



zerum.co.uk

Affordable Housing Statement,

For Proposed Residential Development
At Albion Street/Great Bridgewater Street,
Manchester (Apex Tower)

For [Arrowsmith Management Ltd](#)

February 2022

Contents

1.	Introduction	1
2.	Affordable Housing Statement	3
3.	Conclusion	10

1. INTRODUCTION

1.1 This Affordable Housing Statement has been prepared by Zerum on behalf of the applicant Arrowsmith Management Ltd and supports two planning applications for the redevelopment of land at Albion Street and Great Bridgewater Street, Manchester. The site is split in two with the first parcel of land (Site A) being brought forward for a wholly residential development and the second parcel of land (Site B) partially used for commercial office space and partly used for residential.

1.2 The description of development for Site A is as follows:

“Erection of a 26 storey residential tower for 72 apartments (Use Class C3,) with associated car parking, cycle parking, substation, servicing, and associated landscaping works”

1.3 The description of development for Site B is as follows:

“Erection of a 7 storey building with commercial floorspace (Use Class E/Sui Generis) on the first and second floors and four floors (3rd-6th) of residential containing 4 apartments (Use Class C3), with associated parking and servicing.”

1.4 As set out within the Manchester City Council Validation Checklist, an Affordable Housing Statement is required on:

“Schemes for 15 or more dwellings (Core Strategy Policy H8) a statement will be required which sets out how the proposals contributes to the housing mix in the city; and,

- *The number of proposed units that fall into the Council's definition of affordable housing;*
- *The type of housing being proposed (social rent, shared ownership etc);*
- *Where no affordable housing is being proposed, a full un-redacted viability assessment will be submitted; and;*
- *Why the proposal meets any other policy exception.*

The Statement should also include for all types of housing;

- *The total number of residential units*
- *The mix of units, with number of bedrooms".*

2. AFFORDABLE HOUSING STATEMENT

PROPOSED DEVELOPMENT

- 2.1 Site A (Apex Tower) – 72no. 2 bedroom apartments over 25 floors with cycle store and lobby at ground floor together with 2no. electric car parking spaces and charging points. The size of the apartments ranges from 750 sq.ft to 774 sq.ft.
- 2.2 Site B (Slot Site) – 4no. 2 bedroom apartments over 4 floors with a total of 1,628 sq.ft of commercial floorspace over first and second floors and lobby, bin stores and a single electric car parking space and charging point on ground floor.

PLANNING POLICY

NATIONAL PLANNING POLICY

- 2.3 Paragraph 65 of the NPPF sets out that major development involving the provision of housing, planning policy and decisions should expect at least 10% of the total number of homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this requirement are made when the proposed development:
- Provides solely Build to Rent homes
 - Provides specialist accommodation for a group of people with specific needs
 - Is proposed to be developed by people who wish to build or commission their own homes

LOCAL PLANNING POLICY

- 2.4 Policy H5 of the Core Strategy states that:

‘Central Manchester, over the lifetime of the Core Strategy, will accommodate around 14% of new residential development. Priority will be given to family housing and other high value, high quality development where this can be sustained. High density housing will be permitted within or adjacent to the Regional Centre (Hulme and the Higher Education Precinct) as well as

within Hulme, Longsight and Rusholme district centres as part of mixed-use schemes.'

The policy gives a clear strategic direction to role of Central/City Centre Manchester in delivering high density, high value and quality housing.

2.5 Policy H8 of the Core Strategy sets out that:

"New development will contribute to the City-wide target for 20% of new housing provision to be affordable. Developers are expected to use the 20% target as a starting point for calculating affordable housing provision. It is envisaged that 5% of new housing provision will be social or affordable rented and 15% will be intermediate housing, delivering affordable home ownership options"

2.6 However, the policy continues, stating:

"Either an exemption from providing affordable housing, or a lower proportion of affordable housing, a variation in the proportions of socially rented and intermediate housing, or a lower commuted sum, may be permitted where either a financial viability assessment is conducted and demonstrates that it is viable to deliver only a proportion of the affordable housing target of 20%; or where material considerations indicate that intermediate or social rented housing would be inappropriate."

2.7 It is clear from the above the importance of meeting affordable housing needs however, there is an acknowledgment that the delivery of affordable housing can affect the viability of a scheme.

Providing for Housing Choice – Supplementary Planning Document and Planning Guidance (2008)

- 2.8 This document sets out in detail the Council's Affordable Housing Strategy and sets out the rationale for the target proportion of affordable housing and tenure mix. It gives more detail in relation to how viability will be considered and sets-out a specific formula for the calculation of a commuted sum in lieu of on-site provision.
- 2.9 In this case there are two separate planning applications: one involving 4 residential units (Site B) which does not attract an affordable housing requirement as it is below the 15 unit threshold; and, the other (Site A) which delivers 72 residential units to which the 20% requirement will apply.
- 2.10 Where a commuted sum is being calculated (rather than provision being on site) the 72 open market units represent 80% of a notional scheme that includes affordable housing at 20%. The notional scheme therefore equates to 90 units with a requirement for 18 affordable units.
- 2.11 As set out in the Viability Appraisal, the commuted sum is therefore calculated by the following formula:

$$\text{Commuted sum} = (\text{average price} - \text{affordable price}) \times 18$$

$$\text{In this case: } (£392,500 - £255,1251) \times 18 = £2,472,750$$

AFFORDABLE HOUSING ASSESSMENT

- 2.12 A Viability Report has been prepared by Tim Claxton Property and is submitted in support of both applications. The assessment has consideration for the development costs and the anticipated value of the proposed development on completion. This has then been used to determine if the development can contribute to the delivery of affordable housing.
- 2.13 The Viability Report assesses the viability of the proposed scheme across two inputs: a scheme that includes 20% affordable units as per planning policy and another scheme that does not adopt any of the planning obligation costs. The Viability Report goes into detail on both options.

2.14 The results of the two appraisals that have been carried-out are outlined at Appendix III of the Viability report. They are presented below in terms of:

- The viability of the two buildings in combination
- The viability of the schemes considered individually

Combined Scheme	% Profit on GDV	Compared to Benchmark Profit (@ 18%)
Scheme including Affordable Housing Commuted Sum	2.00%	-20.00%
Scheme with no planning obligations	10.77%	-28.77%

Site A – Apex Tower	% Profit on GDV	Compared to Benchmark Profit (@ 18%)
Scheme including Affordable Housing Commuted Sum	6.38%	-24.38%
Scheme with no planning obligations	15.85%	-33.85%

Site B – Slot Site	% Profit on GDV	Compared to Benchmark Profit (@ 18%)
Scheme with no planning obligations	-49.63%	-67.63%

2.15 This clearly demonstrates that the scheme is unable to afford any planning obligations if the benchmark return of 18% on GDV is to be achieved.

Sensitivity Analysis

2.16 The nature of residual appraisals are such that they are materially impacted by changes in one or more variables. We have therefore considered changes to the key variables, namely;

- Build Costs
- Residential Sales Values

2.17 The results of the analysis for both the combined scheme and for each site individually assuming no S.106 payments are set-out below:

Combined Scheme

		Build Costs		
		-10%	0%	+10%
Sales Values	-10%	10.42%	1.11%	-8.22%
	0%	19.09%	10.77%	2.37%
	+10%	26.17%	18.64%	11.06%

2.18 This analysis demonstrates that there would need to be a material increase in sales values and/or reduction in build costs for the scheme to support the provision of Section 106 contributions.

Site A – Apex Tower

		Build Costs		
		-10%	0%	+10%
Sales Values	-10%	15.23%	6.53%	-2.27%
	0%	23.66%	15.85%	7.99%
	+10%	30.47%	23.43%	16.33%

Site B – Slot Site

		Build Costs		
		-10%	0%	+10%
Sales Values	-10%	-45.15%	-60.43%	-75.72%
	0%	-35.37%	-49.63%	-63.89%
	+10%	-26.83%	-40.19%	-53.55%

- 2.19 This analysis demonstrates that there would need to be either a material increase in sales values or a material reduction in build costs to allow for any planning obligations to be afforded. This is particularly the case for Site B.
- 2.20 In conclusion, the financial assessment of the schemes demonstrates that when compared against an appropriately 'risk adjusted return', the scheme in combination or the two sites independently cannot generate sufficient surplus to fund planning obligations which are a requirement of local planning policy. In accordance with the policy the application of the requirement for planning obligations is subject to a test of viability which this report confirms cannot be met in this case.
- 2.21 Arrowsmith Management Ltd are very happy to agree to a review mechanism so that if they agree a deal that betters the GDV and or that the costs are lower than currently projected then there is another opportunity for the Council to generate an affordable housing contribution that at this stage is proven to be unviable.

- 2.22 It is clear from the above that the provision of affordable housing would undermine the development proposals, which in turn would challenge the aspirations of Manchester City Council in terms of housing provision in the city centre on brownfield sites. The principle of residential development within the city centre is clearly established with the Core Strategy identifying that Manchester, as a Regional Centre, will generally be a location where higher density residential development is appropriate. This positive policy position has driven substantial new development and regeneration within the City Centre.
- 2.23 The proposed residential developments will combine with the surrounding proposed and existing development to add to the emerging vibrant community in this area which will be distinct in both design and character. This will deliver a suitable and beneficial re-use for the sites that will make the City Centre an even more vibrant and attractive place to live, work and visit. The Viability Report concludes that to impose affordable housing contributions on these developments would jeopardise the delivery of these sites.

3. CONCLUSION

3.1 The report covers two applications:

- Site A (Apex Tower) – 72no. 2 bedroom apartments over 25 floors with cycle store and lobby at ground floor together with 2no. electric car parking spaces and charging points.
- Site B (Slot Site) – 4no. 2 bedroom apartments over 4 floors with a total of 1,628 sq.ft of commercial floorspace over first and second floors and lobby, bin stores and a single electric car parking space and charging point on ground floor.

3.2 Due to the findings set out within the submitted Viability Assessment, no affordable housing is proposed as part of the development.

3.3 The proposed development will however provide a new City Centre residential development, alongside the creation of new, high quality public realm, which will see a derelict brownfield site brought back into active use, contributing to the urban regeneration of the area. The proposals form part of the wider ambitions envisaged for this part of Manchester City Centre will support the creation of a residential led development focused around high quality public space.