



PATHFINDER
DEVELOPMENT CONSULTANTS

FINANCIAL VIABILITY ADDENDUM

Eastfield Stables, May Walk, Elsenham Road, Stansted, Essex, CM24 8SS.

29th January 2024 (To report of 3rd November 2023).

1. Introduction:

In November 2023 we were requested to consider what level of commuted sum would be viable, taking into account concerns about potential viability as costs have become clearer for the applicant and in light of the current economic situation and rapid increases in build prices. More recently inflation and interest rate increases have led to a softening of the housing market. On the 20th October the councils Housing Strategy, Enabling & Development Officer noted: *The applicants are offering an off-site contribution equivalent to the 2 affordable housing units in lieu of on-site affordable housing provision subject to a financial viability assessment (FVA) and given the sites location this would be acceptable.*

We concluded that the planned scheme of 5 homes for market sale and included the maximum Affordable Housing contribution that would be affordable whilst generating a residual land value that is equal to the benchmark land value (100%) generates a total affordable housing contribution of £140,000. **It was therefore our reasonable judgment that a viable scheme is one which contains 5 homes for market sale and affordable housing contributions of £140,000.**

The council sought a review of our report by Altair dated January 2024.

2. Altair Review

The report notes it has been engaged to review our FVA and refers again in paragraph 2.1 to undertaking an FVA. It goes onto explain the national policy background to undertaking FVA's.

However, in paragraph 2.16 it notes the use of Methodology 4 in the SPD approved by the council to calculate the level of off-site financial contribution for affordable housing (commuted sum). The councils March 2023 SPD for Developer Contributions notes: *The Council recommends using one of the Altair set of methodologies for calculating commuted payments. These methodologies, samples of which are set out in Appendix B, establish the commuted payment as the uplift that a developer would obtain by selling the affordable homes on the open market in comparison to selling them to a registered provider as affordable homes.*

The Altair report concludes that a commuted sum of £604,990 would be due in lieu of 2 affordable homes. This is lower than our corresponding figure of £759,201.

However crucially Altair despite referring to the report being an FVA do not consider the level of commuted sum that is actually viable to the developer and allows for the residual land value to equal the benchmark. **Altair's report is therefore not an FVA but merely a calculation of the level of commuted sum that would be sought subject to viability (as noted in the SPD). Altair fail to consider what a viable level of commuted sum would be.**

3. Approach to calculating the level of commuted sum subject to viability.

We have both opted for the use of Methodology 4 (market value – affordable value = uplift) in calculating the level of commuted sum subject to viability. However due to real concerns over affordability whilst Altair appraised large detached 3-bedroom bungalows of 229m² for affordable housing (as is planned in the application), we notionally substituted them for typical affordable housing units to ensure the commuted sum calculation was robustly based on homes that Registered Providers would view as affordable housing values. (Altair's approach would require household income of over twice the maximum Homes England cap to acquire the Shared Ownership home appraised).

This however only impacts the notional level of commuted sum due subject to viability and not what constitutes a viable level (in our view £140,000 which has not been commented upon). As both approaches conclude that the notional level of commuted sum is far in excess of the viable level of commuted sum these differences of approach are at best academic to the outcome.

However, in undertaking their work Altair accept the Design and Build costs, Market Values and sales costs we propose, which are fundamental components of our viability report and what constitutes the maximum viable contribution. These are therefore not contested.

4. Conclusion.

We clearly demonstrated in our report of the 3rd November 2023 that a viable scheme is one which contains 5 homes for market sale and affordable housing contributions of £140,000. The council's consultants Altair have failed to comment on this.