tyneside SHMA 2014 - RP rents 2011 RSR return; VOA Private Rents 2013

Intermediate sale

- 4.18 Through engagement with Registered Providers active within North Tyneside and the Council's housing strategy team the following estimates for the value of intermediate affordable housing have been made.

Figure 16: Intermediate sale

	Average Market Value			
	1 bed	2 bed	3 bed	4 bed plus
House	n/a	£130,000	£170,000	£220,000
Flat	n/a	£100,000	n/a	n/a

	Rent per Annum			
	1 bed	2 bed	3 bed	4 bed plus
House	n/a	£1,690	£2,210	£2,860
Flat	n/a	£1,300	n/a	n/a

Affordable housing grant

- 4.19 For the purposes of this assessment, it is proposed that all schemes include affordable housing delivery as a contribution from private developments. As such, no allowance is made for grant contributions from the Homes and Community Agency.

Floor Areas - Market and Affordable Homes

- 4.20 The following floor areas assumptions are applied to market and affordable homes. These are based on current analysis and advice from partners.

Figure 17: Floor Area Assumptions by Dwelling Type

Dwelling Type	Floor Area (sqm)	
	Private	Affordable
1 Bed Flat	45	50
2 Bed Flat	60	65
3 Bed Flat	75	80
2 Bed House	65	70
3 Bed House	85	90
4+ Bed House	110	115
Larger 4+ House	130	135

- 4.21 For comparison only the table below sets out the nationally described minimum space standards. Each floor area is highlighted to illustrate whether the proposed assumption meets the minimum standard.

Figure 18: Nationally described minimum space standards

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)2			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	

Technical housing standards – nationally described space standard, DCLG, March 2015

Land Value Assumptions

- 4.22 A key element of the residual land value methodology is to establish that the value of the development is greater than the cost of developing the site plus the value of the land – or benchmarked value.
- 4.23 It is also the case that for the value of the development to simply exceed the existing use of the land would in most circumstances not be sufficient to incentivise the landowner to release the land for development. This is central to the understanding of viability and deliverability in the context of the NPPF that establishes viability is dependent on a willing landowner and willing developer. In such circumstances both parties would expect a reasonable return.
- 4.24 Within guidance on undertaking viability assessments, the approach set out by the Local Housing Delivery Group is based on an assessment of Existing Use Values, with the existing use value of land subject to a percentage uplift or premium. To fully consider the implications of this, the North Tyneside Viability Assessment has initially undertaken modelling based on an assessment taking the Equivalent Use Value plus a premium that has been informed by the current market value, and as a proportion of the value uplift arising from the Gross Development Value.
- 4.25 The approach taken therefore looks at an existing use value of £25,000 per hectare for agricultural land plus a 50% uplift on Gross Development Value and £350,000 per hectare of existing brownfield land plus a 20% uplift on Gross Development Value.

Construction Costs

- 4.26 It is proposed to source build cost data from the Building Cost Information Service (BCIS). Figures from Q1 2014 have been used, rebased to North Tyneside. As future iterations of the North Tyneside Area Wide Viability Assessment are prepared to support the publication

and submission of the North Tyneside Local Plan, the appraisals will be updated to incorporate the most recently available data on costs.

Sustainable Construction - Zero Carbon Homes and Energy Efficiency

- 4.27 The Government has expressed its committed to ensuring all new homes are ‘zero carbon’ from 2016. In April 2014 changes to Part L of the Building Regulations were introduced raising overall standards for sustainable construction. For new homes, the changes deliver a 6% improvement on 2010 standards across the build mix.
- 4.28 Similarly a strengthening of carbon dioxide targets for new non-domestic buildings deliver a 9% improvement on 2010 standards aggregated across the build mix. Further changes are proposed from 2016 in line with the zero carbon agenda.
- 4.29 In March 2014 the Government confirmed its intention to wind down the Code for Sustainable Homes and to consolidate technical standards. These will similarly result in changes to the Building Regulations. The emerging approach is one of providing scope for Local Authorities within their Local Plans to set out specific local standards for construction where they are clearly based on a justified need to set standards that differ from those established nationally.
- 4.30 Attributing a cost to these enhanced building standards is complex. Improved efficiencies will achieve cost savings in respect of the running expense of new development and therefore may attract a premium in the sales price. In addition, as technology progresses and inclusion of sustainability standards as part of construction become commercial in scale, the relative costs of such measures will decline.
- 4.31 Analysis provided by the Zero Carbon Hub “Cost Analysis: meeting the zero carbon standard, February 2014”⁸ outlined a range of estimated costs for achieving zero carbon homes. Figure 19 below provides an illustration of estimated additional cost for the construction of a zero carbon home.

Figure 19: Cost above Part L1A 2013 for achieving the Zero Carbon Standard for different house types via lowest cost route

Element	Detached house	Semi-detached house	Mid-terraced house	Low-rise apartment
Per home				
Fees	£1,728	£61	-£76	-£32
Heating and LZC technology	£3,270	£2,824	£2,477	£978
Carbon compliance	£4,998	£2,885	£2,401	£947
Allowable solutions	£2,118	£1,504	£1,508	£1,375
Total (central)	£7,116	£4,389	£3,910	£2,322
Range	£6,700-£7,500	£4,100-£4,700	£3,700-£4,200	£2,200-£2,400
Per m2				

⁸ Zero Carbon Hub “Cost Analysis http://www.zerocarbonhub.org/sites/default/files/resources/reports/Cost_Analysis-Meeting_the_Zero_Carbon_Standard.pdf

Element	Detached house	Semi-detached house	Mid-terraced house	Low-rise apartment
Fees	£15	£1	-£1	£0
Heating and LZC technology	£28	£37	£32	£18
Carbon compliance	£42	£38	£31	£18
Allowable solutions	£18	£20	£20	£25
Total (central)	£60	£58	£51	£43
Range	£57-£64	£54-£62	£48-£55	£42-£44

Zero Carbon Hub – Costs Analysis 2014

4.32 Compared to estimated build costs arising from BCIS the above table suggests an uplift of between 5% and 7% above part L1A of the Building Regulations, to achieve zero carbon homes. The estimates considered here represent the lowest cost route set out by the Zero carbon hub to achieving zero carbon. A range of alternative scenarios also exist based on alternative methods of reducing carbon emissions.

4.33 Through development of the Local Plan requirements, for implementing zero carbon and the implications for build costs will be kept up to date. At this time there are clear additional costs associated with these increasing standards and to enable some consideration of the implications, an additional appraisal will be undertaken incorporating an assumed premium of 2% on BCIS build costs.

Site Infrastructure Costs

4.34 An additional allowance to take account of additional site infrastructure costs for external works will be included. This will typically be calculated at 10% of the build costs.

Specific Brownfield Land Uplift

4.35 To allow the development appraisals to reflect the typical picture of the potential costs arising from sites, whilst not having the ability to consider the specific circumstances and requirements of sites, an additional cost uplift of £100,000 per hectare has been included for Brownfield land.

4.36 This uplift is based on an acknowledgement of the increased risk of issues such as contamination or site clearance that could arise from Brownfield development. Whilst Greenfield land can also require significant additional funding simply to make them appropriate for development the risk is reduced.

Professional and Finance Costs

4.37 The assumptions for profession fees and development costs have been applied as follows based on industry standards:

- i. 10% professional fees
- ii. 3% marketing fees on private sales value
- iii. 0.5% legal fees on private sales
- iv. 5.5% land acquisition and stamp duty on gross residual value
- v. 7% development finance

Developers Profit

- 4.38 The HCA Development Appraisal Tool assumes developer profit on gross development value. It is proposed based on an understanding of current expectations that a 20% developer profit will be applied on market housing, and 5.5% developers profit on affordable housing.

Planning Obligations and Community Infrastructure Levy

- 4.39 The basic appraisal of economic viability undertaken at this time have been developed to identify potential residual value from each typology that could be used to fund section 106 contributions. This is on the basis that an average s106 contribution would not reflect the likely balance of planning obligations potentially required from sites.
- 4.40 Analysis of current contributions from residential permissions identified wide variation in the level of contributions sought from development with costs ranging from less than £1,000 per unit to over £4,000. The average contribution from each scheme per unit was £1,460. Total contributions from schemes, excluding affordable housing provision, ranges from £1,700 to over £900,000.
- 4.41 Affordable housing contributions are secured from the majority of qualifying developments of 15 units or more. Such provision has seen highs of 35% affordable and a low of 4%. This reflects the process of negotiation central to achieving affordable housing delivery and the regard given to the overall costs of and viability of each schemes.
- 4.42 Meanwhile, for appropriate scheme off-site contributions to affordable housing have been accepted. These are generally exceptions and on site provision is the Council's preferred means of securing affordable housing. Where agreement has been reached for off-site provision contributions have been proposed at approximately £15,000 per home.

Impact of Price Change

- 4.43 Looking significantly into the future raises a range of issues for appraising plan viability. However, it is clear from NPPF and the Harman guidance that some understanding of viability and deliverability is necessary for the life of the plan – i.e. at least fifteen years.
- 4.44 Over such a time period a significant number of variables could alter affecting assessments of viability. However, for the purposes of this assessment it is proposed that change over time is limited to two basic elements:
- i. Overall price of housing, affecting the value of developments; and
 - ii. Build costs, based on an assessment of current trends.
- 4.45 Through this area wide appraisal in order to accommodate the range of potential changes that could occur as prices may increase, or fall and varying potential rates of growth in build costs a simple matrix approach – that illustrates the range of potential scenarios has been developed.
- 4.46 Within this the overall value of the development is considered at today's prices – as modelled through the HCA Development Appraisal Tool, and at -5%, +5% and +10%.

Meanwhile, total costs of the developed are considered again at today's prices, +5% and +10%.

- 4.47 Meanwhile, to ensure the Area Wide Viability Appraisal remains update, over future years annual updates are planned. Usually these will be based on applying changes arising from average house price change and latest available BCIS data.

Development Typologies

- 4.48 The North Tyneside VA will appraise a range of hypothetical sites, to establish a broad understanding of development requirements. These hypothetical sites will reflect a range of development forms in North Tyneside to develop an understanding of area wide viability. As the Local Plan is advanced, to specifically inform the deliverability of the emerging Local Plan specific development proposals and associated infrastructure requirements may also be selected for appraisal.

Specific Site Area Net to Gross Ratio

- 4.49 The North Tyneside SHLAA applies a net to gross ratio that is informed by the regionally agreed SHLAA methodology, developed by the then North East Assembly. This has been applied in all subsequent SHLAAs for North Tyneside as follows, and is proposed to inform the identified site typologies within the North Tyneside VA.

Figure 20: SHLAA Methodology Net Developable Area

Site Area	Net / Gross Ratio
0 – 0.4 ha	100%
0.4 – 2 ha	75% – 90%
2ha plus	50% - 75%

Housing Mix

- 4.50 In determining the mix of house types and sizes a range of sources have been used including review of recent developments, and the mix of housing requirements identified by the Strategic Housing Market Assessment 2015.
- 4.51 Through the annual monitoring of housing delivery the mix of house sizes set out in Figure 21 have been provided over the past six years.

Figure 21: Recorded house completions by bedroom size

	1 Bed Flat	2 Bed Flat	3 Bed Flat	4+ Bed Flat	1 Bed House	2 Bed House	3 Bed House	4+ Bed House
2013/14	19	105	2	0	0	46	119	89
2012/13	28	76	0	0	2	28	152	128
2011/12	5	66	1	0	10	54	184	60
2010/11	0	21	0	0	0	72	161	59
2009/10	0	159	0	0	0	25	93	35
Total	52	427	3	0	12	225	709	371
%	3%	24%	0%	0%	0.5%	13%	39.5%	20%

NTC Annual Information Monitoring

Figure 22: Suggested annual profile of new dwellings based on current stock profile, aspirations and expectations

Dwelling Type	Current stock	% Profile of new dwelling stock based on:	
		Like	Expect
House 1/2 Beds	13.4%	12.4%	17.8%
House 3 Beds	41.2%	35.5%	35.9%
House 4 or more Beds	19.6%	25.0%	14.0%
Bungalow	7.2%	18.9%	13.8%
Flat	18.1%	7.3%	17.1%
Other	0.4%	0.8%	1.4%
Total	100%	100%	100%

North Tyneside Strategic Housing Market Assessment 2015

- 4.52 Within the North Tyneside Strategic Housing Market Assessment 2015 analysis of household types, and the expectations and aspirations of those planning to move the following profile of housing size is provided.
- 4.53 From the above tables greatest current housing delivery are two bed flats, and three and four bed homes. Analysis from the SHMA clearly illustrates that, except for flats, these are also amongst the house types sought most by respondents. Within the development typologies below the range of house sizes set out seek to take account of previous feedback provided by developers to the type of homes they are likely to deliver, the current mix of housing delivery and the evidence of the SHMA.
- 4.54 It should be noted that as the distribution of actually development sites over the local plan period will not be uniform across the development typologies these do not provide an outline of the overall mix of housing types and size expected to be delivered in the borough.

Figure 23: Residential development typologies

	House Type & Size	Tenure	Proportion and Number Affordable								
			0%	5%	10%	15%	20%	25%	30%	35%	
Strategic Site	Total Area = 19.75h	2 Bed House	Open Market Build	75	66	57	48	39	30	21	12
		3 Bed House	Open Market Build	180	174	168	162	156	150	144	138
		4 Bed + House	Open Market Build	75	72	69	66	63	60	57	54
		L4 Bed + House	Open Market Build	70	68	66	64	62	60	58	56
	Net Area = 14.8ha	2 Bed House	Social Rented	0	9	18	27	36	45	54	63
		3 Bed House	Social Rented	0	6	12	18	24	30	36	42
		2 Bed House	Shared Ownership	0	3	6	9	12	15	18	21
		3 Bed House	Shared Ownership	0	2	4	6	8	10	12	14
	Overall Total			400	400	400	400	400	400	400	400
	Affordable Total			0	20	40	60	80	100	120	140
Major	Total Area =	2 Bed House	Open Market Build	19	17	14	13	10	8	6	3
		3 Bed House	Open Market Build	45	44	42	40	38	37	36	34
		4 Bed + House	Open Market Build	18	17	17	16	16	15	14	14

	House Type & Size	Tenure	Proportion and Number Affordable								
			0%	5%	10%	15%	20%	25%	30%	35%	
5ha Net Area = 3.7ha	L4 Bed + House	Open Market Build	18	17	17	16	16	15	14	14	
	2 Bed House	Social Rented	0	2	5	6	9	11	13	16	
	3 Bed House	Social Rented	0	1	3	5	7	8	9	11	
	2 Bed House	Shared Ownership	0	1	1	2	2	3	4	4	
	3 Bed House	Shared Ownership	0	1	1	2	2	3	4	4	
	Overall Total			100	100	100	100	100	100	100	100
	Affordable Total			0	5	10	15	20	25	30	35
Medium Site Total Area = 1.7ha Net Area = 1.3ha	2 Bed House	Open Market Build	8	6	5	5	4	3	2	1	
	3 Bed House	Open Market Build	14	15	15	14	14	13	12	11	
	4 Bed + House	Open Market Build	7	6	6	6	5	5	5	5	
	L4 Bed + House	Open Market Build	6	6	5	5	5	5	5	5	
	2 Bed House	Social Rented	0	1	2	2	3	4	5	6	
	3 Bed House	Social Rented	0	1	1	2	2	3	4	4	
	2 Bed House	Shared Ownership	0	0	1	1	1	1	1	1	
	3 Bed House	Shared Ownership	0	0	0	0	1	1	1	2	
	Overall Total			35	35	35	35	35	35	35	35
Affordable Total			0	2	4	5	7	9	11	13	
Small Site Total Area = 0.4ha Net Area = 0.3ha	1 Bed Flat Low rise	Open Market Build	4	4	3	3	3	3	3	2	
	2 Bed Flat Low rise	Open Market Build	16	15	15	14	13	12	11	11	
	1 Bed Flat Low rise	Social Rented	0	0	1	1	1	1	1	2	
	2 Bed Flat Low rise	Social Rented	0	1	1	2	2	3	4	4	
	2 Bed Flat Low rise	Shared Ownership	0	0	0	0	1	1	1	1	
	Overall Total			20	20	20	20	20	20	20	20
	Affordable Total			0	1	2	3	4	5	6	7

Assumptions Summary

4.55 The following provides in summary all assumptions arising from the analysis undertaken above, and incorporated into the Development Appraisals Tool.

Figure 24: Residential development assumptions summary

Assumption	Value / Cost
Market housing values	Lower = £1,550 per sqm Medium = £2,000 per sqm Higher = £2,250 per sqm
Affordable housing values	Affordable rent = average £96.37 per week Social rent = average £71.92 per week Intermediate = 2 Bed house - £130,000 (£1,690 rent), 2 Bed flat - £100,000 (£1,300 rent), 3 Bed house - £170,000 (£2,210 rent), 4 Bed house - £220,000 (£2,860 rent)
Floor area	Private Affordable

Assumption	Value / Cost																					
	<table border="1"> <tr> <td>1 bed flat =</td> <td>45sqm</td> <td>50sqm</td> </tr> <tr> <td>2 bed flat =</td> <td>60sqm</td> <td>65sqm</td> </tr> <tr> <td>3 bed flat =</td> <td>75sqm</td> <td>80sqm</td> </tr> <tr> <td>2 bed house =</td> <td>65sqm</td> <td>70sqm</td> </tr> <tr> <td>3 bed house =</td> <td>85sqm</td> <td>90sqm</td> </tr> <tr> <td>4+ bed house =</td> <td>110sqm</td> <td>115sqm</td> </tr> <tr> <td>Larger 4+ bed house</td> <td>130sqm</td> <td>135sqm</td> </tr> </table>	1 bed flat =	45sqm	50sqm	2 bed flat =	60sqm	65sqm	3 bed flat =	75sqm	80sqm	2 bed house =	65sqm	70sqm	3 bed house =	85sqm	90sqm	4+ bed house =	110sqm	115sqm	Larger 4+ bed house	130sqm	135sqm
1 bed flat =	45sqm	50sqm																				
2 bed flat =	60sqm	65sqm																				
3 bed flat =	75sqm	80sqm																				
2 bed house =	65sqm	70sqm																				
3 bed house =	85sqm	90sqm																				
4+ bed house =	110sqm	115sqm																				
Larger 4+ bed house	130sqm	135sqm																				
Land value	<p>Agricultural land = £25,000 per hectare plus 50% uplift on gross development value.</p> <p>Brownfield land = £350,000 per hectare plus 20% uplift on gross development value</p>																					
Construction costs	<p>For this issue of the Viability Assessment figures from BCIS Q1 2014 – rebased to North Tyneside.</p> <p>Low rise flats social / intermediate = £997 per sqm and 15% net to gross adjustment.</p> <p>Low rise flats market = £912 per sqm and 15% net to gross adjustment.</p> <p>Houses social / intermediate = £804 per sqm</p> <p>Houses market = £737 per sqm</p>																					
Sustainable Construction Uplift	Addition 2% uplift on build costs																					
Brownfield land cost uplift	£100,000 per hectare																					
Building contingencies	<p>Brownfield land = 5%</p> <p>Greenfield land = 0%</p>																					
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. 0.5% legal fees on private sales iv. 5.5% land acquisition and stamp duty on gross residual value v. 7% development finance 																					
Developers profit	<p>Market housing = 20%</p> <p>Affordable housing = 5.5%</p>																					

Residential Development Appraisals – Results Summary

- 5.1 Based on the assumptions outlined above the broad economic viability of housing development within North Tyneside has been assessed, utilising the homes and Community Agency Development Appraisal Tool.
- 5.2 The table at Figure 25 below set out the viability of potential schemes at a range of affordable housing percentages.

Figure 25: Summary table of viability based on proportion of affordable housing provision

Value Area	Sites	Viability based on proportion of affordable housing.							Value above threshold per unit at:		
		0%	10%	15%	20%	25%	30%	35%	0% Affordable	25% Affordable	Max. % Affordable
Higher	Strategic Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£26,814	£19,300	£16,293
	Major Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£31,665	£22,761	£19,251
	Medium Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£34,754	£24,355	£20,286
	Small Greenfield	Yes	Yes	n/a	Yes	n/a	Yes	n/a	£37,470	£27,837	£23,533
	Strategic Brownfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£21,233	£9,095	£4,231
	Major Brownfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£29,008	£14,717	£9,075
	Medium Brownfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£34,086	£17,390	£10,815
	Small Brownfield	Yes	Yes	Yes	Yes	No	No	No	£8,340	£0	£166
Medium	Strategic Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£20,869	£14,460	£11,893
	Major Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£24,462	£17,063	£14,141
	Medium Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£26,848	£18,034	£14,546
	Small Greenfield	Yes	Yes	n/a	Yes	n/a	Yes	n/a	£29,127	£21,206	£17,647
	Strategic Brownfield	Yes	Yes	Yes	Yes	Yes	Yes	No	£12,958	£2,588	£509
	Major Brownfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£17,478	£5,380	£607
	Medium Brownfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£21,427	£7,264	£1,617
	Small Brownfield	Yes	No	No	No	No	No	No	£414	£0	£414
Lower	Strategic Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£10,152	£5,721	£3,942
	Major Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£11,480	£6,417	£4,430
	Medium Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	£12,599	£6,632	£4,190
	Small Greenfield	Yes	Yes	n/a	Yes	n/a	Yes	n/a	£14,104	£9,262	£7,046
	Strategic Brownfield	No	No	No	No	No	No	No	£0	£0	£0
	Major Brownfield	No	No	No	No	No	No	No	£0	£0	£0

Value Area	Sites	Viability based on proportion of affordable housing.							Value above threshold per unit at:		
		0%	10%	15%	20%	25%	30%	35%	0% Affordable	25% Affordable	Max. % Affordable
	Medium Brownfield	No	No	No	No	No	No	No	£0	£0	£0
	Small Brownfield	No	No	No	No	No	No	No	£0	£0	£0
	Colour coding key	Above Threshold									

- 5.3 This initial assessment of the residual viability of potential housing development has not built in to the appraisal model an estimated cost of s106 contributions or CIL. Instead, to gain an initial understanding of the potential available funding, the ceiling or remaining value above the residual viability threshold is then set out per unit. This identifies:
- The maximum viable proportion of affordable housing delivery; and
 - The estimated value of development above the viability threshold, at zero affordable housing provision and the maximum viable provision to establish the potential funding that could be available from each for developer contributions and infrastructure provision.
- 5.4 The above table at Figure 25 provides an outline of viability of development in North Tyneside across three identified value bands. In its broadest sense the table illustrates as could be expected, that the higher value areas generate the greatest levels of revenue. As a consequence these areas have greater capacity to support affordable housing provision and the provision of other contributions to essential infrastructure, facilities and services.
- 5.5 Within the typologies and assumptions developed the relative equivalent land value of Brownfield land and the additional uplift in costs included, clearly result in a lower threshold of viability.
- 5.6 Across the value bands the majority of typologies within the high and medium value areas are viable at all rates of affordable housing. The exceptions are the small Brownfield sites, where maximum viable delivery of affordable housing is estimated at 20% for high value areas and 0% for low value areas. Meanwhile Strategic Brownfield Sites were also found at medium value areas to be viable to a maximum of 30% affordable housing.
- 5.7 Within the lower value areas Brownfield land was found to be economically unviable based on the assumptions and site typology applied. Later in this report in considering the applicability of this wide area, typology based viability assessment with real world development proposals, the applicability of this conclusion is considered and tested.
- 5.8 Sustainable Construction Costs Uplift Figure 26, below the general impact of an additional 2% costs added to total build costs has been applied to the development appraisals of housing schemes also incorporating 25% affordable housing.

Figure 26: Viability based on 25% affordable and 2% build costs uplift

Value Area	Sites	Units	Above Threshold?	Value above threshold per unit
Higher	Strategic Greenfield	400	Yes	£18,773
	Major Greenfield	100	Yes	£22,120
	Medium Greenfield	35	Yes	£23,645
	Strategic Brownfield	400	Yes	£8,246
	Major Brownfield	100	Yes	£13,689
	Medium Brownfield	35	Yes	£16,252
	Small Brownfield	20	No	-£3,406
Medium	Strategic Greenfield	400	Yes	£13,931
	Major Greenfield	100	Yes	£16,420
	Medium Greenfield	35	Yes	£17,323
	Strategic Brownfield	400	Yes	£1,736
	Major Brownfield	100	Yes	£4,348
	Medium Brownfield	35	Yes	£6,125
	Small Brownfield	20	No	-£9,679
Lower	Strategic Greenfield	400	Yes	£5,187
	Major Greenfield	100	Yes	£5,769
	Medium Greenfield	35	Yes	£5,918
	Strategic Brownfield	400	No	-£12,357
	Major Brownfield	100	No	-£12,584
	Medium Brownfield	35	No	-£12,155
	Small Brownfield	20	No	-£21,033

- 5.9 Analysis of the above table illustrates that overall the additional uplift in build costs does not affect development viability sufficiently to render any additional site typologies economically unviable at a rate of 25% affordable housing. However, the additional costs from development do impact upon the overall value above the viability threshold, available to contribute towards other key infrastructure requirements arising from development. For example the value per unit above the viability threshold on a Strategic Greenfield Site in a high value area falls from £19,300 to £18,773.
- 5.10 The Impact of Price Change on Viability Figure 27 below outlines results of the assessment of viability of development under varying rates of build costs and development values. Within the table GDV at 0%, with 0% change in costs reflects the current assessment of viability.

Figure 27: Impact of Price Change on Viability

Typology (Viability @ 25% affordable, except small GF @ 20%)		Gross Development Value -5%			Gross Development Value 0%*			Gross Development Value +5%			Gross Development Value +10%		
		Total costs			Total costs			Total costs			Total costs		
Value Area	Site Typology	0%	5%	10%	0%*	5%	10%	0%	5%	10%	0%	5%	10%

Typology (Viability @ 25% affordable, except small GF @ 20%)		Gross Development Value -5%			Gross Development Value 0%*			Gross Development Value +5%			Gross Development Value +10%		
		Total costs			Total costs			Total costs			Total costs		
Value Area	Site Typology	0%	5%	10%	0%*	5%	10%	0%	5%	10%	0%	5%	10%
Higher	Strategic Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Major Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Medium Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Small Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Strategic Brownfield	Yes	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
	Major Brownfield	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Medium Brownfield	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Small Brownfield	No	No	No	No	No	No	Yes	No	No	Yes	Yes	No
Medium	Strategic Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Major Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Medium Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Small Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Strategic Brownfield	No	No	No	Yes	No	No	Yes	Yes	No	Yes	Yes	Yes
	Major Brownfield	No	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
	Medium Brownfield	Yes	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
	Small Brownfield	No	No	No	No	No	No	No	No	No	No	No	No
Lower	Strategic Greenfield	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Major Greenfield	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Medium Greenfield	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Small Greenfield	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Strategic Brownfield	No	No	No	No	No	No	No	No	No	No	No	No
	Major Brownfield	No	No	No	No	No	No	No	No	No	No	No	No
	Medium Brownfield	No	No	No	No	No	No	No	No	No	No	No	No
	Small Brownfield	No	No	No	No	No	No	No	No	No	No	No	No
Colour coding key		Below Threshold			Above Threshold								

*Represents current value and costs

5.11 As expected, a reduction in development value, and/or an increase in build costs reduces the viability of development whilst the reverse improves economic viability. The table generally illustrates that a 5% uplift in build costs, without a supporting increase in development values has a more significant impact upon viability than a 5% reduction on development value. Generally Brownfield development sites are at greater risk of falling below the viability threshold due to an increase in build costs – reflecting the generally lower value per unit of these sites above the viability threshold at the current time.

5.12 In identifying change the table helps to highlight the relative viability of development sites and the role of the nature of development included on the sites. In particular it is notable that the larger strategic Greenfield and Brownfield sites both demonstrate generally lower overall rates of viability. Overall this is considered to reflect the generally lower density of

development at these sites in relation to the gross site area, and additional cost assumptions incorporated into the schemes.

- 5.13 Considering current housing delivery in the context of the Area Wide Viability Assessment
This area wide viability assessment is only able to provide a broad indication of the viability of development within North Tyneside. It will provide a tool to assess the overall impact of Local Plan policies, and a framework within which future implementation and testing of Community Infrastructure Levy rates can be assessed. However, it will not replace or be able to take into account detailed site specific understanding of the viability of development either in the short or long term.
- 5.14 To provide some additional context to the overall effect of viability a further analysis has been undertaken to assess current deliverability of housing development in each of the value bands in North Tyneside and using the 25% affordable housing provision assessment. Clearly in a number of cases

Figure 28: Summary of completed and permitted housing supply by Area Wide Viability @25% Affordable Housing

Value Area	Sites	Completed sites 2009-15		Planning Permissions from SHLAA 2014					
		Total	On- Site Affordable	Built	Next 5 Years	6 - 10 Years	11 to 15 Years	Total	On-site Affordable
Higher	Strategic Greenfield	-	-	0	0	0	0	-	0
	Major Greenfield	-	-	5	140	55	0	195	0
	Medium Greenfield	-	-	0	0	0	0	-	0
	Small Greenfield	-	-	0	0	0	0	-	0
	Strategic Brownfield	-	-	0	0	0	0	-	0
	Major Brownfield	-	-	0	0	0	0	-	0
	Medium Brownfield	93	67	0	32	0	0	32	0
	Small Brownfield	75	47	0	40	0	0	40	0
Medium	Strategic Greenfield	-	-	452	826	763	351	1,940	320
	Major Greenfield	-	-	0	125	57	0	182	46
	Medium Greenfield	-	-	0	61	0	0	61	16
	Small Greenfield	-	-	0	20	0	0	20	20
	Strategic Brownfield	283	-	0	0	0	0	-	0
	Major Brownfield	452	25	51	294	0	0	294	76
	Medium Brownfield	221	114	0	123	0	0	123	24
	Small Brownfield	89	28	11	111	0	0	111	24
Lower	Strategic Greenfield	-	-	0	240	300	110	650	163
	Major Greenfield	78	-	0	0	0	0	-	0
	Medium Greenfield	-	-	0	124	0	0	124	32
	Small Greenfield	-	-	0	12	0	0	12	12
	Strategic Brownfield	288	34	0	280	400	120	800	30
	Major Brownfield	239	20	0	0	0	0	-	0
	Medium Brownfield	192	46	0	41	29	0	70	70
	Small Brownfield	154	72	0	47	8	0	55	27

Value Area	Sites	Completed sites 2009-15		Planning Permissions from SHLAA 2014					
		Total	On- Site Affordable	Built	Next 5 Years	6 - 10 Years	11 to 15 Years	Total	On-site Affordable
Summary	Delivery / Permissions at "Non Viable" Sites	1,037	247	11	519	437	120	1,076	151
	Delivery / permissions at "viable" Sites	1,127	206	508	1,997	1,175	461	3,633	709
	Total	2,164	453	519	2,516	1,612	581	4,709	860
Colour coding key		Below threshold			Above threshold				

Source: Figures derived from North Tyneside Strategic Housing Land Availability Assessment 2015 and Housing Land Database

- 5.15 Overall the table above helps illustrate that whilst at December 2014 a relatively small proportion of homes with planning permission lie within areas and sites typologies assessed as potentially unviable, the areas have a strong recent history of housing delivery. Nearly 50% of total homes delivered on completed sites have been brownfield developments in lower value areas. Meanwhile a far lower proportion of such completed homes are in sites currently under-construction. This will reflect the current stock of planning permissions developed during the downturn, and also the wider characteristics of lower value areas involving collections of smaller brownfield sites that once commenced are likely to be completed relatively quickly. This contrasts with larger greenfield sites within more predominantly medium value areas that could take a number of years of completions before the site as a whole if finished.
- 5.16 The table also identifies projected on-site affordable housing delivery recorded through the North Tyneside Housing Land Database. This illustrates that about 21% of homes on completed sites were affordable. This proportion should also be considered in reference to Figure 12 earlier in this report where rates of affordable housing delivery increased from less than 5% in 2007/08 to over 50% by 2009/10. In looking forwards this analysis identifies that 18% of outstanding planning permissions provide affordable housing on-site. At least four currently permitted housing developments that contribute 593 homes to total delivery are subject to off-site financial contributions. If housing delivery from on site affordable provision alone is considered the Borough wide rate of on-site affordable housing provision increases to 21% (860 affordable homes in a total supply of 4,116 = 21%).
- 5.17 At present neither past nor current Borough wide affordable housing provision meets a 25% requirement. This reflects significant variation in supply from sites providing 100% affordable housing led by the Council or Registered Providers to typical housing schemes provided by developers at rates of approximately 20% to 25%, older planning permissions, and sites of generally lower viability or with particular infrastructure costs where lower or zero rates of affordable housing provision have been agreed to ensure the sites are viable and deliverable.

5.18 Suggested Housing Sites Local Plan 2015 and Area Wide Viability Figure 29 below considers the range of housing sites suggested within the North Tyneside Local Plan Consultation Draft 2015.

Figure 29: Assessment of Proposed Local Plan Housing by Area Wide Viability @25% affordable

Value Area	Sites	Number of homes on suggested allocations per delivery phase				Total
		14/15 to 18/19	19/20 to 23/20	23/24 to 28/29	29/30 to 31/32	
Higher	Strategic Greenfield	-	-	-	-	-
	Major Greenfield	-	-	-	-	-
	Medium Greenfield	-	-	-	-	-
	Small Greenfield	-	15	-	-	15
	Strategic Brownfield	-	-	-	-	-
	Major Brownfield	-	100	59	50	209
	Medium Brownfield	30	150	-	-	180
	Small Brownfield	-	75	-	-	75
	Higher Value Total	30	340	59	50	479
Medium	Strategic Greenfield	161	1,610	2,070	1,400	5,241
	Major Greenfield	98	-	-	-	98
	Medium Greenfield	-	-	-	-	-
	Small Greenfield	-	27	-	-	27
	Strategic Brownfield	-	-	-	-	-
	Major Brownfield	-	-	-	-	-
	Medium Brownfield	218	298	61	-	577
	Small Brownfield	20	141	12	-	173
	Medium Value Total	497	2,076	2,143	1,400	6,116
Lower	Strategic Greenfield	-	170	280	-	450
	Major Greenfield	-	-	-	-	-
	Medium Greenfield	-	-	50	-	50
	Small Greenfield	-	35	-	-	35
	Strategic Brownfield	30	170	200	-	400
	Major Brownfield	-	389	218	-	607
	Medium Brownfield	25	457	66	-	548
	Small Brownfield	-	135	-	-	135
	Lower Value Total	55	1,356	814	-	2,225
Summary	Total potentially unviable units	75	1,367	496	-	1,938
	Percent potentially unviable	13%	36%	16%	0%	22%
	Total potentially viable units	507	2,405	2,520	1,450	6,882
	Percent potentially viable	87%	64%	84%	100%	78%
	Total area wide viability	582	3,772	3,016	1,450	8,820
Colour coding key		Below threshold	Mixed	Above threshold		

Source: North Tyneside Local Plan Consultation Draft 2015 and North Tyneside SHLAA 2015

- 5.19 As can be seen the majority of suggested housing allocations in the Local Plan Consultation Draft 2015 are within areas assessed as above the viability threshold at delivery rates of at least 25% affordable housing. Of a proposed total capacity of suggested sites of 8,820, approximately 1,938 lie within areas that are assessed at this time as potentially falling below threshold.
- 5.20 Those homes are predominantly within the lower value areas of North Tyneside, associated with proposals for the regeneration and improvement of the Borough's town centres and older industrial areas. These potential suggested development sites are recognised through the Local Plan as being harder to deliver in general, and as a consequence only 75 of the 1,938 homes are recorded as being delivered within the next five years.
- 5.21 Overall, whilst the development of these sites is considered challenging based on this assessment, they are not fundamentally undevelopable by virtue of their location and typology. This is supported by our analysis of past and current housing delivery, which notes that whilst delivery of such sites has reduced as a result of the overall economic downturn, any given scheme can still represent a viable and attractive proposition for developers and landowners.

Initial Assessment of Funding Capacity Arising From Suggested Development Sites

- 5.22 The following assessment provides an initial analysis of the additional value arising from potential housing development through the Local Plan.
- 5.23 It is stressed that at this stage the Area Wide Viability Assessment has not incorporated a specific CIL rate or S106 contribution to the Development Appraisal Model. However, at this stage the table provides a simple analysis of the Meanwhile, further work developing the North Tyneside Infrastructure Delivery Plan is underway that will update its assessment of infrastructure projects and costs.

Figure 30: Initial estimate of funding capacity arising from Local Plan suggested sites

Value Area	Sites	Total Homes	0% affordable		Max. % affordable		25% affordable	
			£ Above threshold per unit	Total £ above threshold	£ Above threshold per unit	Total £ above threshold	£ Above threshold per unit	Total £ above threshold
Higher	Strategic Greenfield	-	£26,814	£0	£16,293	£0	£19,300	£0
	Major Greenfield	-	£31,665	£0	£19,251	£0	£22,761	£0
	Medium Greenfield	-	£34,754	£0	£20,286	£0	£24,355	£0
	Small Greenfield	15	£37,470	£562,050	£23,533	£352,995	£27,837	£417,554
	Strategic Brownfield	-	£21,233	£0	£4,231	£0	£9,095	£0
	Major Brownfield	209	£29,008	£6,062,672	£9,075	£1,896,675	£14,717	£3,075,878

Value Area	Sites	Total Homes	0% affordable		Max. % affordable		25% affordable	
			£ Above threshold per unit	Total £ above threshold	£ Above threshold per unit	Total £ above threshold	£ Above threshold per unit	Total £ above threshold
	Medium Brownfield	180	£34,086	£6,135,480	£10,815	£1,946,700	£17,390	£3,130,161
	Small Brownfield	75	£8,340	£625,500	£166	£12,450	£0	£0
Medium	Strategic Greenfield	5,241	£20,869	£109,374,429	£11,893	£62,331,213	£14,460	£75,782,392
	Major Greenfield	98	£24,462	£2,397,276	£14,141	£1,385,818	£17,063	£1,672,144
	Medium Greenfield	-	£26,848	£0	£14,546	£0	£18,034	£0
	Small Greenfield	27	£29,127	£786,429	£17,647	£476,469	£21,206	£572,574
	Strategic Brownfield	-	£12,958	£0	£509	£0	£2,588	£0
	Major Brownfield	-	£17,478	£0	£607	£0	£5,380	£0
	Medium Brownfield	577	£21,427	£12,363,379	£1,617	£933,009	£7,264	£4,191,447
	Small Brownfield	173	£414	£71,622	£414	£71,622	£0	£0
	Strategic Greenfield	450	£10,152	£4,568,400	£3,942	£1,773,900	£5,721	£2,574,554
	Major Greenfield	-	£11,480	£0	£4,430	£0	£6,417	£0
Lower	Medium Greenfield	50	£12,599	£629,950	£4,190	£209,500	£6,632	£331,596
	Small Greenfield	35	£14,104	£493,640	£7,046	£246,610	£9,262	£324,154
	Strategic Brownfield	400	£0	£0	£0	£0	£0	£0
	Major Brownfield	607	£0	£0	£0	£0	£0	£0
	Medium Brownfield	548	£0	£0	£0	£0	£0	£0
	Small Brownfield	135	£0	£0	£0	£0	£0	£0
	Total	8,820	£16,334	£144,070,827	£8,122	£71,636,961	£10,439	£92,072,454

Development Viability Appraisals – Next Steps

- 5.24 To inform the North Tyneside Local Plan, further work is ongoing to inform the viability assessment for the Local Plan including:
- a. Ongoing development of the draft Infrastructure Delivery Plan;
 - b. Sensitivity testing of s.106 Planning Contributions within appraisal models.
 - c. Publication of Commercial Viability Assessments.
 - d. Development of the Borough's Community Infrastructure Levy and viability testing of potential charging rates to inform consultation on the Borough's Preliminary Charging Schedule.
 - e. Site specific viability analysis, targeted at larger strategic sites.
- 5.25 This ongoing work will be advanced in tandem with progression of North Tyneside's Local Plan and production of Community Infrastructure Levy outlined in the North Tyneside Local Development Scheme, 2015.
- 5.26 The next programmed stage of consultation on the Local Plan will be the pre-submission consultation draft, which is expected to be published for responses in November 2015.