
Appendix 4

Calculating a financial contribution equivalent to the cost of 20% of the gross number of dwellings on sites of 1-4 units - Worked Example

The worked example calculates the affordable housing contribution for a development proposing 3 dwellings as follows:

1 x 4-bed house Size – 200 m² 2-storey OMV -
£1,000,000 Guide size for relevant or comparative affordable
home – 111 m²

1 x 4-bed house Size – 200 m² 2-storey OMV -
£1,000,000 Guide size for relevant or comparative affordable
home – 111 m²

1 x 3-bed house Size – 120 m² 2-storey OMV - £600,000
Guide size for relevant or comparative affordable home – 93 m²

Step 1 – Open Market Value (OMV) of a relevant or comparative development

Market value of proposed property / size of the property x affordable housing size that would have been required on-site.

4-bed house – £1,000,000 / 200 m² = £5,000 per m²

£5,000 x 111 m² = £550,000 x 2 = £1,110,000

3-bed house - £600,000 / 120 m² = £5,000 per m²

£5,000 x 93 m² = £465,000

Total OMV of relevant or comparative development = (£1,110,000 + £465,000)
£1,500,000

Step 2 - Multiply the OMV (Step 1) by the residual land value percentage (39.2%)

$$£1,575,000 \times 39.2\% = £617,400$$

Step 3 – Add 15% of the result of Step 2 to reflect site acquisition and servicing costs

$$£617,400 + 15\% = £710,010 \text{ (base plot/land value)}$$

Step 4 – Apply the affordable housing policy percentage (i.e. Step 3 x 20%)

$$£710,010 \times 20\% = £142,002$$

The required affordable housing contribution is £142,002.