



LOCAL DEVELOPMENT FRAMEWORK

**Draft Supplementary Planning
Document 2
Affordable Housing**

Consultation April 2008



Draft Supplementary Planning Document - Affordable Housing

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1. **Introduction**

- 1.1 A key objective for both central and local Government is that everyone should have the opportunity of living in a decent home, which they can afford, in a place they want to live. The planning system has an important role to play in achieving this objective by helping to deliver an appropriate mix of housing, both market and affordable, in terms of tenure, size and price to create mixed and balanced communities.
- 1.2 This Supplementary Planning Document (SPD) sets out detailed guidance on the Council's requirements for the provision of affordable housing in relation to market housing developments. The overall objective of the SPD is to increase the number of affordable homes secured in relation to market housing developments than has been achieved in recent years.

2. **Policy Context**

National Planning Policy

- 2.1 The national policy context for the provision of affordable housing through the planning system is provided in Planning Policy Statement 3 – Housing (PPS3 - 2006) which states that;

“The Government is committed to providing high quality housing for people who are unable to access or afford market housing, for example vulnerable people and key workers as well as helping people make the step from social-rented housing to home ownership.” (para 27)

and that Local Planning Authorities should;

“Set an overall (ie plan-wide) target for the amount of affordable housing to be provided. The target should reflect the new definition of affordable housing in this PPS. It should also reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured.”

- 2.2 PPS3 defines affordable housing as follows;

“Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should;

- meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.

- include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.”

- 2.3 PPS3 defines social rented housing as follows;

“Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. The proposals set out in the Three Year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.”

2.4 PPS3 defines intermediate affordable housing as;

“Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above para 2.3. These can include shared equity products (eg HomeBuy), other low cost homes for sale and intermediate rent. The definition does not exclude homes provided by private sector bodies or provided without grant funding. Where such homes meet the definition above, they may be considered, for planning purposes, as affordable housing. Whereas, those homes that do not meet the definition, for example, ‘low cost market’ housing, may not be considered, for planning purposes, as affordable housing.”

2.5 PPS3 requires that local planning authorities should;

- (i) set separate targets for social-rented and intermediate affordable housing where appropriate
- (ii) specify the size and type of affordable housing that in their judgement is likely to be needed in particular locations and where appropriate on specific sites
- (iii) set out the range of circumstances in which affordable housing will be required. The national indicative site-size threshold is 15 dwellings. However, LPA’s can set lower minimum thresholds, where viable and practicable, including rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area.
- (iv) set out the approach to seeking developer contributions to facilitate the provision of affordable housing. In seeking developer contributions, the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing. However, where it can be robustly justified, off-site provision or a financial contribution in lieu of on-site provision (of broadly equivalent value) may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area.

Local Planning Policy (UDP)

2.6 The adopted plan for the area is the Kirklees Unitary Development Plan (UDP) 1999. The Council’s approach to affordable housing is contained in UDP Policies H10, H11 and H12.

- 2.7 Policy H10 indicates that the provision of affordable housing will be a material consideration when planning applications for residential development are considered. The Council will negotiate with developers for the inclusion of an element of affordable housing where a lack of affordable housing has been demonstrated. The amount and type of affordable housing required by the Council will be dependant on a number of factors, including the extent of need, the size of the site and the financial viability of the development as a whole. Policy H11 indicates that in exceptional circumstances permission may be granted for proposals which make provision for affordable housing where housing development would not otherwise be permitted. Policy H12 indicates that where affordable housing is proposed, arrangements have been made to ensure that such housing will remain available in perpetuity for local people in need of affordable housing.
- 2.8 The UDP also indicates that the Council will prepare Supplementary Planning Guidance (SPG) which will set out the authority's approach to the provision of affordable housing. This guidance was approved in March 1999 and is described below.

Existing Supplementary Planning Guidance (SPG) - The Provision of Affordable Housing in New Housing Developments (1999)

- 2.9 The Council's existing SPG, approved in 1999, sets out in detail how UDP policies relating to affordable housing will be applied in dealing with planning applications for new residential development.
- 2.10 The key elements of the SPG are;
- (i) that the Council will seek to negotiate a proportion of affordable housing on sites of over 15 dwellings (this reflected an amendment to the SPG which originally specified sites of 1 hectare or above, or developments of 25 or more dwellings, and a lower threshold of 0.5ha or developments of 15 dwellings or more in settlements of under 3000)
 - (ii) that the Council will require 20% of a site's capacity as affordable homes. To ensure that developers have certainty of the financial implications where subsidy is needed, the Council will relate the level of subsidy in each unit to a "benchmark" of 25% of the anticipated market valuation of a typical 2 bedroom house.

3. **Local Housing Assessment (LHA) 2006**

- 3.1 Government guidance indicates that affordable housing can only be negotiated by the local planning authority where a need for affordable housing can be demonstrated. In order to understand the nature and extent of the need for affordable in the District, the Council commissioned the Local Housing Assessment 2006. The study was undertaken by a specialist research organisation and was produced in accordance with Government guidance.
- 3.2 The main findings of the LHA 2006 are;
- (i) there is a shortage of 1,473 affordable units per annum
 - (ii) district-wide, there are shortfalls of three-bedroom semi-detached houses and two-bedroom terraced houses for people in need of affordable housing
 - (iii) the majority of the need for affordable housing is for social-rented housing
 - (iv) only 10% of households in the district expressed an interest in shared-ownership housing.
- 3.3 The Council will update the LHA as necessary.

4. **Affordable Housing in Kirklees**

- 4.1 The Council has adopted the definition of affordable housing contained in PPS3 – Housing. This is set out at paragraph 2.2 – 2.4 above. This definition is more detailed than that contained in both the adopted UDP and the current Supplementary Planning Guidance on affordable housing, and is used by a number of local authorities in this context.
- 4.2 It is important to note that the terms “affordability” and “affordable housing” have different meanings – “affordability” is a measure of whether housing may be afforded by certain groups of households. “Affordable housing,” in planning terms, refers to particular types of housing outside the housing market. This SPD is exclusively concerned with the need for affordable housing - ie, housing for people unable to purchase market housing to meet their needs without some form of assistance.
- 4.3 The degree to which households can afford market housing is based on the relationship between household incomes and housing costs, whether for purchase or for rent. The LHA 2006 uses gross household incomes and entry-level house prices to estimate the need for affordable housing. This involves assessing whether or not current households who are in unsuitable housing can afford suitable market housing. The LHA also applies affordability analysis to newly forming and concealed households to establish numbers of actual and potential households who are likely to be in need of affordable housing.
- 4.4 In accordance with the findings of the LHA 2006 a household is considered able to purchase a home if it costs 3.5 times the gross household income for a single earner household or 2.9 times the gross household income for a dual earner household. The size of mortgage required is compared to the entry-level price of a property of an appropriate size for the household. Lower quartile prices should be used to approximate entry-level prices.
- 4.5 The LHA found that to purchase an entry-level property of £100,859 a single person household would need an annual income of £28,817 assuming that they could borrow 3.5 times their income. A household with two or more earners wishing to purchase an entry-level property would need a combined annual income of £34,779.
- 4.6 The LHA indicates that 95.1% of single earner households in Kirklees had gross annual incomes below £28,817 and 77.5% of two-plus earner households had gross annual incomes of less than £34,779.
- 4.7 The Council also needs to assess whether or not a household can afford to rent a home in the open market. The LHA 2006 indicates that that a household can be considered able to afford market housing in cases where the rent payable is no more than 25% of their gross household income.

- 4.8 For housing to be considered “affordable housing” within the terms of this SPD, it must be able to be afforded by eligible households. Eligible households whose needs are not met by the market will be specified by the Council and partner Registered Social Landlords (RSL).

5. **Who is eligible for affordable housing ?**

- 5.1 The Council considers that the initial and subsequent occupiers of affordable housing will be those with greatest need. The Council will seek S106 obligations to control occupancy.
- 5.2 In practice, most affordable housing will be provided through Registered Social Landlords in accordance with an allocation procedure agreed with the Council. In some cases the Council will nominate prospective occupiers to the RSL, in others cases the prospective occupiers will come from the RSL's own waiting list.

6. **General approach**

6.1 When implementing the Unitary Development Plan affordable housing policies, the Council's approach to residential development will be to;

- (i) secure 30% of a "greenfield" site's capacity as affordable housing on developments of 5 or more dwellings unless material considerations indicate otherwise;

National policy set out in PPS3 requires local authorities to use land effectively by re-using brownfield sites wherever possible. As a consequence, the Council allows housing development only exceptionally where greenfield sites are involved. Exceptions may be made in the case of sites which accord with the principles of the development plan and either have little or no open land value or, where community benefit is secured through the development which in the Council's judgement outweighs the open land value of the site. When the Council is minded to grant planning permission on greenfield sites 30% of the dwelling capacity will be sought as affordable housing. Additional affordable housing provision over the 30% requirement will be considered as a component of the community benefit which can be weighed in favour of the grant of planning permission.

- (ii) secure 25% of a "brownfield" site's capacity as affordable housing on developments of 5 dwellings or more unless material considerations indicate otherwise;
- (iii) on sites of 5 dwellings or more, the presumption will be that the affordable housing is provided on the application site so that it contributes towards creating a mix of housing. Where possible, the affordable housing should be interspersed across the development. Whilst the presumption will be for the affordable housing to be provided on the "parent" site, there may be instances where either "off-site" provision or the payment of a financial contribution in lieu of provision will be acceptable. Further guidance on this is set out in Section 10 of this document;
- (iv) on sites with a capacity of up to 4 dwellings, the Council will in all cases negotiate a financial contribution in lieu of the provision of affordable housing. This contribution will be calculated in accordance with the guidance contained in Section 10 of this document.
- (v) ensure the type of affordable housing provided will meet an identified local need;

- (vi) ensure that the end cost of the housing remains genuinely affordable in the longer term;
- (vii) ensure that mixed and balanced communities will result;
- (viii) ensure that details of the number, type, and cost of the affordable housing required by the Council are provided as part of the application. Planning applications which do not include details of affordable housing provision as required under the terms of UDP policy and this SPD, will not be validated.
- (ix) secure, through a Section 106 obligation, the completion and transfer of affordable dwellings prior to the occupation of a specified number or percentage of the “market” dwellings.

7. **The types of affordable housing required**

- 7.1 In accordance with the findings of the 2006 Local Housing Assessment, district-wide, the Council will seek 90% of affordable housing negotiated to be social-rented, and 10% as intermediate housing, such as shared-ownership. This proportion will vary from location to location according to the assessed need, the existing levels of affordable housing locally and the particular circumstances of the development. The 90/10 social-rented/intermediate split will also be kept under review and amended according to changes in the nature of housing need and housing markets.
- 7.2 On small schemes (less than 10 units) it may be impractical, for management reasons, to split the affordable housing into social and intermediate housing. Such schemes will usually be required to provide affordable housing as 100% of either social-rented or intermediate housing. The type to be provided will be determined on a site-by-site basis having regard to the existing levels of affordable housing in the locality, and the nature of the site and the type of housing most appropriate to it. In making a judgement on the appropriate form of affordable housing, the Council will take into account the need to achieve a 90/10 ratio of social to intermediate housing across the district as a whole.

8. **Funding affordable housing**

- 8.1 A table is included at Appendix 1 showing the price (inclusive of parking or garage space, where appropriate) that is to be paid to the developer by the RSL. This information is intended to enable developers to buy land and develop schemes with a greater degree of financial certainty and viability and to speed up the process of negotiation. The table includes prices for social-rented housing and intermediate housing. These prices will be reviewed regularly in consultation with RSL's and the Housing Corporation as necessary, and prospective applicants should contact the local authority to obtain the current figures.
- 8.2 It is acknowledged that in some circumstances, grant funding from the Housing Corporation will be available. The decision to provide grant funding rests however with the Corporation, which requires that the assessment of grant funding is site specific and must provide additionality (more affordable housing must be achieved in a scheme with grant than would have been achieved otherwise).

9. **Affordability and occupancy controls**

- 9.1 Policy H12 indicates that the Council will require an appropriate mechanism to be in place to ensure that the affordable housing provided remains both affordable and available to those in local housing need in the longer term. This ensures that the housing is enjoyed by successive as well as initial occupiers of the property at an appropriate price.
- 9.2 Where developers propose to establish their own management arrangements the Council will need to ensure through legal agreements that affordable housing provided in this way is available to successive occupiers who are in need of affordable housing, at an affordable price. The appointment of an RSL to manage affordable housing on any given site should be an effective way of controlling occupancy without the need for additional occupancy controls. It is recommended that the skills and experience of RSLs be employed at an early stage of the design process to ensure that future effective management of the affordable scheme can be properly considered.

10. **Methodology for negotiating affordable housing**

- 10.1 In all cases the Council will negotiate the provision of affordable housing on the following basis;
- the appropriate % requirement for affordable housing will be applied to the proposed development (25% brownfield, 30% greenfield) - this will give the required amount of affordable floorspace
 - the size (number of bedrooms and floorspace), type (flat or house), tenure (social-rented, intermediate) of the affordable element will be decided through negotiation between the Council, the applicant, and the Registered Social Landlord, based on an assessment of the need for affordable housing in the area
 - in order for the developer to assess the cost to him of the affordable housing in a particular scheme, the prices set out in Appendix 1 need to be applied to the total affordable floorspace required by the Council. This gives the “acquisition price” for units of affordable housing – the price a registered social landlord will pay the developer for the completed affordable units.
 - in cases where a financial contribution is accepted in lieu of the provision of affordable housing, that contribution will be determined by calculating the total “market” value of the affordable dwellings, minus the amount the RSL would have paid for the units at the prices set out at Appendix 1.

11. **On-site, off-site, or financial contribution?**

Sites of 5 or more dwellings

On- site

11.1 The Council’s preference is to seek the provision of affordable housing on the application site giving rise to the requirement for that affordable housing - this assists in the development of mixed and balanced communities. However, where it can be justified, off-site provision or a financial contribution in lieu of on-site provision may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area.

11.2 Consideration will normally only be given to off-site provision where appropriate alternative sites have been identified and where the project will be delivered prior to the on-site market development being occupied. In those cases where on-site provision is agreed to be inappropriate, the Council’s preference is for off-site provision on an identified site in preference to a financial contribution. This will ensure the affordable housing provided will be delivered in a timescale commensurate with the development of the “parent” site.

Off-site

11.3 In cases where off-site provision is considered appropriate, the arrangement will need to reflect the fact that the “parent” site will be developed for 100% private housing and that both sites generate a 25% requirement for affordable housing (in the case of a brownfield site). The example below shows how this approach works for a brownfield site together with the formula for calculating the scale of affordable housing required on the “other” site;

	Total units parent site	Market units	Affordable units	Total Units	% Affordable
On-site example	100	75 on-site	25 on-site	100	25%
Off-site example	100	100 on-site	33 off-site	133	25%

Off-site calculation is;

$$\text{Number of affordable units} = \frac{\text{No of market units} \times \% \text{ affordable hsg requirement}}{100 \text{ minus } \% \text{ affordable housing requirement}}$$

Financial contribution

11.4 In exceptional cases, where the Council considers that a financial contribution in lieu of direct provision of affordable housing is appropriate, the preferred approach for determining the sum will similarly take account of the fact of that the 'parent' site can be developed for 100% market housing. The number of affordable units which could be generated from the market units will therefore be calculated using the formula in paragraph 10.3 above. The financial contribution will be determined by the total market value of those units minus the amount the RSL would have paid for the units at the prices set out at Appendix 1.

Sites of up to 4 dwellings

11.5 On sites of up to 4 dwellings, the Council will in all cases negotiate a financial contribution in lieu of the provision of affordable housing on or off-site. This calculation will be on a different basis than the calculation for sites of 5 dwellings or more (see 10.4 above). It will be based on a percentage of the open market value of the completed dwellings according to the following sliding scale;

1 dwelling	1% of the open market value
2 dwellings	2% of the open market value
3 dwellings	3% of the open market value
4 dwellings	4% of the open market value

The open market value of the completed units will be established by a valuation undertaken for the Council by an independent third-party. The contribution will be secured via a S106 obligation and will be used to provide affordable housing to meet identified local needs.

12 Size mix

12.1 The Local Housing Assessment 2006 gives an indication of the need for different sizes and types of affordable housing (see table below). This will be referred to so as to ensure that the units provided will meet identified needs. Whilst it will not be appropriate to apply this affordable housing size mix on individual sites, regard will be had to these proportions and the Council will seek to achieve this mix across the District as a whole. These proportions will be reviewed as necessary.

Number of bedrooms	Mix
1 bed	8%
2 bed	34%
3 bed	41%
4+bed	17%

13. **Site suitability and financial viability**

- 13.1 In considering the suitability of a site to provide affordable housing, the Council will have regard to the particular costs associated with development. A developer should take affordable housing provision and other known requirements and constraints into account when negotiating the purchase of land. Abnormal costs - the additional, unforeseen costs required to bring forward a development over and above those that could reasonably be anticipated when undertaking a site viability assessment - are sometimes cited by developers as reasons why affordable housing cannot be accommodated on a site. The Council considers that abnormal costs exclude knowable costs such as demolition, site preparation and remediation, piling, infrastructure provision and or diversion, highway works, servicing, flood mitigation measures, archaeology and decontamination. Where there is potential conflict between competing Council objectives, the Council will review the relative priority of the obligations sought.
- 13.2 Where there is an issue concerning the financial viability of the provision of affordable housing, it is essential that the developer assists the process by providing financial information about the proposed development - either to the Council or to an independent third-party appointed for this purpose.

14. **Exception Sites**

- 14.1 The provision of affordable housing will be a factor to weigh in favour of development and such provision may be sufficient to justify development on land where housing would not otherwise be permitted. This may be an issue on sites of any size, but on sites of 5 or more dwellings the Council will seek significantly more than 30% affordable provision to justify the grant of planning permission in these circumstances.
- 14.2 This is most likely to be relevant in rural settlements where the scale of new housing development is small and there are limited opportunities for people to buy affordable homes. Rural exception sites will only be justified where there is a demonstrable local need for affordable housing.

15. **Procedure**

- 15.1 This guidance aims to provide a significant degree of certainty for developers and RSL's on a range of matters relating to the provision of affordable housing in relation to market housing schemes. Nonetheless, the Council strongly encourages pre-application discussions with housing and planning officers to ensure that proposals are appropriate to the specific site.
- 15.2 Council planning and housing officers can offer the following advice at pre-application stage;
- the appropriate amount and mix of affordable housing (including tenure)
 - the design, layout and other development control matters
 - the possible involvement of an RSL
 - the likely availability of funding
 - the size of units appropriate to a particular site
 - exceptions to the "normal" requirement for affordable housing
- 15.3 At the time of submission, a planning application for development which the Council considers requires the provision of affordable housing should include details which demonstrate that the affordable housing is deliverable. This includes the number, size, type and location of the affordable housing in the scheme. If an RSL is to be involved, their details and confirmation of their involvement should also be provided. The Council expects that the RSL's requirements will have been designed into the scheme.
- 15.4 Applicants are also encouraged to agree the Heads of Terms of relevant legal agreements at the pre-application stage - this would normally include;
- number, tenure, and size of affordable housing units
 - timing of provision of the affordable units
 - location of affordable units
 - terms of transfer to the RSL if appropriate

Appendix 1

The table below sets out the price to be paid to the developer by the RSL for the affordable element of a scheme.

Per m2	Social Rented	Intermediate
House	£583	£933
Flat	£717	£1108

Glossary

Brownfield Land (sometimes referred to as previously-developed land)

Brownfield land is that which is or was occupied by a permanent structure, including the curtilage of the developed land and any associated fixed surface infrastructure. The definition includes defence buildings, but excludes:

- Land that is or has been occupied by agricultural or forestry buildings.
- Land that has been developed for minerals extraction or waste disposal by landfill purposes where provision for restoration has been made through development control procedures.
- Land in built-up areas such as parks, recreation grounds and allotments, which, although it may feature paths, pavilions and other buildings, has not been previously developed.
- Land that was previously-developed but where the remains of the permanent structure or fixed surface structure have blended into the landscape in the process of time (to the extent that it can reasonably be considered as part of the natural surroundings).

There is no presumption that land that has been previously-developed is necessarily suitable for housing development nor that the whole of the curtilage should be developed. (PPS3 2006)

Greenfield Land

Land that is not brownfield land.