



Draft Lambeth Local Plan 2013

Approaches to securing payments in lieu of on-site affordable housing

Prepared for
London Borough of Lambeth

March 2013

Contents

1	Introduction	3
2	Approaches to securing payments in lieu	5
3	A hybrid small sites model for Lambeth	12
4	Conclusions and recommendations	19

Appendices

Appendix 1	Example calculation – Richmond upon Thames model
Appendix 2	Calculation of payment in lieu using Mole Valley approach
Appendix 3	Calculation of payment in lieu using Richmond approach
Appendix 4	Calculation of payment in lieu using Wandsworth approach
Appendix 5	Blank template for hybrid small-scheme appraisal and payment in lieu calculation

Anthony Lee MRTPI MRICS
Senior Director – Development Consulting
BNP Paribas Real Estate
5 Aldermanbury Square
London EC2V 7BP

Direct telephone: 020 7338 4061
Email: anthony.lee@bnpparibas.com

1 Introduction

BNP Paribas Real Estate has been commissioned by the London Borough of Lambeth ('the Council') to advise on potential approaches to securing payments in lieu of on-site affordable housing on smaller developments (sites of 9 or fewer units). This report evaluates approaches to securing payments in lieu adopted by other authorities and considers how these might be applied in Lambeth as part of the Council's review of its affordable housing policy for the Draft Lambeth Local Plan 2013.

This study is compromised of the following elements with regards to **small residential developments**:

- Review the approaches to securing commuted sums from small residential sites adopted by other authorities (approaches adopted by Mole Valley, Elmbridge, Richmond and Wandsworth councils typify the various approaches);
- Test the three approaches on a notional development to consider which one results in the optimum outcome for the Council;
- Develop an approach for Lambeth that builds on the best aspects of these approaches;
- Develop a simplified approach for developers and the Council to establish the viability of small sites and the ability of developers of such sites to meet the Council's affordable housing requirements; and
- Consider how this simplified approach to testing viability might dovetail with a formula or mechanism for calculating commuted sums.

1.1 BNP Paribas Real Estate

BNP Paribas Real Estate is a leading firm of chartered surveyors, town planning and international property consultants. The practice offers an integrated service from fourteen offices within the United Kingdom and over sixty offices in key commercial centres in Europe, the United States of America and the Asian and Pacific regions.

BNP Paribas Real Estate has a wide ranging client base, acting for international companies and individuals, banks and financial institutions, private companies, public sector corporations, government departments, local authorities and registered social landlords.

This report has been prepared by Anthony Lee MRTPI MRICS, RICS Registered Valuer.

In 2007, we were appointed by the Greater London Authority ('GLA') to review its 'Development Control Toolkit Model' (commonly referred to as the 'Three Dragons' model). This review included testing the validity of the Three Dragons' approach to appraising the value of residential and mixed use developments; reviewing the variables used in the model; and advising on areas that required amendment in the re-worked toolkit. We were appointed again in 2011 by the GLA to review the Three Dragons model and our recommendations to the GLA are being considered.

In addition, we were recently retained by the Homes and Communities Agency ('HCA') to advise on better management of procurement of affordable housing through planning obligations. Anthony Lee was also a member of the working group under the leadership of Sir John Harman, which drafted the Local

Housing Delivery Group publication '*Viability Testing Local Plans: Advice to planning practitioners*' (June 2012).

1.2 Report structure

This report is structured as follows:

Section two evaluates approaches to securing payments in lieu from three other local authorities

Section three considers how these approaches might be adopted in the Lambeth context; and

Section four sets out our conclusions and recommendations.

1.3 The status of our advice

This report contains several appraisals of hypothetical development scenarios. These appraisals do not constitute valuations, in accordance with Valuation Standards 1.1 of the RICS Valuation Standards – Global and UK (March 2012), and should not be relied upon as such. This report is addressed to the London Borough of Lambeth only and its contents should not be reproduced in part or in full without our prior consent.

2 Approaches to securing payments in lieu

The Council's 'Affordable Housing Viability Assessment' (October 2009) concluded that *“some smaller schemes on high value sites might be able to make a contribution towards on-site affordable housing. The key factors would be the price at which any existing owner occupier or other occupier would demand to move away.... If the threshold were to be reduced, individual site viability testing would be essential to ensure that the supply of housing land is not reduced. This suggests that every applicant not complying with the policy would be required to submit a financial appraisal that planning officers would need to assess. If planning officers do not have the capacity to undertake such assessments, external advice would be required and would need to be funded – either by the Council or by the developer. The additional work involved would place an additional burden upon officers and applicants and might slow down the determination of applications on smaller sites”*.

The challenge for the Council is therefore to develop an approach that can be relatively easy to apply to individual schemes, as well as providing a simple way of determining viability.

The Council recognises the practical difficulties of securing affordable housing on-site on smaller schemes and therefore accepts that a payment in lieu might be preferable in many cases. The ability of schemes to make financial contributions in-lieu inevitably varies between sites and areas. It is therefore unlikely to be possible to arrive at a common formula that can be applied to all sites and there may therefore be a need to assess the level of financial contribution on a site by site basis.

Some councils outside London have sought to adopt standard charge approaches that result in a fixed payment per unit. This approach does not lend itself well to the Lambeth context, where developments are heterogeneous. Other London boroughs find themselves in a similar situation, which has resulted in a variety of formula based approaches. We have identified three formula based approaches for further consideration; Richmond, Wandsworth and Mole Valley.

2.1 Approaches adopted or proposed by other councils

In this section, we consider the approaches adopted or proposed by other councils. Mole Valley adopted their approach in February 2010; Wandsworth completed their consultation at the end of August 2012; and Richmond are considering responses to their consultation draft (issued in March 2012).

2.1.1 Mole Valley

Mole Valley have proposed a formula based contribution for schemes of between 1 and 9 units. The Council has indicated that it may also use the formula in exceptional circumstances when sites of 10 or more units are to provide a payment in lieu.

The formula is summarised as follows:

- Market value of each unit in the development is determined (by reference of comparable evidence);

- The value per square metre is calculated by dividing the total value by the Unit's floor area;
- The equivalent market value of a unit of an equivalent size to an affordable housing unit is calculated. If for example, a four bed unit is 173 square metres and an equivalent affordable 4 bed unit is 100 square metres, the market value on a per square metre basis would be applied to a 100 square metre unit;
- A 'residual value' or 'plot value' is determined by taking 30% of the 'market value' of an affordable-sized unit and adding 15% for acquisition fees and site servicing. 30% is a broad 'rule of thumb' for land value as a percentage of Gross Development Value;
- The Council's policy requires 20% affordable, so the payment in lieu is based on 20% of the resulting 'plot value' figure applied across the scheme.

The Council's consultation draft Affordable Housing Supplementary Planning Document ('SOD') provides the following example of the calculation:

<p>1 x 4-bed house Open Market Value (OMV)¹ - £495,000</p> <p>Size – 173 sqm (m²) Guide size for a suitable affordable home – 100 m².</p> <p>Step 1: Open market value (OMV) of a relevant or comparative property divided by the size of the property and multiplied by the appropriate affordable housing size that would have been required on site.</p> $\text{£}495,000 / 173 \text{ m}^2 = \text{£}2,861 \text{ per m}^2$ $\text{£}2,861 \text{ per m}^2 \times 100\text{m}^2 = \text{£}286,127$ <p>Step 2: Multiply the OMV (completed sale value, or GDV) by the residual land value percentage (30%)</p> $\text{£}286,127 \times 30\% = \text{£}85,838 \text{ (base land / plot value)}$ <p>Step 3: Add 15% to the step 2 result to reflect site acquisition and servicing costs (this gives the per unit sum for that property type)</p> $\text{£}85,838 + 15\% = \text{£}98,714$ <p>Step 4: Apply to the relevant number of units and affordable housing policy requirement (i.e. 20%)</p> $\text{£}98,714 \times 20\% = \text{Required sum } \text{£}19,795$

Source: Mole Valley 'Affordable Housing Supplementary Planning Document' Adopted February 2010

2.1.2 Evaluation

The key attraction of this approach is its simplicity, ease of calculation and narrow range of inputs that will need to be evidenced (only sales values will require evidence in some form). It is likely, therefore, that the question of how

¹ The term 'Open Market Value' is no longer used by the RICS and has been replaced with 'Market Value'.

much a payment in lieu will be for a particular development can be answered with minimal call on officers' time.

However, this simple approach lends itself well to an area with fairly homogenous developments, predominantly in the form of houses rather than flats. Key issues for the approach in Lambeth if the Council were to adopt it are set out in the following paragraphs.

Issue 1: Adjustment to floor area (i.e. equivalent provision of an 'appropriate' affordable housing unit size. Although it is recognised that affordable housing units are sometimes smaller than market housing units, we question whether the adjustment is appropriate. Taking Mole Valley's example, it appears that the Developer receives a double benefit; not only does (s)he not have to provide an affordable unit on site, the private unit is larger than the affordable housing unit would otherwise have been. There is the 'uplift' in value on the 100 square metre affordable housing unit, but in addition to that, the developer has an additional 73 square metres to sell at full market value. Had the developer provided the 100 square metre affordable unit on site, (s)he may well have provided an additional 73 square metre unit to maximise value. The formula approach does not recognise this additional value.

Issue 2: Linked to Issue 1. Step 2 involves multiplying the GDV of the unit (adjusted for size) by 30% to arrive at a 'land value' or 'plot value'. 15% is then added for land acquisition and site servicing costs.

The difficulty with this approach is that the 30% used to arrive at a land or plot value is completely arbitrary and may not be at all reflective of individual site circumstances. Given the very diverse range of developments in the Borough, it is unlikely that it would be possible to arrive at a percentage that would reflect all developments, even at a very high level.

We would also question whether the addition of 15% to the land value to cover site servicing costs *in addition to* site acquisition costs is an appropriate method of calculation. Site servicing costs may be more limited in Lambeth, where Greenfield sites are virtually non-existent (sites almost always have a degree of servicing in place linked to the previous use on site).

Issue 3: If a plot size for a typical home in the area would allow for a home of 173 square metres (as per the example) but the calculations are based on a property of only 100 square metres, it is questionable as to whether the commuted sum will be sufficiently large to purchase land on an alternative site.

Issue 4: The most significant issue for the application of this approach in Lambeth is that the model assumes that affordable housing is *always* self financing. The model generates an ability for the Council to provide clean and serviced land to Registered Providers, but the costs of building might exceed the capitalised rental income. This is probably a more significant issue in Lambeth than Mole Valley, as there are more flatted schemes in the former, whereas the latter is largely houses. The costs of building flats are significantly more than houses (particularly in the north of Borough, where build costs can be as much as twice those found in other parts of the Borough). Some adjustments to the approach would therefore be required for this model to operate successfully in Lambeth.

Issue 5: Is it sufficiently flexible so that the approach complies with the requirements of Community Infrastructure Levy ('CIL') Regulations 122? Although the approach is formulaic, there is clearly scope for adjustment in Step 4. If a particular scheme could not viably meet a payment based on 20% affordable housing, the percentage could be adjusted downwards. This would

need to be supported by a viability appraisal. This viability appraisal would need to be undertaken as a separate exercise.

2.1.3 Richmond

This approach attempts to directly tackle the question of compliance with Regulation 122 by adopting an 'opportunity cost' approach (i.e. calculating the cost to the developer, in terms of value that would have been forgone had the affordable housing been provided on site). Under this approach, the developer is no better (and no worse off) than (s)he would have been had the affordable housing been provided on site.

The formula is calculated by using a simple Microsoft Excel spreadsheet. This calculates the benefit accruing to the developer of providing units that would otherwise have been affordable as private housing. The commuted sum is calculated as follows:

A = Market Value of unit LESS profit (profit does not apply to affordable housing)

B = Value of affordable housing (capitalised net rent for rented units plus capitalised rent and equity sales for shared ownership units)

A – B = payment in lieu (equivalent to the 'opportunity cost' or value that would have been lost, had the affordable units been provided on site).

An example of the calculation is provided at Appendix 1.

2.1.4 Evaluation

The Richmond approach is superior to the Mole Valley approach, as the calculation reflects individual site circumstances and does not rely upon the arbitrary 30% of GDV calculation. It provides a reasonably accurate reflection of the value uplift enjoyed by the developer resulting from the replacement of on-site affordable units as private.

The model addresses compliance with CIL regulation 122 by enabling the user to select the affordable housing percentage upon which the payment in lieu is to be calculated. If the developer has demonstrated that the scheme is only viable with a reduced quantum of affordable housing (or financial equivalent of), then the payment in lieu can be based on that agreed quantum.

The spreadsheet model is easy to replicate and amend so that it is suitable for use in Lambeth. However, there are several issues with the spreadsheet model that would need to be addressed if it were to be used in Lambeth. These issues are outlined below. None of the issues identified are sufficiently significant to warrant abandoning the approach altogether.

Issue 1: The information required to complete the model is somewhat onerous and could be simplified. In particular, determining the price a RSL might pay for the units could be simplified by seeking a firm price. This would then reduce the need to determine weekly rent levels, management costs and yields. This would also help to address some of the other issues below.

Issue 2: The current calculations make no allowances for voids and bad debts, which has the effect of slightly over-valuing the affordable housing value. This could be addressed through an addition to the management costs, although it should ideally be entered separately to aid comparison of inputs.

Issue 3: RSLs typically pay the developer the agreed purchase price during the build period. Having affordable housing on-site therefore provides a cashflow benefit, despite the reduction in value compared to private housing. However, this is unlikely to be so significant that the calculated sums are inaccurate. Arguably, there is potentially an uplift in value in the private housing values which is also not accounted for in the model, so the two factors may well balance each other out.

Issue 4: The model calculates the capital value of the affordable housing, but makes no account for the RSL's deduction for on-costs (i.e. acquisition costs and employer's agent). On-costs are typically between 5% to 9% of value. The lack of a deduction for on-costs incorrectly enhances the affordable housing value, which in turn reduces the 'gap' between private and affordable values (and reduces the commuted sum).

Issue 5: Although full profit is deducted from private housing, there is no corresponding profit deducted from the affordable housing. It is widely recognised that developers typically apply a profit to both tenures, although at a considerably reduced rate to the affordable housing (circa 6%, compared to 20% on private).

Issue 6: A decision needs to be made as to the tenure assumptions on the 'rented' element used entered into the model. Clearly the decision as to which tenure would have been provided on-site has a profound impact on the commuted sum. For example, if the capital value of the affordable housing units is based on social rented tenure, the value will be considerably lower than would be the case if they were provided as affordable rent². The lower the affordable housing value, the higher the payment in lieu.

This issue is not really addressed in Richmond's SPD, other than vague references to checking rent levels with the Housing Department. We would suggest that firmer direction would be required if the Council decided to adopt the Richmond approach. If the Council's policy position still seeks social rented housing (but accepts affordable rent on occasion, developers should be left in no doubt that payments in lieu will be based on either one tenure or the other.

2.1.5 Wandsworth

Wandsworth Council's approach is essentially the same as Richmond's in that it the Council indicates that where payments in lieu are agreed "*there can be no financial advantage to the developer in not delivering the affordable housing on-site*". However, in contrast to Richmond, Wandsworth do not provide a specific method of calculating the payment in lieu. Wandsworth's Planning Obligations SPD indicates that the Council will seek two appraisals from the developer. The first is to assume that the scheme incorporates the required percentage of affordable housing. The second assumes that the scheme is 100% private. The payment in lieu is determined by deducting the residual land value generated by the second appraisal from the residual land value generated by the first.

2.1.6 Evaluation

As a principle for calculating a payment in lieu, the approach is identical to the approach adopted by Richmond. The only material difference between the two

² Although Policy DM15 indicates a tenure mix of 70% rented and 30% intermediate, there would be practical issues arising from attempting to provide more than one affordable tenure on a scheme of 10 units or less. The most significant issue would be the addition of a separate entrance and stair core for three tenures, which could result in an unacceptably net to gross ratio. For this reason alone, our view is that affordable housing provided on site would be of a single tenure.

approaches is how the payment in lieu is calculated. The Wandsworth approach is arguably more onerous, as the developer is required to complete two appraisals (although in reality, the additional work required to turn an appraisal which includes some affordable housing into a 100% private housing scheme is relatively limited).

Completing two full appraisals also offers the advantage of addressing most of the modelling issues raised in relation to the Richmond model.

The main advantage of the Wandsworth approach is that it can be used for dual purposes of (a) determining the overall level of affordable housing – if a policy compliant level is considered unviable and (b) determining the amount of a payment in lieu.

2.2 Comparing the outcomes of the three approaches

We have tested a hypothetical 6 unit development using each of the three approaches to provide an indication of the likely levels of payment in lieu that would be generated. For simplicity, we have assumed that all units in the scheme are two bed flats. We have also assumed that the policy compliant level of affordable housing is determined in accordance with Policy S2 – Housing:

“at least 50 per cent of housing should be affordable where public subsidy is available, or 40 per cent without public subsidy, subject to housing priorities and, where relevant, to independently validated evidence of viability, or where there is a clearly demonstrable benefit in a different mix in the case of housing estate regeneration. The mix of affordable housing should be 70 per cent social rented and 30 per cent intermediate”.

While the current drafting seeks to apply this requirement to schemes with 10 or more units (or on sites of 0.1 ha or larger), we have assumed for the purposes of this study that affordable housing is sought on smaller sites.

For a 6 unit scheme, the requirement under Policy S2 would therefore be 2.4 affordable units, equating to 40% of units³.

2.2.1 Mole Valley

The Mole Valley approach generates a payment in lieu of £212,539. The calculations are attached as Appendix 2.

2.2.2 Richmond

The Richmond approach generates a payment in lieu of £207,515. The calculations are attached as Appendix 3. The higher payment in lieu in comparison to the Mole Valley approach reflects the cross-subsidy required from the private housing to the affordable housing. In contrast, the Mole Valley approach assumes that the affordable housing is cost neutral (i.e. the price payable by the RSL equals the development costs).

2.2.3 Wandsworth

We have run a high level appraisal using the Greater London Authority's 'Development Control Toolkit', assuming the same unit mix and values as those used above (see Appendix 4).

³ Although the policy requirement would be 50% if grant is available, the prospects of securing a grant funding allocation on Section 106 schemes is now severely constrained.

The appraisal of a scheme with 100% private housing generates a residual land value of £392,000, while the scheme incorporating 2.4 units of affordable housing (40%) generates a residual land value of £133,000. The difference between the two residuals (and hence the payment in lieu) would be £259,000.

2.3 Conclusion

Payment in lieu structures should in our view be tested against three criteria, as follows:

- That the structure satisfies the tests contained within CIL Regulation 122;
- Ease of application to small schemes; and
- Provides a robust approach and is capable of reflecting Lambeth's Core Strategy policies and specific market conditions.

The Mole Valley approach appears to be us to be least able to meet these three tests. Although it is easy to apply, the approach is relatively crude in terms of its reliance on a percentage of GDV to arrive at a plot value. This is a considerable weakness in a Borough such as Lambeth, with heterogeneous development types.

The Richmond and Wandsworth approaches are both based on the principle that replacing on site affordable housing provision with a payment in lieu should be financial neutral for the developer. In other words, the payment in lieu option should leave the developer no better, but no worse off. Consequently, the option meets the test of reasonableness in CIL Regulation 122; the approach is not punitive when considered alongside the Council's Core Strategy policies for affordable housing.

In terms of practical application, Wandsworth's approach is simple (comparing two appraisals – one with on-site affordable and one without), but requires the developer to complete this exercise. Richmond provide a financial model, which is relatively simple to complete, but would require some amendment to operate in Lambeth.

None of the existing approaches are able to address the issue of affordable housing on small sites in the round (i.e. both the issue of the percentage of affordable housing that a scheme can viably provide and the subsequent payment in lieu that flow from that percentage). The Council could work up a hybrid model that builds on both the Wandsworth and Richmond approaches in a simple spreadsheet model. A prototype model is discussed in the next section.

3 A hybrid small sites model for Lambeth

As noted in the previous section, Lambeth would benefit from an approach that is capable of determining both (a) the viable level of affordable housing that a small scheme can absorb and (b) the payment in lieu that would flow from this level.

Such a model would need to consider the following factors:

- The Gross Development Value of the scheme, with and without affordable housing;
- Build costs and other development costs (including fees, finance and profit);
- Benchmark Land Value (most typically, the existing use value of the site, plus an appropriate landowner's premium).

The key differences between the two appraisals are the revenue and the profit levels. Profit on the private housing element is higher than profit on the affordable housing (the former is typically 20% on GDV and 6% on the latter). This needs to be reflected in any comparison of the two alternative options.

A screen-shot from the prototype appraisal tool is provided on the next page. This indicates how the tool has been structured to achieve the objectives of providing a simple tool that is capable of providing an indication of scheme viability, as well as calculating the payment in lieu. The Council could either provide the spreadsheet within its SPD as a template for developers to complete by hand, or alternatively, the Council could provide a 'live' excel spreadsheet similar to the model provided by Richmond. The second option appears to us to be preferable, as this would speed up calculations and enable all parties to work from a common template.

The model calculates the residual value of the scheme as 100% private and then a second residual is calculated, assuming an element of affordable housing. The second residual is based on the Council's policy S2. For example, a 6 unit scheme would require 2.4 affordable housing units.

The model also makes provision for calculating the existing use value of the site by capitalising a rent, less rent free period and purchaser's costs. A premium is added to the existing use value to reflect in incentive required by landowners to release the site for development. The two residual land values (with and without on-site affordable housing) are then compared to the existing use value benchmark. If the residual land value of the scheme with affordable housing equals or exceeds the existing use value, then a payment in lieu is calculated. The payment in lieu calculation reflects the Wandsworth and Richmond model (i.e. simply the difference between the value generated by the 100% private housing scheme compared to the scheme with affordable housing).

In situations where a scheme that meets the Council's affordable housing target would be unviable, the affordable housing percentage would be adjusted downwards until the scheme becomes viable. This is calculated by utilising Excel's 'goal seek' capability.

Two examples are provided on the following pages. Example 1 is based on a 9 unit scheme that is required to provide 3.6 units (40%) of affordable housing under Policy S2. This scheme is compared to a 100% private housing scheme. This is unviable, as the residual land value is £831,061, lower than the existing use value benchmark of £1,015,545. In Example 2, the affordable housing percentage has been reduced to 30.4%, so that the residual land value is equal to the existing use value. The difference between the 100% private housing

scheme and the scheme with 30.4% affordable housing is £584,117, which equates to the payment in lieu.

3.1.1 Applicability to large scale schemes

Although the principles outlined above are aimed primarily at small schemes of 10 or fewer units, they are equally applicable to larger schemes where on-site affordable housing is regarded as being unsuitable. Calculating payments in lieu in such situations could be determined through the Wandsworth approach of running two appraisals of the scheme; one with on-site affordable and one without, and deducting the residual value generated by the latter from the former.

Although beyond the scope of our brief, situations in which a payment in lieu might be accepted could include the following:

- The Council regards the site as an unsuitable location for affordable housing or for family housing;
- On sites that have high sales values, the payment in lieu could be substantial and be used to provide more affordable housing on other sites than could have been provided on-site; and
- The site is not capable of meeting RP design standards without seriously compromising scheme viability, resulting in no demand from RPs and a threat to the deliverability of the development. This might be particularly relevant to developments that involve the conversion of listed buildings, where the ability to meet sustainability requirements is fettered by conservation requirements.

3.2 Explanatory text for inclusion in planning guidance

If the Council decides to issue the spreadsheet as a hard copy template only, rather than a live model, a blank template is attached as Appendix 5. This could be incorporated into a Supplementary Planning Document ('SPD') as an appendix. The SPD would need to provide some explanatory text, describing how applicants should use the model to appraise their scheme and calculate their payment in lieu. The following sections provide a sample explanatory text for the Council to include, subject to any amendments officers may wish to make.

Determination of viability and calculation of payment in lieu

Step 1:

Enter a description of unit types, number of beds per unit, predicted sales values in the "Scheme Income" table. Also enter any car parking revenue per unit, ground rents, yield to be applied to ground rents and calculate the capital value of the yield (1 divided by the yield multiplied by annual ground rent). So if the annual ground rent is £200 and the yield is 7%, the capital value would be $(1 \div 7\% = 14.28, \text{ multiplied by } £200 = £2,857$.

Calculate the Gross Development Value by adding the predicted sales values to the car parking revenue and capitalised ground rents.

Step 2:

Enter the policy compliant percentage of affordable housing in the box under 'policy compliant affordable housing', having regard to Policy S2. Enter the average private sales value and the average affordable housing value in the two

boxes immediately below. Using these average values, calculate the Gross Development Value of a scheme incorporating affordable housing.

Step 3:

Enter scheme costs (build costs, demolition and site preparation, Section 106 costs, marketing costs etc) and add these costs to determine total development costs.

Costs should be calculated separately for the scheme with affordable housing and the 100% private housing scheme.

Step 4:

Calculate the net residual land values by deducting all scheme costs from the Gross Development Value for both schemes.

Step 5:

Calculate the payment in lieu by deducting the residual land value of the scheme incorporating affordable housing (labelled B) from the 100% private housing scheme (labelled A).

If the residual land value of the scheme with affordable housing is lower than the site's existing use value, re-run the steps above with a reduced level of affordable housing.

Example 1: Scheme meeting full 4 units affordable housing contribution on a scheme of 9 units
**LONDON BOROUGH OF LAMBETH
SMALL SITES AFFORDABLE HOUSING CONTRIBUTION - VIABILITY TEST**

 Scheme address:

Policy compliant affordable housing				40.0%
Private	5.40	Affordable	3.60	

Scheme income			Scheme mix					
Unit type	No of beds	Floor area (sq ft)	Predicted sales value	Car Parking revenue per unit	Ground rent per annum	Yield	Capitalised ground rent	
Unit 1	House	3	950	£525,000	£0	£0.00	5%	£0
Unit 2	House	3	975	£525,000	£0	£0.00	5%	£0
Unit 3	Flat	1	500	£295,000	£0	£250.00	5%	£5,000
Unit 4	Flat	1	500	£295,000	£0	£250.00	5%	£5,000
Unit 5	Flat	2	750	£427,500	£0	£300.00	5%	£6,000
Unit 6	Flat	2	750	£427,500	£0	£300.00	5%	£6,000
Unit 7	Flat	2	750	£427,500	£0	£300.00	5%	£6,000
Unit 8	Flat	1	500	£295,000	£0	£250.00	5%	£5,000
Unit 9	Flat	1	500	£295,000	£0	£250.00	5%	£5,000
Sub-total		6175	£3,512,500					£38,000

Average private sales value (per sq ft)	£569
---	------

Average affordable hsg value (per sq ft)	£110.00
--	---------

Policy compliant scheme GDV (private)	£2,107,500
Policy compliant scheme GDV (affordable)	£271,700

Ground rent income	£0
Car parking income	£38,000

Gross Development Value	£3,550,500	£2,417,200
--------------------------------	-------------------	-------------------

Scheme costs		
Build costs	£864,500	£864,500
Demolition and site prep	£30,875	£30,875
Professional fees 8.00%	£69,160	£69,160
Section 106	£15,000	£15,000
Marketing (% of GDV) 3.00%	£106,515.00	£64,365.00
Developer's profit on private 20.00%	£710,100.00	£429,100.00
Developer's profit on AH 6.00%	n/a	£16,302.00
Finance on build 7.00%	£34,283.73	£34,283.73
Residual land value	£1,720,066	£893,614
Finance on land 7.00%	£120,405	£62,553

NET RESIDUAL	£1,599,662	£831,061
---------------------	-------------------	-----------------

Existing use value	£1,015,545	£1,015,545
--------------------	------------	------------

Description of existing buildings on site:

Secondary office

Viable
Not viable

Payment in lieu		n/a
------------------------	--	------------

Example 1 (continued)

Description of existing buildings on site:

Secondary office

Floor area of building (sq ft)	4,000
--------------------------------	-------

Type of building	Office
------------------	--------

Rent per sq ft

Area 1	£18.00	£72,000
--------	--------	---------

Yield	7.00%
-------	-------

Rent free period (years)	2.0	0.8734
--------------------------	-----	--------

Capital Value	£898,394
---------------	----------

Purchaser's costs	5.80%	£52,107
-------------------	-------	---------

Landowner premium	20%
-------------------	-----

Example 2: Adjusted affordable housing level to achieve viable scheme

LONDON BOROUGH OF LAMBETH SMALL SITES AFFORDABLE HOUSING CONTRIBUTION - VIABILITY TEST

Scheme address:

Scheme income				Scheme mix				
Unit type	No of beds	Floor area (sq ft)	Predicted sales value	Car Parking revenue per unit	Ground rent per annum	Yield	Capitalised ground rent	
Unit 1	House	3	950	£525,000	£0	£0.00	5%	£0
Unit 2	House	3	975	£525,000	£0	£0.00	5%	£0
Unit 3	Flat	1	500	£295,000	£0	£250.00	5%	£5,000
Unit 4	Flat	1	500	£295,000	£0	£250.00	5%	£5,000
Unit 5	Flat	2	750	£427,500	£0	£300.00	5%	£6,000
Unit 6	Flat	2	750	£427,500	£0	£300.00	5%	£6,000
Unit 7	Flat	2	750	£427,500	£0	£300.00	5%	£6,000
Unit 8	Flat	1	500	£295,000	£0	£250.00	5%	£5,000
Unit 9	Flat	1	500	£295,000	£0	£250.00	5%	£5,000
Sub-total			6175	£3,512,500				£38,000

Policy compliant affordable housing				30.4%
Private	6.26	Affordable	2.74	

Average private sales value (per sq ft)	£569
---	------

Average affordable hsg value (per sq ft)	£110.00
--	---------

Policy compliant scheme GDV (private)	£2,444,736
Policy compliant scheme GDV (affordable)	£206,485

Ground rent income	£0
Car parking income	£38,000

Gross Development Value	£3,550,500	£2,689,221
--------------------------------	-------------------	-------------------

Scheme costs			
Build costs		£864,500	£864,500
Demolition and site prep		£30,875	£30,875
Professional fees	8.00%	£69,160	£69,160
Section 106		£15,000	£15,000
Marketing (% of GDV)	3.00%	£106,515.00	£74,482.08
Developer's profit on private	20.00%	£710,100.00	£496,547.18
Developer's profit on AH	6.00%	n/a	£12,389.10
Finance on build	7.00%	£34,283.73	£34,283.73
Residual land value		£1,720,066	£1,091,984
Finance on land	7.00%	£120,405	£76,439

NET RESIDUAL	£1,599,662	£1,015,545
---------------------	-------------------	-------------------

Existing use value	£1,015,545	£1,015,545
--------------------	------------	------------

Description of existing buildings on site:

Secondary office

Viable

Viable

Payment in lieu	£584,117
------------------------	-----------------

Example 2 (continued)
Existing use value

Description of existing buildings on site:

Secondary office		
Floor area of building (sq ft)	4,000	
Type of building	Office	
Rent per sq ft		
Area 1	£18.00	£72,000
Yield	7.00%	
Rent free period (years)	2.0	0.8734
Capital Value	£898,394	
Purchaser's costs	5.80%	£52,107
Landowner premium	20%	

4 Conclusions and recommendations

This study considers a number of alternative approaches to securing payments in lieu, as an alternative to on-site affordable housing delivery. In particular, we have considered the pros and cons of approaches adopted or proposed by Mole Valley, Wandsworth and Richmond councils.

We have concluded that:

- The Mole Valley approach is unlikely to be sufficiently flexible to cope with the wide range of development types that developers bring forward in Lambeth.
- The Wandsworth and Richmond approaches (which are based on the same principle of calculating the 'opportunity cost' of delivering affordable housing on-site) are most suited to Lambeth.
- Building upon the best aspects of these approaches, we have created a 'hybrid' model that performs the dual functions of testing the viability of small schemes, as well as calculating their payment in lieu.
- By building a test of viability into the process, the Council's requirements would meet the tests contained within CIL Regulation 122.

Appendix 1 Example calculation – Richmond upon Thames model

**LONDON BOROUGH OF RICHMOND UPON THAMES
AFFORDABLE HOUSING SPD - ANNEXE A - COMMUTED SUM CALCULATION**

Site Name:	LB Lambeth - example scheme	Date	25/11/2010	Notes
Number of Units on proposed development	3	No.		
Level of Affordable Housing required	40%	Per DMH 06		See SPD Para 2.8.3
Number of Affordable Units required	1.20	No.		
Percentage Affordable Rented required	100%			
Number of Affordable Rented Units required	1.20	No.		
Percentage Intermediate required	0%			
Number of Intermediate units required	0.00	No.		
Less on Site provision				
Affordable Rented Units provided on site	0	No.		
Net number of units of Affordable Rented off-site	1.20	No.		
Intermediate Units provided on site	0	No.		
Net number of Intermediate units off-site	0.00	No.		

Off-Site Commuted Sum calculation

Affordable Rented

Unit type	Off Site Provision	OMV £	Profit 20.00%	Net Total Cost	Rent per week	Mgt Charge 20.00%	Yield 5.00%	Capitalised Rent	Commuted Sum
1 Bed Flat			0	0		0	5.00%	0	0
2 Bed Flat	0.80	275,000	55,000	220,000	120	1,248	5.00%	99,840	96,128
3 Bed Flat			0	0		0	5.00%	0	0
2 Bed Hse			0	0		0	5.00%	0	0
3 Bed Hse			0	0		0	5.00%	0	0
4 Bed Hse			0	0		0	5.00%	0	0
5 Bed Hse			0	0		0	5.00%	0	0
Total	0.8							Total	96,128

Intermediate - Shared Ownership

Unit type	Off Site Provision	OMV £	Profit 20.00%	Net Total Cost	Equity Rent 2.75%	Mgt Charge 6.50%	Yield 6.00%	Capitalised Rent	1st Tranche 40.00%	Commuted Sum
1 Bed Flat			0	0	0	0	6.00%	0	0	0
2 Bed Flat	0.40	275,000	55,000	220,000	4,538	295	6.00%	70,709	110,000	15,716
3 Bed Flat			0	0	0	0	6.00%	0	0	0
2 Bed Hse			0	0	0	0	6.00%	0	0	0
3 Bed Hse			0	0	0	0	6.00%	0	0	0
4 Bed Hse			0	0	0	0	6.00%	0	0	0
5 Bed Hse			0	0	0	0	6.00%	0	0	0
Total	0.4									15,716

Total Units	1.20							Total Commuted Sum	111,844
--------------------	------	--	--	--	--	--	--	---------------------------	----------------

Appendix 2 Calculation of payment in lieu using Mole Valley approach

For each property type:

Step 1: Open market value (OMV) of the relevant or comparative market property divided by the size of that property and multiplied by the affordable housing property size equivalent (to assess the market value of a suitably sized affordable home).

Step 2: Multiply by the residual land value percentage (30%) – to get to the base plot value for that home.

Step 3: Add 15% to the step 2 figure, to reflect site acquisition and servicing costs (this gives the per unit sum – approximate value of the serviced plot for that property type – free serviced land basis).

Then to get to the total contribution:

Step 4: Apply the resulting per unit sum(s) to the relevant site number and proportion (i.e. Step 3 per unit sum x number of dwellings in scheme x 40%⁴).

Step 1: Value of each property = £275,000

Size of each unit (private) 75 sqm = £3,667 per sqm

Size of equivalent affordable housing unit (70 sqm) = £256,690

Step 2: £256,690 x 30% = £77,007

Step 3: £77,007 + 15% = £88,558

Step 4: 6 units @ £88,558 each x 40% = £212,539

⁴ This relates to Lambeth's Policy S2 requirement for 40% affordable housing.

Appendix 3 Calculation of payment in lieu using Richmond approach

**LONDON BOROUGH OF RICHMOND UPON THAMES
AFFORDABLE HOUSING SPD - ANNEXE A - COMMUTED SUM CALCULATION**

Site Name: LB Lambeth - example scheme	Date: 25/11/2010	Notes:
Number of Units on proposed development	6 No.	See SPD Para 2.8.3
Level of Affordable Housing required	40% Per DMH 06	
Number of Affordable Units required	2.40 No.	
Percentage Affordable Rented required	100%	
Number of Affordable Rented Units required	2.40 No.	
Percentage Intermediate required	0%	
Number of Intermediate units required	0.00 No.	
Less on Site provision		
Affordable Rented Units provided on site	0 No.	
Net number of units of Affordable Rented off-site	2.40 No.	
Intermediate Units provided on site	0 No.	
Net number of Intermediate units off-site	0.00 No.	

Off-Site Commuted Sum calculation

Affordable Rented									
Unit type	Off Site Provision	OMV £	Profit 20.00%	Net Total Cost	Rent per week	Mgt Charge 20.00%	Yield 5.00%	Capitalised Rent	Commuted Sum
1 Bed Flat			0	0		0	5.00%	0	0
2 Bed Flat	1.40	275,000	55,000	220,000	120	1,248	5.00%	99,840	168,224
3 Bed Flat			0	0		0	5.00%	0	0
2 Bed Hse			0	0		0	5.00%	0	0
3 Bed Hse			0	0		0	5.00%	0	0
4 Bed Hse			0	0		0	5.00%	0	0
5 Bed Hse			0	0		0	5.00%	0	0
Total	1.4							Total	168,224

Intermediate - Shared Ownership

Unit type	Off Site Provision	OMV £	Profit 20.00%	Net Total Cost	Equity Rent 2.75%	Mgt Charge 6.50%	Yield 6.00%	Capitalised Rent	1st Tranche 40.00%	Commuted Sum
1 Bed Flat			0	0	0	0	6.00%	0	0	0
2 Bed Flat	1.00	275,000	55,000	220,000	4,538	295	6.00%	70,709	110,000	39,291
3 Bed Flat			0	0	0	0	6.00%	0	0	0
2 Bed Hse			0	0	0	0	6.00%	0	0	0
3 Bed Hse			0	0	0	0	6.00%	0	0	0
4 Bed Hse			0	0	0	0	6.00%	0	0	0
5 Bed Hse			0	0	0	0	6.00%	0	0	0
Total	1									39,291

Total Units	2.40							Total Commuted Sum	207,515
--------------------	------	--	--	--	--	--	--	---------------------------	---------

Appendix 4 Calculation of payment in lieu using Wandsworth approach

Site Details

Site Address	<input type="text" value="LB Lambeth - small sites testing"/>
Site Reference	<input type="text"/>
Application Number	<input type="text"/>
NLUD Reference	<input type="text"/>
UPRN or Grid Reference	<input type="text"/>
Scheme Description	<input type="text" value="6 unit scheme (40% affordable)"/>

I have read, and accepted, the terms and conditions set out in the license agreement

Next Page

Basic Site Information

Site Area

Total Size of Site In Hectares

(You must enter a value in here)

Density / Number of Dwellings

You may specify either a number of dwellings or a density for this site

Enter a Number of Dwellings
(Density is then calculated)

Enter a Density
(Number of Dwellings is then calculated)

You may either select a pre-determined density from the list below
or enter your own value in the box above

users own value

Percentage Increase/Decrease in Density:
Whichever option you choose you may test the effect of a
percentage increase/decrease in the site density by using the cell
below

Resulting Number of Dwellings

Resulting Density

Unit Types and Details

Enter the details for each type of unit in the cells below. You can specify up to 40 types of unit, one per row. Each row must be either fully completed or left fully blank.

Note: For wheelchair units; the Toolkit uses exactly the size of the unit as entered by the user.

Ref.	Description of Unit Type (for the users reference only)	Number of Bed - rooms	Person Occupancy		Habitable Rooms		Wheel- chair Unit?	Is a Flat?	No. Of Storeys (1-99)	Size in sq m
			Bench - mark	User value	Bench - mark	User value				
1	2 bed flat	2	3	4	3		no	yes	4	75
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32										
33										
34										
35										
36										
37										
38										
39										
40										

Previous Page

Next Page

Tenure

You may decide the distribution of the units across the tenures in two ways.

By Percentage: In which case you enter a percentage of the total number of units to assign to each tenure. These percentages are applied equally across all unit types.

By Quantity: In which case enter the exact number of units of each type to assign to each tenure in the table below.

Input by Percentages

Input by Quantity

Ref.	Description	Units	Affordable						Units allocated	Increase/decrease in market value		Increase/decrease in market rent		Social Rent	E ro	
			SALE	Social rent	New build HomeBuy	Low cost sale	Equity share	Affordable/Intermediate rent		Sale, Low Cost Sale, Equity Share		Affordable / Intermediate Rent				100%
			60%	28%	12%	0%	0%	0%		Market Value	Adjusted Market Value	Market Rent per week	Adjusted Market Rent			User Rent/week
1	2 bed flat	6	3.6	1.7	0.7					£ 275,000	£ 275,000		£ -	£ 95.00		
2										£ -	£ -		£ -			
3										£ -	£ -		£ -			
4										£ -	£ -		£ -			
5										£ -	£ -		£ -			
6										£ -	£ -		£ -			
7										£ -	£ -		£ -			
8										£ -	£ -		£ -			
9										£ -	£ -		£ -			
10										£ -	£ -		£ -			
11										£ -	£ -		£ -			
12										£ -	£ -		£ -			
13										£ -	£ -		£ -			
14										£ -	£ -		£ -			
15										£ -	£ -		£ -			
16										£ -	£ -		£ -			
17										£ -	£ -		£ -			
18										£ -	£ -		£ -			
19										£ -	£ -		£ -			
20										£ -	£ -		£ -			
21										£ -	£ -		£ -			
22										£ -	£ -		£ -			
23										£ -	£ -		£ -			
24										£ -	£ -		£ -			
25										£ -	£ -		£ -			
26										£ -	£ -		£ -			
27										£ -	£ -		£ -			
28										£ -	£ -		£ -			
29										£ -	£ -		£ -			
30										£ -	£ -		£ -			
31										£ -	£ -		£ -			
32										£ -	£ -		£ -			
33										£ -	£ -		£ -			
34										£ -	£ -		£ -			
35										£ -	£ -		£ -			
36										£ -	£ -		£ -			
37										£ -	£ -		£ -			
38										£ -	£ -		£ -			
39										£ -	£ -		£ -			
40										£ -	£ -		£ -			
Total		6	3.6	1.7	0.7	0.0	0.0	0.0	6.00							

Percentage purchased by purchaser for New build HomeBuy

Percentage purchased by purchaser for Low Cost Sale

Percentage purchased by purchaser for Equity Share

Previous Page

Next Page

Development Costs

Build Costs per sq m

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank the Toolkit Value for that row will be used. The Ecomhomes level is for reference purposes only.

	Toolkit Values	User Values
Flats (40+ storeys)	£3,359	
Flats (16-40 storeys)	£2,768	
Flats (6-15 storeys)	£2,151	
Flats (5 & less storeys)	£1,580	
Houses <= 75m2	£1,175	
Houses > 75m2	£1,029	

Code for Sustainable Homes level

Other Development Costs

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank the Toolkit Value for that row will be used

	Toolkit Values	User Values	
Professional Fees %	12.0%	8.0%	of build costs
Internal Overheads	6.0%		of build costs (Sale, Equity Share and Low Cost Sale units only)
Interest rate (Market)	6.75%	7.0%	of build costs (Sale, Equity Share and Low Cost Sale units)
Interest Rate (Affordable Housing)	6.75%	7.0%	of build costs (Social Rent, Aff/Int' Rent and Nb HomeBuy)
Marketing Fees	3.0%		of market value
Developers Return	17.0%	20.0%	of market value applies to market housing
Contractors Return	6.0%		of development costs (excl finance) applies to affordable housing

Land Financing Costs (see Guidance Notes)

Exceptional Development Costs

Enter a value for exceptional development costs.

Total For Scheme	
Cost per dwelling	
Cost per hectare	
Cost per habitable room	No Info

You may also enter SCHEME totals for other exceptional costs. You can enter the name of the cost in the left hand cells and the SCHEME value in the right hand cell

Costs incurred for Sustainable homes level of 3,4, 5 or 6	£	-
<Enter cost description>	£	-
<Enter cost description>	£	-
<Enter cost description>	£	-

Previous Page

Next Page

Planning Obligations

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit					Calculated Total (Affordable and Sale)	
	Enter Total?	User Total	Sale	Affordable					
				Social rent	New build HomeBuy	Low cost sale	Equity share		Affordable/ Intermediate rent
Education Contribution	<input type="checkbox"/>								£0
Highway works	<input type="checkbox"/>								£0
Contribution to public transport	<input type="checkbox"/>								£0
Contribution to community facilities	<input type="checkbox"/>								£0
Provision for open space	<input type="checkbox"/>								£0
Contribution to public art	<input type="checkbox"/>								£0
Environmental improvements	<input type="checkbox"/>								£0
Town centre improvements	<input type="checkbox"/>								£0
Waterfront improvements	<input type="checkbox"/>								£0
Support for employment development	<input type="checkbox"/>								£0
Employment related training	<input type="checkbox"/>								£0
Other	<input checked="" type="checkbox"/>	£48,000							£48,000
Total for Scheme			£48,000						
Total for Scheme per hectare			£480,000						
Total for Scheme divided by total number of units			£8,000						
Total for Scheme divided by number of sale units			£13,333						

Previous Page

Next Page

Capital Contribution From Other Sources

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit					Calculations (Affordable/Intermediate Sale)
	Enter Total?	User Total	Sale	Affordable				
				Social rent	New build HomeBuy	Low cost sale	Equity share	
European Union funding	<input type="checkbox"/>							
English Partnership funding	<input type="checkbox"/>							
London Development Agency grant	<input type="checkbox"/>							
Local Authority capital grant	<input type="checkbox"/>							
Other regeneration funding	<input type="checkbox"/>							
English Heritage grant	<input type="checkbox"/>							
Lottery grant	<input type="checkbox"/>							
Contribution from Payment in Lieu fund	<input type="checkbox"/>							
Employer contribution	<input type="checkbox"/>							
Capitalised ground rent figure	<input checked="" type="checkbox"/>	£18,000						
Other	<input type="checkbox"/>							

Total for Scheme	£18,000
Total for Scheme per hectare	£180,000
Total for Scheme divided by total number of units	£3,000
Total for Scheme divided by number of sale units	£5,000

Previous Page

Known Payment for Affordable Housing

Enter the fixed payments for each tenure below.

	Affordable Housing Tenures					Total
	Social rent	New build HomeBuy	Low cost sale	Equity share	Affordable/Intermediate rent	No. Of Affordable Units
Number of units	1.7	0.7	0.0	0.0	0.0	2
Payment By Unit						
Or Payment By Tenure	£ 132918	£ 128725				
Or Scheme Total	Enter a lump sum payment for all Affordable Housing Tenures					
Tenure Total	£ 132918	£ 128725	£	£	£	
Method by which Affordable Housing Revenue is calculated	By Tenure	By Tenure	N/A	N/A	N/A	
Total Known Payment for Affordable Housing	£ 261643					

Please select one of the below options;

- There is no grant, or it is included in the above values
(in which case grant will not be shown separately on the results page)
- Grant is included in the above value and I would like to show it separately on the Results page for information (Total revenue for the tenure will use figures in table above, grant shown on the next page will not be added)

Previous Page

Next Page

Scheme Results

Site	LB Lambeth - small sites testing
Address	
Scheme	6 unit scheme (40% affordable)
Description	

Site Reference Number	0
Application Number	0
NLUD Ref. Number	0
UPRN or Grid Ref.	0

RESIDUAL VALUE	£133,000
Per hectare	£1,330,000
Per dwelling	£22,000
Per market dwelling	£37,000
Per habitable room	No Info
Per bedspace	No Info

SCHEME UNITS	
No. of Dwellings	6
No. of Habitable rooms	18
No. of Bedrooms	12
% Wheelchair Units	0%

SCHEME DENSITIES	
Dwellings per ha.	60.0
Habitable rooms per ha.	180.0

SCHEME REVENUE	£1,270,000
Contribution to revenue from:	
Market housing	£990,000
Affordable Housing	£262,000
- Social rent	£133,000
- New build HomeBuy	£129,000
- Affordable/Intermediate Rent	£0
- Low Cost Sale	£0
- Equity Share	£0
Capital Contribution	£18,000
Commercial Elements	£0

AFFORDABLE UNITS						
	Social Rent	New build HomeBuy	Afford' / Inter' Rent	Low Cost Sale	Equity Share	Total Affordable
Units %	28%	12%	0%	0%	0%	40%
Hab rooms	28%	12%	0%	0%	0%	40%
Bedrooms	28%	12%	0%	0%	0%	40%
Persons	28%	12%	0%	0%	0%	40%
Floorspace	28%	12%	0%	0%	0%	40%

SCHEME COSTS	£1,137,000
Contribution to costs from:	
Market housing	£744,000
Affordable Housing	£346,000
- Social rent	£242,000
- New build HomeBuy	£104,000
- Affordable/Intermediate Rent	£0
- Low Cost Sale	£0
- Equity Share	£0
Land Financing Costs	£0
Planning Obligations	£48,000
Exceptional Development Costs	£0
Commercial Elements	£0

PUBLIC SUBSIDY (GRANT)	
Whole scheme	£ -
Per social rental dwelling	£ -
Per Newbuild Homebuy dwelling	£ -
Per Affordable/Intermediate Rent dwelling	£ -

Alternative Site Values		Against residual	
Existing Use Value	£ -	£ -	-
Acquisition Cost	£ -	£ -	-
Value for offices	£ -	£ -	-
Value for industrial	£ -	£ -	-
Value as hotel site	£ -	£ -	-
Value as other alternative use	£ -	£ -	-

Costs Analysis

Child Occupancy

Affordability Analysis

Discounted Cash Flow

View Results

Site Details

Site Address

Site Reference

Application Number

NLUD Reference

UPRN or Grid Reference

Scheme Description

I have read, and accepted, the terms and conditions set out in the license agreement

Next Page

Basic Site Information

Site Area

Total Size of Site In Hectares

(You must enter a value in here)

Density / Number of Dwellings

You may specify either a number of dwellings or a density for this site

Enter a Number of Dwellings
(Density is then calculated)

Enter a Density
(Number of Dwellings is then calculated)

You may either select a pre-determined density from the list below
or enter your own value in the box above

users own value

Percentage Increase/Decrease in Density:
Whichever option you choose you may test the effect of a
percentage increase/decrease in the site density by using the cell
below

Resulting Number of Dwellings

Resulting Density

Unit Types and Details

Enter the details for each type of unit in the cells below. You can specify up to 40 types of unit, one per row. Each row must be either fully completed or left fully blank.

Note: For wheelchair units; the Toolkit uses exactly the size of the unit as entered by the user.

Ref.	Description of Unit Type (for the users reference only)	Number of Bed - rooms	Person Occupancy		Habitable Rooms		Wheel- chair Unit?	Is a Flat?	No. Of Storeys (1-99)	Size in sq m
			Bench - mark	User value	Bench - mark	User value				
1	2 bed flat	2	3	4	3		no	yes	4	75
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32										
33										
34										
35										
36										
37										
38										
39										
40										

Previous Page

Next Page

Tenure

You may decide the distribution of the units across the tenures in two ways.

By Percentage: In which case you enter a percentage of the total number of units to assign to each tenure. These percentages are applied equally across all unit types.

By Quantity: In which case enter the exact number of units of each type to assign to each tenure in the table below.

Input by Percentages

Input by Quantity

Ref.	Description	Units	Affordable						Increase/ decrease in market value		Increase/ decrease in market rent		Social Rent	E ro		
			SALE	Social rent	New build HomeBuy	Low cost sale	Equity share	Affordable/ Intermediate rent	Units allocated	Sale, Low Cost Sale, Equity Share		70% Affordable / Intermediate Rent			User Rent/week	
			100%	0%	0%	0%	0%	0%	100%	Market Value	Adjusted Market Value	Market Rent per week			Adjusted Market Rent	
1	2 bed flat	6	6.0													
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
12																
13																
14																
15																
16																
17																
18																
19																
20																
21																
22																
23																
24																
25																
26																
27																
28																
29																
30																
31																
32																
33																
34																
35																
36																
37																
38																
39																
40																
Total		6	6.0	0.0	0.0	0.0	0.0	0.0	0.0	6.00						

Percentage purchased by purchaser for New build HomeBuy

Percentage purchased by purchaser for Low Cost Sale

Percentage purchased by purchaser for Equity Share

Previous Page

Next Page

Development Costs

Build Costs per sq m

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank the Toolkit Value for that row will be used. The Ecomhomes level is for reference purposes only.

	Toolkit Values	User Values
Flats (40+ storeys)	£3,359	
Flats (16-40 storeys)	£2,768	
Flats (6-15 storeys)	£2,151	
Flats (5 & less storeys)	£1,580	
Houses <= 75m2	£1,175	
Houses > 75m2	£1,029	

Code for Sustainable Homes level

Other Development Costs

If you wish to use your own values then you can enter them in the white cells below. If you leave any blank the Toolkit Value for that row will be used

	Toolkit Values	User Values	
Professional Fees %	12.0%	8.0%	of build costs
Internal Overheads	6.0%		of build costs (Sale, Equity Share and Low Cost Sale units only)
Interest rate (Market)	6.75%	7.0%	of build costs (Sale, Equity Share and Low Cost Sale units)
Interest Rate (Affordable Housing)	6.75%	7.0%	of build costs (Social Rent, Aff/Int' Rent and Nb HomeBuy)
Marketing Fees	3.0%		of market value
Developers Return	17.0%	20.0%	of market value applies to market housing
Contractors Return	6.0%		of development costs (excl finance) applies to affordable housing

Land Financing Costs (see Guidance Notes)

Exceptional Development Costs

Enter a value for exceptional development costs.

Total For Scheme	
Cost per dwelling	
Cost per hectare	
Cost per habitable room	No Info

You may also enter SCHEME totals for other exceptional costs. You can enter the name of the cost in the left hand cells and the SCHEME value in the right hand cell

Costs incurred for Sustainable homes level of 3,4, 5 or 6	£	-
<Enter cost description>	£	-
<Enter cost description>	£	-
<Enter cost description>	£	-

Previous Page

Next Page

Planning Obligations

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit					Calculated Total (Affordable and Sale)	
	Enter Total?	User Total	Sale	Affordable					
				Social rent	New build HomeBuy	Low cost sale	Equity share		Affordable/ Intermediate rent
Education Contribution	<input type="checkbox"/>								£0
Highway works	<input type="checkbox"/>								£0
Contribution to public transport	<input type="checkbox"/>								£0
Contribution to community facilities	<input type="checkbox"/>								£0
Provision for open space	<input type="checkbox"/>								£0
Contribution to public art	<input type="checkbox"/>								£0
Environmental improvements	<input type="checkbox"/>								£0
Town centre improvements	<input type="checkbox"/>								£0
Waterfront improvements	<input type="checkbox"/>								£0
Support for employment development	<input type="checkbox"/>								£0
Employment related training	<input type="checkbox"/>								£0
Other	<input checked="" type="checkbox"/>	£48,000							£48,000
Total for Scheme				£48,000					
Total for Scheme per hectare				£480,000					
Total for Scheme divided by total number of units				£8,000					
Total for Scheme divided by number of sale units				£8,000					

Previous Page

Next Page

Capital Contribution From Other Sources

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit					Calculations (Affordable/Intermediate Sale)
	Enter Total?	User Total	Sale	Affordable				
				Social rent	New build HomeBuy	Low cost sale	Equity share	
European Union funding	<input type="checkbox"/>							
English Partnership funding	<input type="checkbox"/>							
London Development Agency grant	<input type="checkbox"/>							
Local Authority capital grant	<input type="checkbox"/>							
Other regeneration funding	<input type="checkbox"/>							
English Heritage grant	<input type="checkbox"/>							
Lottery grant	<input type="checkbox"/>							
Contribution from Payment in Lieu fund	<input type="checkbox"/>							
Employer contribution	<input type="checkbox"/>							
Capitalised ground rent figure	<input checked="" type="checkbox"/>	£30,000						
Other	<input type="checkbox"/>							

Total for Scheme	£30,000
Total for Scheme per hectare	£300,000
Total for Scheme divided by total number of units	£5,000
Total for Scheme divided by number of sale units	£5,000

Previous Page

Scheme Results

Site	LB Lambeth - small sites testing
Address	
Scheme	6 unit scheme
Description	

Site Reference Number	100% private housing
Application Number	0
NLUD Ref. Number	0
UPRN or Grid Ref.	0

RESIDUAL VALUE	£392,000
Per hectare	£3,920,000
Per dwelling	£65,000
Per market dwelling	£65,000
Per habitable room	No Info
Per bedspace	No Info

SCHEME UNITS	
No. of Dwellings	6
No. of Habitable rooms	18
No. of Bedrooms	12
% Wheelchair Units	0%

SCHEME DENSITIES	
Dwellings per ha.	60.0
Habitable rooms per ha.	180.0

SCHEME REVENUE	£1,680,000
Contribution to revenue from:	
Market housing	£1,650,000
Affordable Housing	£0
- Social rent	£0
- New build HomeBuy	£0
- Affordable/Intermediate Rent	£0
- Low Cost Sale	£0
- Equity Share	£0
Capital Contribution	£30,000
Commercial Elements	£0

AFFORDABLE UNITS						
	Social Rent	New build HomeBuy	Afford' / Inter' Rent	Low Cost Sale	Equity Share	Total Affordable
Units %	0%	0%	0%	0%	0%	0%
Hab rooms	0%	0%	0%	0%	0%	0%
Bedrooms	0%	0%	0%	0%	0%	0%
Persons	0%	0%	0%	0%	0%	0%
Floorspace	0%	0%	0%	0%	0%	0%

SCHEME COSTS	£1,288,000
Contribution to costs from:	
Market housing	£1,240,000
Affordable Housing	£0
- Social rent	£0
- New build HomeBuy	£0
- Affordable/Intermediate Rent	£0
- Low Cost Sale	£0
- Equity Share	£0
Land Financing Costs	£0
Planning Obligations	£48,000
Exceptional Development Costs	£0
Commercial Elements	£0

PUBLIC SUBSIDY (GRANT)	
Whole scheme	£ -
Per social rental dwelling	£ -
Per Newbuild Homebuy dwelling	£ -
Per Affordable/Intermediate Rent dwelling	£ -

Alternative Site Values	Against residual	
Existing Use Value	£ -	£ -
Acquisition Cost	£ -	£ -
Value for offices	£ -	£ -
Value for industrial	£ -	£ -
Value as hotel site	£ -	£ -
Value as other alternative use	£ -	£ -

Costs Analysis

Child Occupancy

Affordability Analysis

Discounted Cash Flow

View Results

Appendix 5 Blank template for hybrid small-scheme appraisal and payment in lieu calculation

**LONDON BOROUGH OF LAMBETH
SMALL SITES AFFORDABLE HOUSING CONTRIBUTION - VIABILITY TEST**

Scheme address:

Scheme income	Scheme mix							
	Unit type	No of beds	Floor area (sq ft)	Predicted sales value	Car Parking revenue per unit	Ground rent per annum	Yield	Capitalised ground rent
Unit 1								
Unit 2								
Unit 3								
Unit 4								
Unit 5								
Unit 6								
Unit 7								
Unit 8								
Unit 9								
Unit 10								

Sub-total £ £

Gross Development Value		£					£
--------------------------------	--	---	--	--	--	--	---

Policy compliant affordable housing				
Private		Affordable		

Average private sales value (per sq ft)

Average affordable hsg value (per sq ft)

Policy compliant scheme GDV (private)

Policy compliant scheme GDV (affordable)

Ground rent income

Car parking income

Scheme costs	Build costs		£864,500	£864,500	
	Demolition and site prep		£30,875	£30,875	
	Professional fees	8.00%	£69,160	£69,160	
	Mayoral CIL		£20,079	£20	
	Lambeth CIL		£0	£0	
	Section 106		£15,000	£15,000	
	Marketing (% of GDV)	3.00%	£106,515.00	£77,853.00	
	Developer's profit on private	20.00%	£710,100.00	£519,020.00	
	Developer's profit on AH	6.00%	n/a	£11,085.36	
	Finance on build	7.00%	£34,986.49	£34,284.43	
	Residual land value		£1,699,285	£1,158,058	
	Finance on land	7.00%	£118,950	£81,064	
	NET RESIDUAL			£1,580,335	£1,076,994
				£1,015,545	£1,015,545
			Viable	Viable	
Payment in lieu				£503,341	

Existing use value

Description of existing buildings on site:

--

Floor area of building (sq ft)	
--------------------------------	--

Type of building	
------------------	--

Rent per sq ft

Area 1	
--------	--

Yield	
-------	--

Rent free period (years)	
--------------------------	--

Capital Value	
---------------	--

Purchaser's costs		
-------------------	--	--

Landowner premium	
-------------------	--