

DOVER DISTRICT COUNCIL



AFFORDABLE HOUSING ECONOMIC VIABILITY ASSESSMENT

Executive Summary

July 2009

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As a result of the much publicised Blythe Valley Court of Appeal case, where the council’s affordable housing policy was found to be unsound, it has become increasingly necessary for local authorities to undertake affordable housing viability studies to ensure that affordable housing policy is financially viable and therefore capable of being delivered. Lord Justice Keene, one of the presiding judges in the Blythe Valley case, stated that “An informal assessment of viability... is a central feature of PPS3 policy of affordable housing. It is not peripheral, optional or cosmetic. It is patently a crucial requirement of policy”.

CB Richard Ellis (CBRE) was commissioned by Dover District Council (DDC) to prepare an economic viability assessment of affordable housing provision across the District to assess the viability of a range of policy options for the delivery of affordable housing, to inform the emerging Local Development Framework (LDF). The Council’s affordable housing policy is outlined in Policy DM 5 of the Core Strategy Submission Document which states:-

Policy DM 5 – Provision of Affordable Housing

The Council will seek applications for residential development of 15 or more dwellings to provide 30% of the total homes proposed as affordable homes, in home types that will address prioritised need, and for developments under 15 homes to make a contribution towards the provision of affordable housing. The exact amount of affordable housing, or financial contribution, to be delivered from any specific scheme will be determined by economic viability having regard to individual site and market conditions.

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In order to assess the viability of Policy DM 5 CBRE undertook 125 development appraisals on a sample of sites containing 5, 10, 15, 25 and 50 units. The appraisals were undertaken using assumptions derived from CB Richard Ellis’s market facing experience and were based on present market conditions.

The results of the viability assessment demonstrated that in the present market a 30% affordable housing requirement should be deliverable in higher value areas of the Dover District, such as Sandwich and East Kent. This analysis also showed that 5 to 15 unit schemes in higher value Local Housing Market Areas should also be able to make a financial contribution towards affordable housing, dependent on the level of contribution required by the Council. The lower value areas, such as Dover Town Centre, are not currently capable of meeting the 30% affordable housing or financial contribution requirement but this situation should improve once the property market recovers. In light of the above it is CBRE’s view that the flexibility of the wording of Policy DM5 is sufficient to accommodate the Core Strategy over its planned period as schemes can be assessed on an individual basis.

The Council will seek to ensure that affordable housing is provided in locations where there is the most need for it, which may or may not be within locations where higher values make actually providing affordable housing viable. As such the Council may wish to consider pursuing off site affordable housing provision.

The study has sought to consider the future impact that change to sustainability requirements, such as the Code for Sustainable Homes, could have on developers ability to meet the requirements of Policy DM 5. If there were to be any increase in the level of Code for Sustainable Homes it is likely that this would impact on the financial viability of all schemes. This is particularly apparent as the Strategic Allocations in the Core Strategy require Code for Sustainable Homes Level 4. Given that the Core Strategy period extends to 20 years we are of the view that there is likely to be changes in the property and land market over this timeframe and it is anticipated that that the cost of sustainable initiatives will fall due to advances in technology and construction techniques. This, coupled with a recovery in the property market, should aid the viability of providing affordable housing going forward.

It is important to note that the economic assessment has been undertaken in a period where the property market is going through severe difficulties and where no grant is available for social housing. Given that Dover has been identified nationally as a growth point great interest in the area has been shown by developers, and this is expected to increase in the future.

In conclusion, the Core Strategy Policy DM5 allows the capability for a 30% affordable housing requirement in good market conditions while maintaining the flexibility to review the level subject to independent examination of the economic viability submitted by the applicant on a site by site basis.