



## Supplementary Guidance

A suite of 14 supplementary guidance notes (SG's) is currently being produced by the Council in conjunction with LDP2. The number of SGs is reducing from seventeen to fourteen, as three of the adopted SGs are being consolidated to provide a more comprehensive and integrated approach to guidance. The SGs seek to provide more detailed guidance on how particular local development plan policies should be applied in practice.

These SGs form a statutory supplement to LDP2, and are intended to expand upon planning policies and proposals contained in the proposed plan.

A full list of the supplementary guidance in this series is found below.

-  **Development in the Countryside**
-  **Neighbourhood Design**
-  **Residential Extension and Alterations**
-  **Shopfronts**
-  **Green Infrastructure and New Development**
-  **Affordable Housing**
-  **Biodiversity and Development**
-  **Local Nature Conservation and Geodiversity Sites**
-  **Landscape Character Assessment and Landscape Designations**
-  **Trees and Development**
-  **Frontiers of the Roman Empire (Antonine Wall) World Heritage Sites**
-  **Listed Buildings and Unlisted Properties in Conservations Areas**
-  **Developer Contributions**
-  **Renewable and Low Carbon Energy**

# **SG06 Affordable Housing**

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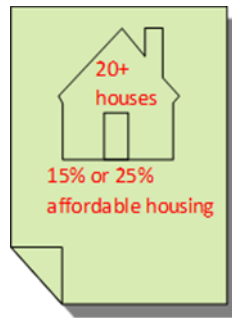
## 1.0 Introduction

- 1.1 Affordable housing is defined as housing of a reasonable quality that is affordable to people on modest incomes. Affordable housing may be provided in the form of social rented accommodation, mid-market rented accommodation, shared ownership housing, shared equity housing, housing sold at a discount (including plots for self-build), and low cost housing without subsidy.
- 1.2 Ensuring that new housing in the area is inclusive and provides opportunities for local people to access new affordable homes is an essential part of the strategy of the Falkirk Local Development Plan 2 (LDP2). LDP2 aims to deliver 530 homes per annum over the period 2017-2030, of which 244 are to be affordable.
- 1.3 Affordable housing will be delivered in a number of ways in the Falkirk area. Some will be developed by social rented landlords such as the Council and Registered Social Landlords (RSLs) on standalone sites unconnected with any private development. Some affordable housing will be delivered through buying back stock transferred into the private market and by reconfiguring existing stock. However, a significant proportion, is expected to be delivered in conjunction with private development through the provisions of LDP Policy HC03, which requires a proportion of units within such developments to be affordable. The delivery of affordable housing through the LDP2 policy will contribute to addressing the priorities set out in the Council's Local Housing Strategy. The preparation of the Local Housing Strategy is a statutory requirement under the Housing (Scotland) Act 2001.
- 1.4 The Supplementary Guidance note explains how Policy HC03 will be implemented, including the types of housing and forms of tenure that will qualify as affordable housing, how the Council expects such housing will be delivered, how affordable housing should be integrated into developments, and the procedures that will be followed through the planning application process.
- 1.5 Development Management and Housing Services should be approached at an early stage to determine the specific requirements for any development and the appropriate delivery mechanism. Section 7 provides details on the procedure.

## 2.0 Policy

- 2.1 Falkirk Council's affordable housing policy is set out under Policy HC03 in Local Development Plan 2.

Figure 1.



**Policy HC03 Affordable Housing**

Housing developments of 20 units and over will provide affordable housing as set out below. The approach to provision should comply with Supplementary Guidance SG06 “Affordable Housing”.

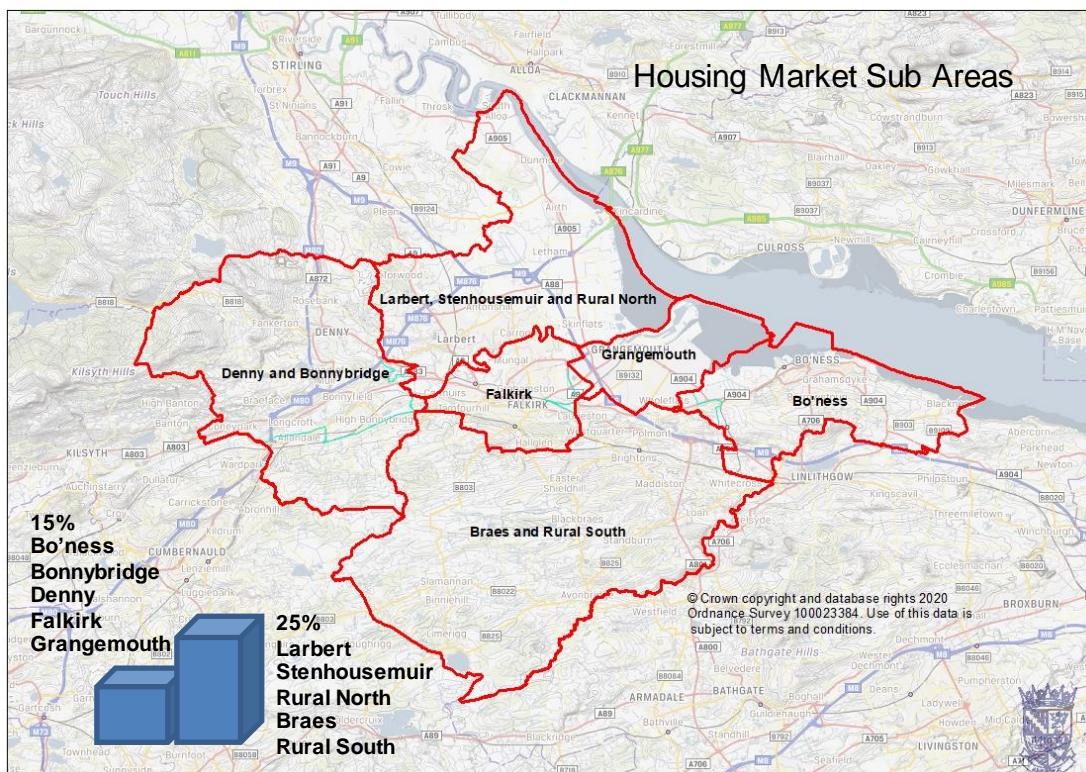
Settlement Areas	Percentage of affordable housing on site
Larbert/Stenhousemuir Rural North Braes and Rural South	25%
Bo’ness Bonnybridge and Banknock Denny Falkirk Grangemouth	15%

- 2.2 The policy applies to all sites with a capacity of 20 or more units and requires a percentage of either 15 or 25% of units delivered to be affordable. The Scottish Government also issued guidance in 2019 for setting Local Housing Strategy (LHS) targets to support the delivery of more Wheelchair Accessible housing. Falkirk Council LHS 2017-2022 set a target of 5-10% wheelchair housing where viable for housing supported through the Strategic Housing Investment Plan. Taking account of national priorities the target now applies to all tenures.
- 2.3 The Council will seek the delivery of wheelchair accessible housing on sites which are subject to the affordable housing policy (i.e. 20 or more units). The target will be 5-10% of the total units on the site, and these can be part of the market or affordable provision. Where they are provided as market units, the Council will count them as contributing towards the affordable requirement. For example on a 100 unit site, where the affordable requirement is 25% (25 units), the developer could provide this as 20 affordable housing units and 5 market wheelchair accessible houses. This is consistent with Scottish Planning Policy (SPP) para 129 which states that “Where permission is

sought for specialist housing, as described in paragraphs 132-134, a contribution to affordable housing may not always be required”. The Council will take a case by case approach to each proposal, taking account of local circumstances and housing needs, and considering the advice of the District Valuer where appropriate. Wheelchair Accessible homes across all tenures means homes suitable for wheelchair users to live in and should as a minimum comply with the design criteria indicated as a ‘basic’ requirement for wheelchair users, as outlined in Housing for Varying Needs (HfVN) (column ‘B’ in ‘Summary of Design Criteria’).

- 2.4 The boundaries of the settlement areas identified in Policy HC03 relate to the housing market sub areas, and are shown in the map below.

Figure 2.



### 3.0 Housing Need and Affordability in the Falkirk Council Area

#### Housing Market Area and Sub Areas

- 3.1 Issues of housing need and affordability are addressed in the Housing Need and Demand Assessment ([HNDA 2016](#)) and the Local Housing Strategy. The Falkirk Council area is identified as a self-contained housing market area.

#### Affordability

- 3.2 An affordable price point for purchase is assessed as being the lowest quartile resale price. The figure below highlights the price point for resales in the



Council sub market areas at 2017. Larbert, Stenhousemuir and Rural North as well as the Braes and Rural South have the highest resale values.

Figure 3.



### Local Housing Strategy Priorities

- 3.3 Six priorities have been identified in the Falkirk Local Housing Strategy ([LHS 17-22](#)):
- Priority 1: Increasing housing supply
  - Priority 2: Creating sustainable communities
  - Priority 3: Access to housing
  - Priority 4: Providing housing and support to vulnerable groups
  - Priority 5: Tackling fuel poverty, energy efficiency and climate change
  - Priority 6: Improving housing conditions

The delivery of affordable housing through the LDP2 policy will contribute to addressing the LHS priorities.

- 3.4 The housing target in Falkirk Local Development Plan 2 (LDP2) for the period 2017-2030 is derived from the HNDA and covers the whole of the Council area. It takes the housing need and demand figures from the base year of the HNDA - 2012 and takes into account completions since 2012 and the potential for a small number of demolitions in the future:

Annual Housing Supply Target:	244 affordable houses
	286 private houses
Total:	530/year

3.5 In terms of the type, size and tenure of houses needed in each of the sub areas, the following are the priorities in the LHS 2017-2022:

Table 1

Housing Sub Area	Type	Bedroom Size	Tenure
Bo'ness Grangemouth Braes & Rural South Larbert, Stenhousemuir & Rural North	Houses and 4 in blocks	1, 2 & 4	Social rent
Denny & Bonnybridge Falkirk	Houses and 4 in blocks	1 & 2	Social rent

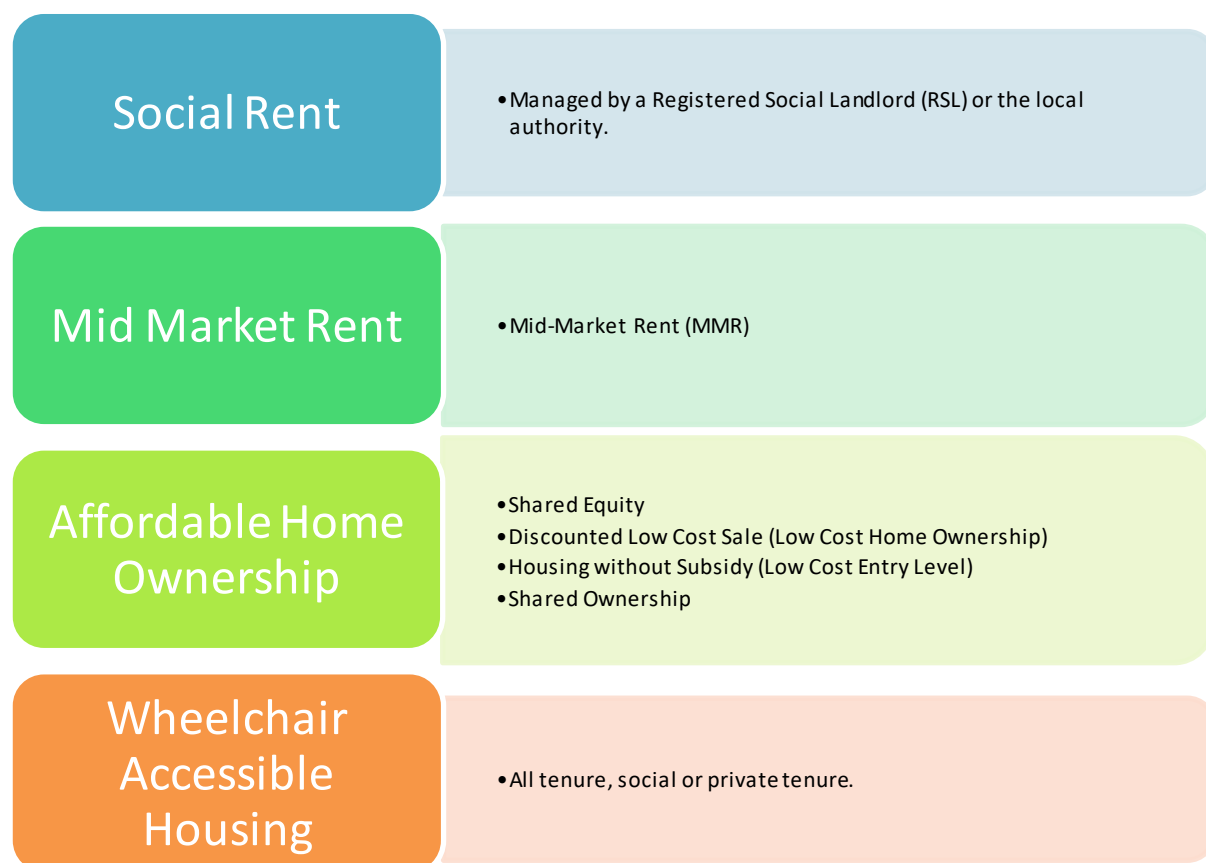
Source - Local Housing Strategy

#### 4.0 Types of Affordable Housing

4.1 There is a broad range of approved affordable housing tenures. These are contained within Scottish Government Circular PAN 2/2010 paragraph 5 (guidance may be updated from time to time).

4.2 A range of housing types will be considered to address the affordable housing requirement. There will not be a one size fits all approach. The Housing Service will advise developers what their preferred approach is for each site.

Figure 4. Affordable house types





### Social Rent

- 4.3 Housing provided at an affordable rent and managed locally by a Registered Social Landlord (RSL) such as a Housing Association, Housing Co-operative, local authority or other housing body regulated by the Scottish Housing Regulator. This will normally be the Council's preference for affordable housing delivered through Policy HC03.

### Mid-Market Rent

- 4.4 Accommodation that is rented at a discounted rent level at or below the Local Housing Allowance (LHA), which is set by the Government. This is housing provided at a rent between full market and social rent. While there have been a small number of sites developed in Falkirk for mid-market rent it is not the favoured approach. The rental price will be a maximum of 100% of the local housing allowance, but will be for the Council, and / or RSL to agree. Such rents are currently set at 84% of the local housing allowance rates ([see local housing allowance](#)).

### Affordable Home Ownership

- 4.5 Affordable home ownership can involve both subsidised and unsubsidised property ownership. An affordable price level will be based on the current Scottish Government benchmark figures which set a price for properties by apartments size for the Falkirk local authority area.

<https://www.gov.scot/publications/open-market-shared-equity-thresholds/>

- 4.6 There are two main forms of affordable home ownership:

Shared Equity - The owner purchases part of the dwelling, with the remaining stake usually held by the Scottish Government. Unlike shared ownership, the owner pays no rent for the equity stake which is retained by the Scottish Government. Shared equity can also apply to a group of properties on a site where the developer retains a share of the equity in the properties. The owner purchases an equity stake in a property of generally between 60 and 80% of the market value as set by the District Valuer. When the property is sold the owner gets the equity share of any profit. Ongoing sales are required to follow the same format with the developer continuing to retain a share in the property. A legal agreement attached to the property can ensure that this is continued in perpetuity. Marketing requirements must be agreed with the Housing Service, and if shared equity properties are not sold after the agreed marketing period:

- the share of the property which would have been retained by the developer must be offered to the Council or RSL to purchase; or,
- if the Council or RSL is unable to purchase the developers share of the properties they will be sold on the open market and the affordable housing contribution will be taken as a commuted sum. The value will be set by the District Valuer.

- 4.7 Discounted Sale - An affordable price is agreed between the Housing Service and the developer for specific properties on the site. The price will be based on the Scottish Government's benchmark figures. Ongoing sales must be an agreed percentage of the market price. A legal agreement is used to ensure that subsequent buyers are also eligible buyers and the property remains affordable in perpetuity. Marketing requirements must be agreed with the Housing Service, and if discounted sale properties are not sold after the agreed marketing period:
- they will be sold on the open market and the affordable housing contribution will be taken as a commuted sum. The value will be set by the District Valuer.
- 4.8 Housing without Subsidy (Low Cost Entry Level) - Nonsubsidised affordable housing is likely to take the form of entry level housing for sale, some built at higher densities and with conditions attached to the missives designed to maintain the houses as affordable units to subsequent purchasers. Homes delivered without subsidy may be considered to fulfil part of the overall affordable housing requirement where it can be clearly demonstrated that they will meet the needs of, and be affordable to, groups of households identified through the Housing Need and Demand Assessment.

#### Wheelchair Accessible Housing

- 4.9 The Council has a target to expand the amount of wheelchair accessible housing in line with Scottish Government requirements across all tenures. Wheelchair accessible housing is larger in size and therefore more costly to construct. The Council may consider the supply of wheelchair accessible housing as part of the contribution to affordable housing for a site. The mechanism to ensure that wheel chair accessible properties are maintained as such may be through a planning obligation or other legal requirement on the property.

### **5.0 Priority Groups for Affordable Housing**

- 5.1 For social housing developed by Councils and Registered Social Landlords (RSLs) the allocation of housing to tenants will be managed by the Council through the allocations process using the Council and RSL waiting lists.
- 5.2 The main priority groups in housing need have been identified below however other groups may be identified for particular sites.

Figure 5. Priority Groups for Affordable Housing



- 5.3 The Scottish Government defines a ‘key worker’ as a **public sector employee who provides an essential service**. As well as workers in the public sector, this definition could also apply to low paid employees in the private sector/service industries who are also providing essential services.
- 5.4 The majority of key workers locally can afford to buy a property other than nursing auxiliaries, supported learning assistants, Scottish Prison Service operations officers and care workers.
- 5.5 The requirements for a particular development will be agreed on a site by site basis dependent on the agreed form of affordable housing. This will be subject to a legal agreement.

## 6.0 Delivering Affordable Housing

### On-Site Delivery

- 6.1 The Council’s overwhelming preference will be to deliver the full affordable housing requirement on the site, with priority given to social rented housing and if this is not possible, an appropriate mix of other forms of affordable housing. The required number and mixture of housing for sale and/or rent will be agreed with the Housing Service and take account of evidenced local need and demand in the area. While there are sub market areas in Falkirk the delivery of affordable housing contributes to the overall requirement and the need to meet the affordable housing target will take precedence over any specific settlement deficiencies.
- 6.2 On site provision of housing units must accord with the local development plan and any planning brief or masterplan for the site. The tenure type, mix and size of the properties must be agreed with the Housing Service which is responsible for the Local Housing Strategy and the Strategic Housing Investment Programme for the area.

- 6.3 The Council requires serviced land to be transferred to the Council or an RSL for them to develop the affordable housing units. Alternatively units can be completed by the developer and transferred to the Council or RSL on a design and build basis. In such a case houses need to be built to Housing for Varying Needs (HfVN) standards.
- 6.4 Transferred land should be provided fully serviced and free of constraints at an agreed value. The District Valuer will determine the correct value for the site.
- 6.5 Timing of a land transfer and/or completion of housing units may be linked to Scottish Government grant requirements and as such a project timetable should be agreed in advance to enable the project to be implemented within the required time period.

#### Off-Site Delivery

- 6.6 Exceptionally, where the original site is not considered to be suitable for affordable housing, delivery may be permitted at an alternative site. This might occur, for example, where the site's accessibility is poor (e.g. a rural location) or where its size makes the management of a small number of properties difficult.
- 6.7 In these circumstances:
- The approach should be agreed with Housing Service
  - Land values of the alternative site will be determined by the end value and as land costs will not be eligible for subsidy this value will be minimal.
  - The alternative site needs to have planning permission or be an allocated development plan site, and should be suitable for affordable housing. There should be no land ownership or infrastructure constraints.
  - Where possible if planning permission is required, the planning applications for both sites should be submitted concurrently.
  - The land must deliver the same number of units as required on the original site plus the affordable housing requirement for the new site itself.

#### Commuted Sum

- 6.8 The Council expects affordable housing to be delivered on site and will only rarely accept a commuted payment in lieu of delivery of actual homes. A very small number of units on a site may make the management of the affordable housing stock difficult and a commuted sum may be considered instead in such cases.
- 6.9 The commuted sum payment should relate to the cost of providing serviced land for affordable housing for the same housing market sub area. Assuming that the Housing Division of Scottish Government will make Housing Association Grant (HAG) available, then the value of the land is the difference between the affordable land plot which can be purchased using the subsidy and the value of the site for private development i.e. the commuted sum is the additional amount the Registered Social Landlord (RSL) or Local Authority

(LA) would have to pay over and above the affordable housing land value to obtain an alternative site.

6.10 Where a commuted sum is accepted:

- The District Valuer will determine the value of the commuted sum; and
- Payments will be made at agreed phases throughout the site construction period and will be set out in a legal agreement such as a Section 75 obligation through the Planning Act or a Section 69 agreement through the Local Government Act.

## **7.0 Development Management Procedures**

### Pre-Application

7.1 Applicants are requested to submit an Affordable Housing Statement containing the information noted in Appendix 1 to allow for quicker assessments of proposals. This allows the consideration of affordable housing provision to be undertaken at the earliest opportunity to enable the most appropriate layout, mix and affordable housing tenure to be delivered.

The Affordable Housing Statement should include:

1. Confirmation of the social rented landlord identified to deliver affordable housing;
2. Confirmation that the proposal meets the Council's priority housing needs and includes the following:
  - a) A mix of housing size and type, representative of that provided by the market housing; and
  - b) "Tenure blind" housing.
3. Confirmation of how wheelchair accessible housing targets are to be met on the site, whether as affordable or market units.

If affordable housing is not provided by a social rented landlord, a clear statement on the management and maintenance arrangements and reasons for providing a lower priority tenure are required.

7.2 Applicants will be directed to the appropriate officer in Housing Services to discuss the proposal. Guidance will be provided on the number, size, property type and tenure mix of affordable housing units appropriate for the site and area. Factors to be taken into account include:

- Site size
- Site location
- Local Housing Strategy priorities
- Site characteristics which impact on preferred housing types.
- Availability of grant subsidy
- Size and type of existing housing stock in the local area.

- 7.3 For wheelchair accessible housing, pre application discussions will help to confirm the number and tenure of the units to be provided and how the units will be maintained as wheelchair accessible in perpetuity.
- 7.4 Where a site has a previous planning consent where no affordable housing requirement has been imposed, the policy will nonetheless be applied to any subsequent applications or renewals.
- 7.5 Policy HC03 applies to sites of 20 units or more. Where sites are subject to subdivision into phases, the policy will be applied where the capacity of the total undivided site is 20 units or more, irrespectively of the size of individual phases. Similarly, where it appears that the proposed number of houses on a site has been artificially suppressed to avoid the requirement, the Council will take into account the potential for additional future units on the site in determining whether the requirement should be applied.
- 7.6 Consideration will also be given to the District Valuer's advice. The cost of obtaining advice from the District Valuer will be split evenly between the Council and the developer.

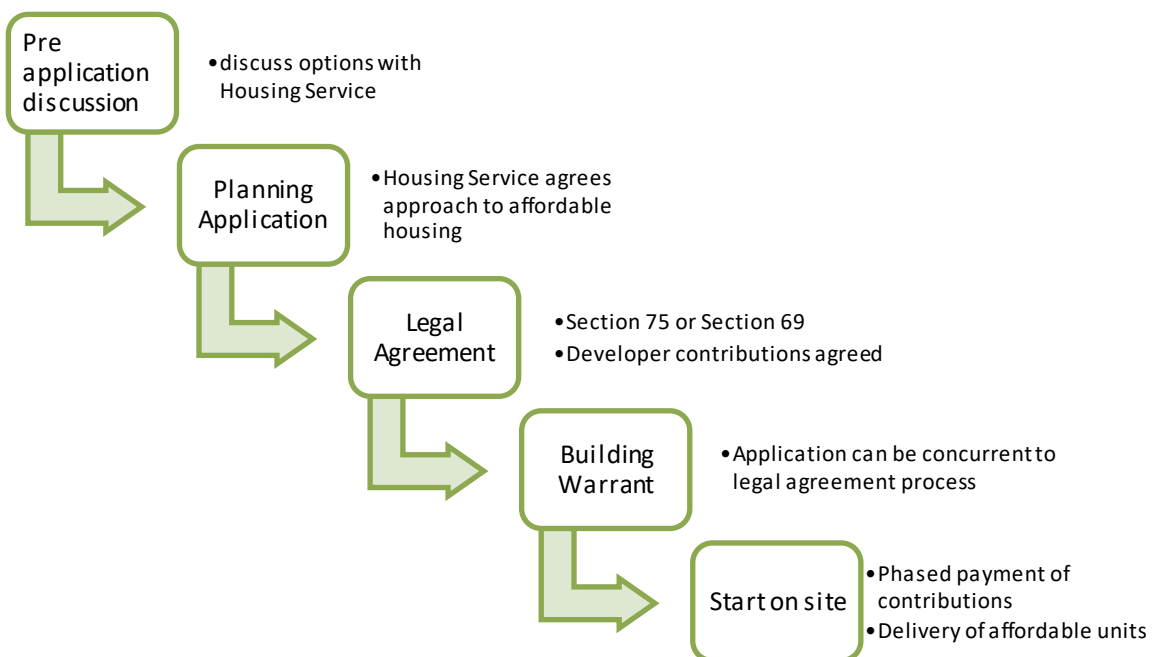
#### Legal Agreements

- 7.7 The delivery of housing of whatever type or location will be linked to the site consent through a legal agreement, generally in the form of a Section 75 obligation. The legal agreement will cover all developer contributions required for the site. Section 69 agreements under the Local Government Act may be the preferred legal instrument when the developer agrees to make full payment prior to planning permission being issued.
- 7.8 The conclusion of a legal agreement can only take place once the Council has indicated that it is minded to grant a planning application. The Council requires agreements to be concluded within 6 months of any minded to grant decision. If not concluded, the planning application may be considered for refusal where sufficient progress is not being made on the agreement . It is in the interest of all parties to the agreement to complete the process as quickly as possible. Applicants will need to instruct a solicitor to carry out the work on their behalf.
- 7.9 The legal agreement will also confirm what, if any, commuted sum will be used for and this will generally be for the delivery of affordable housing in the housing sub market area of the development. Funds may also contribute to Council or RSL sites through assistance with site or property purchase or to deal with additional costs associated with infrastructure requirements. Development Services will be responsible for monitoring the discharge of the S75 obligation/S69 agreement.
- 7.10 If a Section 75 Obligation is used as the legal mechanism, it will lay down a number of controls on the development such as:
- the extent of the land that is to be conveyed for affordable housing;
  - if an RSL is involved, its identity;

- the required services on the site;
- the use to which the serviced land can be put i.e. affordable housing;
- the timing of the transfer of the serviced land or land and built units;
- the category (or tenure) of affordable housing;
- if built units are to be provided, the type of housing required and their subsequent marketing, including length of time and the sequential approach if shared equity or discounted sale properties are not sold within a set time period;
- if developer contribution are required, the amount and phasing of the payment, and
- the time period within which any developer contribution will be repaid to the developer should the Council not use all or part of it. This is generally 10 years.

7.11 Figure 6 summarises the process.

Figure 6.



## 8.0 Viability

8.1 In addition to the affordable housing requirement, development may be required to pay other developer contributions to mitigate the impact of development on local infrastructure (e.g. transport, education, healthcare, open space). The basis for these contributions will be set out in SG13 Developer Contributions.

8.2 The Council recognises that there may be occasions when not all the required developer contributions can be met without compromising the overall viability of a particular development. Where a developer asserts that the costs of developer contributions will be such as to render a development unviable, it



will be for the developer to demonstrate this to the Council's satisfaction through a Development Viability Statement. Guidance on the content of such viability statements will be set out in SG13 (Extract Appendix 2).

## **9.0 Design and Housing Standards**

9.1 Affordable housing must comply with the general design guidance for placemaking and new housing development set out in the Falkirk Local Development Plan 2, and associated Supplementary Guidance.

9.2 Urban design quality is especially important in two ways for mixed income communities:

- the overall urban design quality of a neighbourhood is one of the factors essential to its future sustainability as an attractive area to live in
- consistency of a high quality public realm and external architectural treatment across tenures ensures 'tenure blindness'.

9.3 Research emphasises the importance of the pattern of spatial dispersal of social rented housing within the overall development in dealing with stigmatisation. If the social rented housing is dispersed throughout the development, stigmatisation is far less likely to happen. Various classifications of dispersal have been suggested:

- integrated: different tenures are side by side in the same street
- segmented: different tenures are in separate blocks
- segregated: different tenures are in concentrations.

### Integrated

9.4 Contemporary advice is that the greatest integration between tenures is achieved when the social rented or shared housing units are dispersed evenly throughout the development. This has been described as 'pepper-potting' and implies that the units should be dispersed singly. However, such dispersal need not be in single units, but can be in small clusters, The Scottish Executive (as was) recommend in 2005 that "concentrating affordable housing in small groups rather than 'pepper-potting' individual houses will ease the subsequent management of homes by an RSL".

### Segmented

9.5 Here the social rented housing is arranged in whole street blocks or, for flats, around a separate courtyard within the development. With this format it is regarded as being very important that the housing for sale looks the same as the housing for rent. There is no visual separation between the two housing tenures.

9.6 There are management factors that promote a segmented solution; for example, a preference for an RSL (or Council) to manage a back court in its entirety. A better solution is for the housing association to take over the management of the semi-public and public spaces, thereby blurring the boundaries between tenures.

### Segregated

- 9.7 Although concentrations of different tenures are generally to be avoided, in difficult housing markets this may prove the only way in which a scheme will be viable. The site masterplan should ensure that residents from different tenures share streets and public spaces.

### Advised Approach

- 9.8 The Council's preference would be for social rented housing to be located in small groups across a site (a combination of Integrated and Segmented), to facilitate subsequent management, but the final distribution will be determined on a site by site basis.

### Housing Standards

- 9.9 New build affordable homes should comply with Housing for Varying Needs (HfVN) to ensure they address the requirements of the Scottish Government and Local Authority:

<https://webarchive.nationalarchives.gov.uk/20131205100939/http://www.archive2.official-documents.co.uk/menu/bycs.htm>

- 9.10 The Housing Service has also developed a brochure which sets out information and links to local policy requirements and developer contributions [Design Standard for Affordable Housing 2019](#).
- 9.11 Scottish Government have advised that the delivery of Wheelchair Accessible homes across all tenures means homes suitable for wheelchair users to live in and should as a minimum comply with the design criteria indicated as a 'basic' requirement for wheelchair users, as outlined in Housing for Varying Needs (HfVN) (column 'B' in 'Summary of Design Criteria' (Source Scottish Government March 2019 -Guidance for setting of Local Housing Strategy (LHS) targets to support the delivery of more Wheelchair Accessible housing. MHDGN 2019/02).
- 9.12 New build houses and flats in general:
- New houses and flats receiving funding support from the Grant Provider should be sufficiently flexible to meet people's varying needs. They must incorporate, *as a minimum*, the design criteria shown as basic (denoted by B) in the summary tables on pages 109 - 112 of '*Housing for Varying Needs, Part 1*'. **All** new dwellings should be designed to be barrier free **internally** to ensure that a wide range of needs can be met.
  - The design procedures include information on the treatment of entrances to dwellings that are without steps/ ramp and with a ramp. The provision of step-free access and entrances requires careful design and setting of floor levels to achieve the most effective and unobtrusive solution. There will be cases where the feasibility of providing step free access will be affected by

the space available for a ramp. Exceptions should be discussed with the Grant Provider on a project basis.

Houses and flats specifically for wheelchair users

- These must at least incorporate the design criteria shown as basic (denoted by B) in the summary tables on pages 117 - 121 of '*Housing for Varying Needs, Part 1*'. Step free access and entrance is a requirement in all cases. (Extract Communities Scotland Guidance Note 2004/12)

## 10.0 Contacts

Development Management Unit  
Development Services  
Abbotsford House  
Falkirk FK2 7YZ  
Tel 01324 504978  
Email: [dc@falkirk.gov.uk](mailto:dc@falkirk.gov.uk)

Development Plan Team  
Planning and Environment Unit  
Development Services  
Abbotsford House  
Falkirk FK2 7YZ  
Tel 01324 504720  
Email: [ldp@falkirk.gov.uk](mailto:ldp@falkirk.gov.uk)

Housing Service  
Suite 4  
The Forum  
Callendar Business Park  
Falkirk FK1 1XR  
Tel 01324 590859  
Email : [strategic.housing@falkirk.gov.uk](mailto:strategic.housing@falkirk.gov.uk)

## Appendix 1 Affordable Housing Statement

Total number of units in development

Number of affordable housing units

Details of affordable housing units:

Housing Type:

Social Rent

Affordable Rent

Affordable Home  
Ownership

Wheelchair  
Standard Housing

Affordable

Private

Other

Number of flats and how many  
bedrooms

Number of houses and how many  
bedrooms

Name of RSL

Type of agreement with RSL

Contact details

Design and build

Anticipated start date

Off the shelf

Other

## Appendix 2

### Development Viability (extract from SG13)

What is Development Viability?

- 8.1 Viability is an important factor in determining whether or not a development proceeds. Defining 'viability' depends on whether the aim of the development is to generate a financial return. If the intention is to make a profit, development viability is the ability of the development to meet its costs, including contributions while ensuring a suitable land value for the landowner and return to the developer. For most public or third sector development, development viability usually depends on meeting costs within a set budget, rather than generating a profit.

Considering Development Viability

- 8.2 Falkirk Council recognises that there may be occasions when not all the required developer contributions can be met without compromising the overall viability of a particular development. Where a developer asserts that the costs of developer contributions will be such as to render a development unviable, it will be for the developer to demonstrate this to the Council's satisfaction through a Development Viability Statement. For private developments, the Council will normally assess viability using the residual valuation approach, which establishes the developer's residual profit once all the development costs of a scheme have been deducted from its gross development value. In the case of affordable housing, the Council will assess the viability implications of developer contributions after discounting all the development costs of the scheme from the maximum available budget including external funding sources.
- 8.3 The following steps outline the development viability process and how the Council will take into account viability issues.

Step 1: Prepare a development viability statement

- 8.4 Developers should inform the Council if they intend to prepare a Development Viability Statement after establishing all the contribution requirements for their development. The statement should be prepared by a suitably qualified professional (such as a chartered valuation surveyor) and follow the guidance set out in the RICS's 'Financial Viability in Planning' guidance where appropriate. The content of the statement will vary from scheme to scheme but should provide the following information as a minimum:
- Proposed scheme details, including the number, type, size and tenure of homes/amount of homes and proposed floorspace;

- A detailed breakdown of the gross development value of the development, including anticipated market valuations and sales rates;
- A detailed breakdown of all development costs, including construction costs with specifications, finance costs, professional fees, site value at the time of the planning application submission, all the Council's development contribution requirements and all other anticipated abnormal costs;
- Development programming, including phasing information and when each property would be marketed and sold or leased;
- The residual developer's profit after all development costs are deduced from the gross development value. Please note the maximum available budget rather than profit will be used to establish the viability implications for new affordable housing development. This may be determined on a cost per unit basis agreed with the Council as planning authority. Evidence of budgetary limits should be provided.

8.5 Appendix 3 provides a more expansive list of information for development viability statements. This list is taken from the Financial Viability in Planning' guidance, Appendix 3.

Step 2: Submit the statement for the Council's consideration

8.6 The statement should be submitted to the Planning Case Officer. If necessary, the Council will submit the statement to the District Valuer for independent verification.

Step 3: Mitigating the costs of contributions

8.7 If the Council accepts that developer contributions would make the development unviable following consideration of a verified Development Viability Statement, the Council will consider the following options in turn:

1 . Phased or deferred timing payment of contributions - This option will be explored first before reduced contributions. 'Pay as you build' arrangements may enable a residential developer to use the income generated from the sale of dwellings to pay the costs of developer contributions;

2 . Reduced contributions - Where the above option is not sufficient to enable a development to remain viable, the Council may consider reduced contributions. The reduction in contributions would be limited to the point that would ensure the development would remain viable. If more than one type of contribution is required for the development, the Council will determine which contributions will be reduced and by how much on a case by case basis. Furthermore, the Council may require a review mechanism in the legal agreement that would allow contributions to be increased at a future point taking in account the improved conditions for the development.



3 . Waived contributions - If option two is not suitable, the Council may consider waiving a contribution(s) in very exceptional circumstances and as a last resort.

- 8.8 When considering each option in turn, the Council will take into account the Local Development Plan 2 and all other relevant material considerations.

#### Public Disclosure

- 8.9 The Council generally treats Development Viability Statements in confidence. However, the Council may disclose information where it is obliged to do so, including where it is subject to request under the Freedom of Information (Scotland) Act 2002 or the Environmental Information (Scotland) Regulations 2004.

[Appendix 3 SG13]

### **Outline Requirements for Development Viability Assessment**

#### Proposed Scheme Details

- Floor areas:
  - Commercial: gross internal area (GIA) and net internal area (NIA);
  - Residential: GIA and net sales area (NSA).
- Residential unit numbers and habitable rooms including the split between private and affordable tenures.

#### Gross Development Value (GDV)

- Any existing income that will continue to be received over the development period;
- Anticipated residential sales values and ground rents and supporting evidence including deductions for incentives;
- Anticipated rental values and supporting evidence;
- Yields for the commercial elements of the scheme and supporting evidence;
- Details of likely incentives, rent-free periods, voids;
- Anticipated sales rates (per month);
- Anticipated grant funding for affordable housing;
- Anticipated value of affordable units (with supporting evidence/explanation of how these have been valued and assumptions);
- Deductions from commercial GDV to reach;
- NDV (Stamp Duty Land Tax (SDLT), agents, legal + VAT).

## Costs

- Expected build cost (a full QS cost report also showing how costs have been estimated);
- Demolition costs;
- Historic costs (as reasonable and appropriate);
- Site preparation costs;
- Vacant possession costs;
- Planning costs;
- Construction timescales, programme and phasing;
- Any anticipated abnormal costs;
- Rights of light payments/party walls/oversailing rights;
- Details of expected finance rates;
- NDV (Stamp Duty Land Tax (SDLT), agents, legal + VAT).
- Professional fees, including:
  - Architect;
  - Planning consultant;
  - Quantity Surveyor;
  - Structural Engineer;
  - Mechanical/Electrical Engineer;
  - Project Manager;
  - Letting Agent fee;
  - Letting Legal fee;
- Site Value;
- Other costs.

## Additional Details for Future Phases

- Expected sales growth;
- + Expected rental growth;
- + Expected cost inflation;
- + Credit rate

## Development Programme

- Pre-build;
- Construction period;
- Marketing period;
- Viability cashflow;
- Income/value/capital receipt;
- Costs;
- Phasing (where appropriate).

### Benchmark Viability Proxies

- Profit on cost;
- Profit on value;
- Development yield;
- Internal rate of return (IRR)

### Planning Application Details

- Plans/sections/elevations (as relevant);
- Design and access statement.

### Sensitivity Analysis

- Two way sensitivity analysis;
- Scenario analysis;
- Simulation analysis.

### Accompanying Report (Basic Outline)

- Executive summary;
- Contents outline;
- Introduction and background;
- Description of site location;
- Planning policy context;
- Description of scheme;
- Market information summary;
- Build cost and programme;
- Methodology and approach;
- Outputs and results;
- Sensitivity analysis;
- Concluding statement.

