

## **Executive Summary**

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- Worthing Borough Council currently operates planning policy adopted under the Worthing Local Plan 2003 which requires all residential developments at or above a threshold 25 or more dwellings (or sites of 1 hectare or more) to provide 30% affordable housing.
- There are high levels of affordable housing need in the Borough, expressed in the most recent needs survey as an annual shortfall of over 700 dwellings. Whilst not unusual in this area, this makes Worthing no different to other Local Authorities which need to consider this issue a high priority.
- Given the way in which the Government's planning policy position, the Regional planning framework and local level policy within the Region has moved on, and continues to do so, the Council is examining its established approach in preparing its Local Development Framework.
- In many areas within the region, and beyond, Councils are looking to reduce threshold levels to seek contributions to affordable housing need from smaller sites and/or increase the proportions sought.
- The Council's preferred Option Consultation approach was to apply the existing 30% proportion of affordable housing to smaller sites of 15 or more dwellings, and also to seek a 10% contribution from sites of 6 to 10 and 20% on sites of 11 to 14 dwellings. Thus a tapered approach to requirements is envisaged. Under the Council's preferred option approach, the sites of 6 to 14 units would make their contribution by way of payments in lieu rather than on site provision.
- Adams Integra was instructed by the Council to assess the viability of these policy options as well as consider any alternatives. The consideration of development viability is in the context of seeking to optimise affordable housing delivery whilst aiming to ensure that housing delivery in the wider sense is not unduly affected by the impact on land values and thus the supply of sites. The Government's Planning Policy Statement 3 (PPS3), released in November 2006, adds to this context by giving Councils more scope to consider lower thresholds than the "national indicative minimum" of 15 "where viable and practicable". It makes requirements of Councils to consider development viability.
- Having built on the Council's information on the property market in the Borough through desktop and locally based research, Adams Integra ran a wide range of appraisals using established residual land valuation techniques.

- The essence of this process was to fix development value and cost assumptions, based on a range of notional residential scheme types agreed with the Council as being representative, and then vary the affordable housing content of those schemes to see what happened to indicative land values.
- There is a wide range of property, and, therefore, development, values within Worthing. We based the appraisal modelling for the study on a range of new build property values we considered relevant to the Worthing context. Within this range we arrived at a series of value points, which we call “Points”, in this study 1 being the lowest and 4 the highest typical values within the general range.
- Whilst our results gave us some concerns about development viability in lower value situations in the Borough, particularly as impacted by affordable housing requirements, in our view more typically new build schemes are likely to be at the mid-range or mid to upper value levels we have looked at.
- The property values data and research is appended to the study. At the time of the initial research, excluding retirement apartments and one off developments of individual properties, there was only one significant new build scheme under way with marketing commencing. As at June 2007, whilst finalising the study, we revisited the research to see if additional new build schemes could provide further value indicators for such property. At that time, the same scheme plus one additional scheme were being marketed. Information is provided in Appendix III. Within those schemes, the pricing seen is at levels we have assumed with our Point 3 to 4 values, and beyond. Even after assuming discounts from advertised to sales prices, values at the lower end of the range seen for the various property types in these schemes would be at our Point 2 to 3 levels.
- Our view of the incidence of mid to upper range value points from within the overall range we have considered has given us much greater confidence in our findings and the viability picture in the context of setting clear policy targets applicable Borough wide. In our view it is not readily possible to accurately define the lower value areas with any certainty, nor is it in the interests of affordable housing delivery to attempt to label areas as such. In reality, value patterns are quite blurred on closer examination.
- We have formed the view that in viability terms the existing 30% requirement could certainly be supported on sites of 15 or more dwellings.
- The study also indicates that given the anticipated incidence of higher value schemes there may be circumstances in Worthing which the Council could consider relating to an increased target of 40%; perhaps on sites of 25 or more if an extension of a graduated approach were considered, and/or on

certain types of sites such as particular/strategic allocations/Greenfield releases. In any event, this is an opportunity to enhance the policy approach, and it could be revisited in the future depending on its success. The Council will wish to consider this further. This further consideration, if applicable, would be in the context of the wider picture. This includes the level of affordable housing need, the Worthing viability results at the mid to higher value levels, as well as the draft South East Plan position and positions of other nearby Authorities – which are generally pointing to targets of up to 40% being sought, at least as a component of policy applying to certain site sizes.

- Notwithstanding this, and again after acknowledging that there could be viability issues in low value scheme instances, the study is also able to lend support to the idea of sites in the size range 6 to 14 units contributing to affordable housing need too. As there can be practical, design and affordability issues with incorporating affordable housing on some smaller sites, we think the proposal to collect financial contributions in lieu on these makes sense in the Worthing context at this stage of policy development.
- The Council would need to pitch the indicative payment levels appropriately and also need to have in place a clear strategy for collection and use of these sums towards Sustainable Communities objectives through added affordable housing delivery. The appropriate pitching of payment levels could, in our view, be achieved through a relatively simple process of applying those to reduced, graduated requirements for affordable housing on the smaller, newly captured sites.
- Adams Integra has used its own methodology for calculating indicative payment in lieu sum levels, based on land values, which is reported. During the course of the study we were advised by the Council that it is also considering the use of current County-wide work being undertaken by the Valuation Office Agency (VOA) on a payment in lieu route and levels.
- The underlying methodology and the indicative figures produced by the VOA in the Worthing context are very similar to those resulting from Adams Integra's work as explained in this study. This means that if the Council is minded to follow either the VOA approach, or Adams Integra's, then the viability outcomes from the collection of the proposed indicative payment levels would be very similar, in our view presenting a deliverable and acceptable scenario from a viability point of view. This is subject to the wider provisos as in the following bullet points and explained in this study, but those inevitable factors need not detract from the approach as an overall part of the Council's vital stepping up of affordable housing requirements.
- In all cases, and whatever the policy selections made, the positions adopted will need to be regarded as targets and a base for negotiation whereby land

owners and developers would enter into open discussion with the Council should they need to raise viability concerns.

- A range of factors may come into the consideration of specific sites, including existing or alternative use values, owners' particular requirements – whether driven by business or personal needs, abnormal development costs and overall planning obligations requirements. Indeed a range of these could impact. Development is a dynamic process. For these reasons there is no guaranteed outcome or particular cut off point where all schemes work or fail. A study of this type is not a substitute for that level of review of particular proposals; it supports a clear set of policy targets. Landowners and developers will be expected to review and pursue proposals and sites in light of the policy requirements.