

**RESUBMISSION OF OUTLINE PLANNING APPLICATION FOR AFFORDABLE  
HOUSING (24 NO. UNITS)**

**LAND AT DINTING ROAD, DINTING, GLOSSOP**

**VIABILITY STATEMENT**

**Submitted on behalf of  
G & J Seddons Ltd**

**prepared by**

**CA PLANNING**

*chartered town planners + environmental consultants*

**7 EAST CLIFF**

**PRESTON**

**PR1 3JE**

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**Ref. C/2926**

## **1.0 INTRODUCTION**

- 1.1 This statement is made in support of the resubmission of outline planning application (ref: HPK/2010/0118) for 24 units of affordable housing on land at Dinting Road, Dinting, Glossop.
- 1.2 When the previous application was presented to Planning Committee, Members clearly expressed support for the proposal but there was concern in respect of the extent to which the development would be viable.
- 1.3 This statement seeks to provide clarification of the viability of the project to ensure that the development can proceed.

## **2.0 FORM OF HOUSING**

- 2.1 The development proposes a mix of housing to include two bedroom, three bedroom and four bedroom units. The ratio has been designed to address the key housing needs of the local area and provide good quality, affordable family housing for local people.
- 2.2 All of the homes will be built to Lifetime Homes standards and be capable of meeting the Code for Sustainable Homes Code 4 or higher.

## **3.0 SOURCES OF FUNDING**

- 3.1 It is acknowledged that the housing market is currently at a low ebb. Demand is low and even where properties become available, it is increasingly difficult to obtain a mortgage. Where grants are available to offset the cost of affordable housing, development may be able to proceed without inhibition. However, as the amount of grant contribution towards affordable housing has been reduced it has been necessary to consider alternative approaches to the facilitation of affordable housing.
- 3.2 Indeed it is pertinent to note, the recent good Practice note [Appendix CAP1] issued by the Chartered Institute of Housing and the Homes and Communities Agency states:

*“Mortgage availability is likely to be restricted, in comparison to recent years, for the medium term. Affordable home ownership options can support those otherwise unable to afford an appropriate home into sustainable home ownership. There are a number of steps that can be taken by local partners to improve opportunities for affordable home ownership in local communities.”*

- 3.3 From the guidance note, it is clear that the key criteria that Mortgage Lenders now stipulate in respect of funding such developments are as follows:

*Retail mortgage lenders require the property to be able to be sold within a reasonable length of time. In areas where there is a need to restrict the occupancy of properties this can be achieved through the use of a 'cascade'.*

*Retail mortgage lenders require a Mortgagee Protection Clause for shared ownership*

*Provisions that restrict value with reference to something other than open market value are not currently supported by retail mortgage lenders. Examples given include values that are fixed at a multiple of local wages or that rise fall in relation to certain chosen indices. The lender requires the realisable value of their security to be based upon the specific value of the property they are lending upon. The lender must be able to instruct its surveyor to value the property on the basis of open market value.*

*Considerable complexity in drafting clauses is likely to lead to retail mortgage lenders refusing to support schemes.*

*Mortgagee in possession clauses are clauses that allow a (commercial or retail) lender who has repossessed the property to operate free of restrictions which are placed upon individual properties. These are required by commercial lenders and an increasing number of retail lenders. Many local authorities allow these clauses to be activated immediately, recognising that repossessions are an extremely rare event. In order to be accepted by a lender any time limit set will need to be three months or less. Such a clause does not solve all the issues outlined in this note; therefore these issues still need to be considered, even when a Mortgagee in Possession clause is included.*

- 3.4 In order to ensure a development can proceed, and given the fact that without a planning permission in place the prospects of securing grant assistance are further reduced, it is therefore appropriate to have an alternative approach in place to ensure that the development can proceed, but that takes account of the guidance on mortgages prepared by the Homes and Communities Agency and the Chartered Institute of Housing.
- 3.5 Accordingly once planning permission for the proposed development is given, a formal application for affordable housing grant will be submitted. Johnnie Johnson Housing Trust have previously indicated that they would be able to take the development forward and, with grant assistance, provide social rented and/or shared ownership properties on site.
- 3.6 However, in the event that grant assistance is not available, and in the interests of transparency, the alternative approach is outlined here.
- 3.7 The homes will be offered as low cost housing for local people. The mechanism to control this will be:

*“Prior to the first sale and/or occupation of any of the dwellings, an independent valuation of each of the properties will be undertaken. This will be reached by taking the average figure of three local estate agents*

*The sale price of each of the properties will be set as 90% of the average valuation*

*Subsequently, any future sales will follow the same process.”*

- 3.8 The properties will therefore remain at 90% of market value in perpetuity.
- 3.9 A registered social landlord would be designated as the Nominator to propose persons who would be eligible for the properties. If the Nominator was not able to do so, the development could identify people from the local area on a cascade basis in turn, namely:
- The Local Parishes of Dinting, Glossop or Hadfield
  - The remainder of the High Peak District
  - The remainder of the County of Derbyshire or the Borough of Tameside

With a minimum period of availability for each of these.

- 3.10 In this way the properties would remain available for local people at a reduced cost.

#### **4.0 DEVELOPMENT COSTS**

- 4.1 As the application is at an outline stage only, a full schedule of costs is not yet available given that the final specification for each of the units and the type of materials to be used has not yet been determined.
- 4.2 However, for illustrative purposes, the anticipated construction costs and sales values [in the absence of any grant being available] are as follows:

Total Scheme Cost

Land + Build = £3.22m

Revenue

4nr 2Beds at 10% reduction off OMV = £540K (£135K / Unit)

18nr 3Beds at 10% reduction off OMV = £2.6m (£144K / Unit)

2nr 4 Beds at 10% reduction off OMV = £340K (£170K / Unit)

Where OMV = Open market Value

Total scheme revenue = £3.48m

Surplus of £260K to allow for overheads, contingencies, sales costs, legal costs and finance costs.

- 4.3 It can be seen that on this basis the anticipated profit is likely to be zero on the sales. The applicant would achieve a modest return through the construction process, but it is clear that no further reduction in the value of the properties would be feasible.

## **5.0 CONCLUSION**

- 5.1 This statement demonstrates that, in the absence of grant, it is feasible to develop the site for low cost housing in a viable manner.

**APPENDIX CAP1**

