

South Somerset's housing, employment and miscellaneous key issues workshop discussion paper 28 April 2011 – Affordable housing targets and thresholds

The purpose of this paper is to address the key issues raised in response to the affordable housing section of the Draft Core Strategy (incorporating Preferred Options) in particular draft Policy HG4: Provision of affordable housing. 4 comments in support of Policy HG4 were received, 26 objections and 4 observations. Key issues arising from objections are summarised and addressed below.

Issues:

- Definition of affordable housing should be expanded to include opportunities for self sufficient, low impact small holdings.
- Unclear what will happen if the 2013 viability assessment concludes that 35% is not viable - the updated viability assessment should include a forecast for the next 3 years which will allow the Council to consider if it needs to change its target.
- Generally support the threshold of 6 but question whether there may be a case for higher thresholds in urban areas such as Yeovil and Chard where viability is more of an issue.
- Officer time might be better focussed on achieving affordable housing on larger schemes. Council may want to delay the introduction of lower thresholds until market conditions improve.
- There should be a mechanism to take viability into account.
- It is not clear on what basis the 35% affordable housing target has been derived - evidence from the SHMA suggests 30% (as at July 2008), and the viability update (April 2010) is 20%.
- Unrealistically high affordable housing targets should not be set, as this would place pressures on resource management if each and every development has to be run through the open book process. A more realistic requirement with the commitment to periodically review would be a more satisfactory approach.
- The threshold of 6 dwellings is too low and will render many potential housing sites unviable for development, and is therefore contrary to PPS3 which requires Council's to maintain a 5 year supply of deliverable land - sites that might be suitable for housing will not be available or achievable because they will be withheld and their development delayed.
- The Strategic Housing Market Assessment states that a threshold lower than 10 dwellings could only be justified with further robust evidence - there is no such evidence. Even a threshold of 10 would render many schemes unviable.
- Site viability is impacted by the design standards of affordable housing for an RSL, contributions to open space, education, transport and other infrastructure obligations. National policy sets an indicative threshold of 15 dwellings, which is appropriate for Yeovil, Market Towns, and Rural Centres. A level of 6 dwellings may be justifiable in the Rural Settlements.
- Affordability should be addressed through brownfield regeneration and windfall sites in rural areas where need is demonstrated.
- Affordable housing should be retained in perpetuity and ring fenced to local people.
- Not clear if threshold kicks in when you build 6 or 7 houses.
- Affordable housing represents a very large subsidy from land value to such an extent that this can cause significant viability problems. Even on large sites. This is particularly the case where proposals involve major off-site highway provision.
- The figure of 6 is ridiculously low. No developer or purchaser would want affordable housing in such a small development. Put the affordable housing all together.
- Would like to see greater emphasis on provision of affordable housing for 1st time buyers particularly in rural areas.

- Threshold - Proposed change from the adopted Local Plan is not based on sound evidence. The proposed threshold will impact on the delivery of small scale housing within urban areas. Small sites often have higher infrastructure costs; as they do not benefit from economies of scale, needs further consideration. Propose that the threshold should be 20 dwellings or sites over 0.7 hectares in size.

Response:

National Context

Planning Policy Statement 3: Housing (2010) (PPS3) sets out the national planning policy context for the delivery of affordable housing. Annex B contains the formal planning definition of Affordable Housing this currently includes social rented housing and intermediate affordable housing. The Government has recently carried out a consultation seeking views on whether the definition should be amended to include the new Affordable Rent product if it is subsequently included, it too will be considered as affordable housing for planning purposes¹. The South Somerset Strategic Housing Market Assessment (SHMA)² identifies that wherever possible 67% of affordable housing should be social rented and the remaining 33% intermediate affordable housing; the Affordable Rent product is not social rented affordable housing therefore it must form part of the remaining 33% however, where Homes and Communities Agency (HCA) funding is secured for affordable housing within a scheme the Government expects all those dwellings to be Affordable Rent. It is considered that it would be useful to add a sentence to the supporting text of the Core Strategy explaining this once the final Annex B is published.

It has been suggested that the definition of affordable housing should be widened to include low impact dwellings on small holdings, this is not possible as the District Council has no control over the national planning definition of affordable housing. However, saved South Somerset Local Plan Policy HG12 allows for low impact dwellings where they meet certain criteria and Planning Policy Statement 7: Sustainable Development in Rural Areas, (2004) allows for the provision of agricultural, forestry and other occupational dwellings in the countryside where justified.

Draft Regional Spatial Strategy (RSS)

Whilst it is the Governments intention to revoke the RSS³ it is still a material consideration in the planning decision making process. Policy H1 expects provision to be made for 35% affordable housing across each Housing Market Area and expects development plan documents to include targets for and proportions of affordable housing, identify the division between social rented and intermediate affordable housing and secure and maintain a supply of affordable housing in the context of the maintaining a 5 year housing land supply.

Draft Core Strategy (incorporating Preferred Options), October 2010

Draft Core Strategy Policy HG4 sets an affordable housing target of 35% and a threshold of 6 dwellings or 0.1ha or 0.2ha depending on the type of settlement. That provision should be provided without the need for public subsidy, be provided on the application site unless there are good planning grounds for not doing so. Where the level of affordable housing provision renders a site unviable a reduction of provision will be accepted on the basis of an open book submission in accordance with draft Policy SS6 and the Planning Obligations Protocol 2006.

¹ PPS3: Housing Technical change to Annex B, Affordable Housing definition. Consultation carried out during March and April 2011.

² Taunton and South Somerset Housing Market Area Strategic Housing Market Assessments, Final Report, February 2009

³ The Draft Revised Regional Spatial Strategy for the South West Incorporating the Secretary of State's Proposed Changes for Public Consultation July 2008

Affordable housing target

The target of 35% affordable housing is based upon the level of affordable housing need identified within the SHMA. In order to address the issue of viability a Strategic Housing Land Viability Assessment (SHLVA) has been undertaken. The SHLVA⁴ identifies that when taking into account market conditions the maximum target justifiable on strategic viability grounds across the District generally is 30% (as at July 2008). The SHLVA Annex (May 2010)⁵ updates this original work and indicates that the target had reduced to 20% reflecting the worsening housing market. It is the intention that this and future SHLVAs should be used to guide affordable housing provision negotiations and the evidence will be updated every 3 years to allow for a flexible approach that takes account of market conditions and likely timescales. Whilst this evidence will be used to inform negotiation it is considered that Policy HG4 should have a target that reflects the level of need.

As has already been demonstrated through the SHLVA and the May 2010 Annex the percentage of affordable housing that can be considered viable is likely to fluctuate throughout the plan period in accordance with market conditions, it is therefore considered that what is proposed allows for a pragmatic approach to the delivery of affordable housing which takes account of viability in accordance with PPS3 whilst seeking to meet the identified need for affordable housing. Where applicable the use of the open book process allows developers to show where a scheme is not viable and if this is successfully demonstrated then the amount of affordable housing provided can be reduced.

Affordable housing threshold

The affordable housing threshold of 6 or more dwellings arises from the recommendations in the SHLVA Annex (May 2010)⁶. The Annex builds upon and draws from the original SHLVA. It assesses a further 8 small sites using the same methodology as the original study and updates the viability assessment for the original 6 South Somerset SHLVA sites by allowing for changes in price and cost levels since spring 2008. It is considered that this document provides the additional evidence required to justify a departure from the threshold of 10 recommend in the original SHMA particularly given the potential cumulative impact of the delivery of dwellings on smaller sites across the District as demonstrated by Figures 19-21 of the Draft Core Strategy.

It is noted that a comment has been received asking if the threshold becomes active at 6 or 7 dwellings it is therefore considered that it should be made clear within the Core Strategy that the threshold applies to 6 or more dwellings.

The SHLVA Annex suggests that the corresponding area equivalent based on a threshold of six dwellings should be 0.1 ha (based upon 60 dwellings per hectare (dph)). Draft Policy HG4 shows this being applied in the Yeovil Urban Extension, Yeovil and Market Towns but increases the area to 0.2 ha in Rural Centres and Rural Settlements, this is based on a net dwelling density of 30 dwellings per hectare. The density research paper suggests moving away from setting specific densities for specific settlement types instead opting for a development management led approach. The research paper findings show an average net density across the sample survey of approx. 28 dph, with the imminent demise of the RSS and the move away from very high density flatted development it is considered that an area based on 60 dph may be optimistic it is therefore suggested that a corresponding area of 0.2 ha across all settlements would be more appropriate.

⁴ Taunton & South Somerset Housing Market Areas Strategic Housing Land Viability Assessment, Final Report, February 2009

⁵ Affordable Housing Threshold Viability Study, South Somerset District Council, Annex, May 2010

⁶ Paragraphs 3.16-3.19

Other issues

Concern has been expressed that the proposed approach will be resource intensive in terms of officer time i.e. time spent dealing with open book negotiations; however it is considered that a departure from an approach that is evidence based, seeks to meet affordable housing need and allows for flexibility where justified should not be amended for purely bureaucratic reasons.

Regarding the issue of retaining affordable housing for local people; on rural exception sites affordable housing can be retained for local people through the use of Section 106 Agreements⁷. However, on non-rural exception sites, depending on the affordable housing product, it is normally accepted that a certain number of occupants of the intermediate affordable housing units (shared ownership) may staircase out i.e. buy 100% of the property. No one in South Somerset has the Right to Buy however some residents do have a Preserved Right to Buy this only applies to those who at the time of stock transfer became South Somerset Homes residents (now Yarlinton Homes) and have remained a tenant of a property/properties owned/managed by them since that time.

Conclusion:

It is considered that the SHMA the SHLVA and the SHLVA Annex provide a robust evidence base to justify the targets and thresholds for affordable housing proposed in the Draft Core Strategy; although for the reasons set out above the threshold area for Yeovil Urban Extension, Yeovil and Market Towns requires amendment. The target of 35% is reasonable in terms of need and viability. The use of the SHLVA and future documents ensures that a flexible approach to development viability to delivery is taken. Where the threshold of 6 results in an unviable scheme as a result of other planning obligations or site constraints the open book approach can be applied. With regards to the Community Infrastructure Levy (CIL), for the time being the CIL Regulations exclude affordable housing, which continues to be negotiated through the use of Section 106 agreements however the S106 element is still a matter for debate nationally.

Recommendations:

- Retain an affordable housing target of 35% and a threshold of 6 or more dwellings.
- Amend the corresponding area to 0.2 ha for all settlements, with the proviso that this may require amendment as a result of the outcome of the Infrastructure Delivery Plan (IDP).
- Insert supporting text clarifying that Affordable Rent forms part of the 33% Intermediate Affordable Housing except where HCA funding is secured for a scheme, when all the affordable dwellings will then be expected to be Affordable Rent.

⁷ New tenants are able to ask for the Right to Acquire but this can be refused and a Section 106 Agreement takes precedence over this right.