

# **AFFORDABLE HOUSING STAKEHOLDER WORKSHOP**

**4TH JUNE 2010**

## **CHARNWOOD BOROUGH COUNCIL**

### **Introduction**

The purpose of the workshop was to discuss the key findings of the Charnwood affordable housing evidence base and the emerging options for the Core Strategy policy with key stakeholders. The workshop will help inform the preparation of a draft policy for the submission version of the Core Strategy.

### **Background**

In 2008 Charnwood Borough Council published the Core Strategy Further Consultation document. The consultation document, based on evidence of a high level of need in the Borough, proposed an increase in the current 30% requirement for the proportion of new homes that must be affordable and reducing the threshold for when affordable homes are required from 15 dwellings or more to a lower level. It also proposed that the type of affordable homes required should be determined on the basis of local needs and should include a mixture of social rented homes and intermediate homes. Two alternative approaches were proposed: to increase the requirement for affordable housing uniformly across the Borough; or to vary the requirements for different parts to help target areas in most need.

The majority of respondents neither supported nor objected to the proposal to consider increasing the requirement for affordable housing above 30%. A large number of respondents suggested the requirement should be informed by the findings of the Strategic Housing Market Assessment and that regard should be given to the impact on the viability of sites in the context of the current market and the additional costs of other policy requirements.

Since this consultation Charnwood Borough Council has commissioned an Affordable Housing Viability Assessment to supplement the needs evidence identified in the Leicester and Leicestershire Strategic Housing Assessment.

### **Workshop Format**

The workshop was held on Friday 4<sup>th</sup> June 2010 at Charnwood Borough Council Offices from 9.30am to midday.

A paper was circulated ahead of the workshop to delegates outlining the policy background and findings of the evidence base work in detail. The Paper was titled 'Affordable Housing Evidence Base and Emerging Options' May 2010.

Officers provided a short overview of the evidence base findings at the beginning of the workshop and outlined the format for the morning.

The delegates worked in two groups to discuss the policy options facilitated by Officers from the Planning Policy Team and the Housing Strategy Team.

The options presented and the notes from the workshop discussions are set out below. The options highlighted in bold indicate Charnwood Borough Council's officer's initial preferred options.

### **Workshop Attendance**

Invitations to this key stakeholder event were sent to locally active Registered Social Landlords, key regional and local partners such as the neighbouring local authorities and regional agencies and lastly to developers, agents and landowners that have expressed an interest in affordable housing issues or are involved in promoting key developments in the Borough.

The following organisations attended:

#### Group 1

- Riverside Housing
- Rural Housing Enabler for Leicestershire
- Smith Stuart Reynolds
- North West Leicestershire District Council
- Leicester City Council
- Waterloo Housing Group
- Nottingham Community Housing Associations

#### Group 2

- Kent Porter Warren Architects
- William Davis
- David Wilson Homes
- Hawksmoor
- Derwent Living
- Metropolitan HT (Spirita)
- LHA-ASRA Group

Apologies were also received from Commercial Estates Group and Leicestershire County Council.

### **Workshop Notes**

The workshop discussions focused on the options previously circulated. The option tables are reproduced below with Officer's preferred options highlighted in **bold** type.

#### Percentage Requirements

Percentage Requirement Options	
1	Continue with the current policy of requiring 30% in all parts of the Borough.
2	<b>Increase the requirement in high value areas to 40% and keep the current requirement of 30% in medium &amp; low value areas.</b>
3	Increase the requirement in high value areas to 40% and keep the current requirement of 30% in medium value areas and reduce the requirement to 20% in lower value areas.

### *Discussion Notes – Group 1*

There was a general consensus that option 2 is the most appropriate policy approach increasing the requirement in high value areas to reflect the new evidence.

A summary of the discussion is set out below:

- It was felt that it is important to use the evidence base work that has been done to inform the policy approach and that continuing with 30% does not respond well to the evidence.
- There was concern that 30% would be easily achieved in higher value areas and therefore option 1 would not be maximising the opportunity for affordable housing.
- There were concerns about the complexity of a split policy approach but it was agreed that as long as there are clearly defined areas and a clear map setting out where different approaches apply then this can be overcome.
- It was considered important that there is consultation on the map setting out the different policy areas.
- Good and accessible information about what the policy is was considered key as this has most chance of influencing the land value.
- It was felt that option 2 offered the best approach as it started with ambitious targets and where there are viability issues there is an opportunity negotiate this one a site by site basis.
- It was highlighted that there is a need to consider how much affordable housing the Council wishes to achieve in setting the percentage and threshold. The policy will be influenced by the overall level of housing to be built in the Borough.
- There was concern that option 3 would be particularly complicated, although there was again recognition that a clear map would help overcome that issue.
- It was highlighted that the areas where 40% would be required under option 2 would be mainly rural areas and there is therefore a limit to the impact of this requirement using the current threshold of 15 dwellings or more and when

considered in light of other policies restricting development on sustainability grounds in these areas.

- There is a need to consider the impact of remedial work required on a brownfield site and the effect on viability, but this can be dealt with through individual site negotiations.
- It was highlighted that the market may pick up other the plan period and it will be possible to achieve a higher percentage of affordable housing in lower value areas.
- It was suggested that the Sustainable Urban Extensions should be considered separately as there will be unique viability issues with these sites.

### *Discussion Notes – Group 2*

There was a general consensus that the current policy of 30% should continue.

A summary of the discussion is set out below:

- It was questioned whether the use of postcode data was a fair way of defining areas for different policy approaches when the density of development is often the key issue when it comes to viability.
- It was felt by some that policy was only a starting point for individual site negotiations and therefore a standard approach across the board is the best starting point for these negotiations.
- There were concerns about whether options 2 and 3 would be too complicated and lead to more work as people are more likely to argue against the requirements more often than if a standard percentage is set.
- It was also highlighted that the value of areas change, for example an up and coming area.
- Others highlighted that the higher value areas are the rural areas where need is often greatest and so a higher percentage requirement is an important way to meet needs in these areas.
- It was pointed out that it was useful to have high requirements as they will be negotiated down where necessary but are unlikely to be negotiated up where this is achievable.
- It was highlighted that landowners have higher expectations in rural areas and therefore the higher value of these areas does not automatically make them more viable as the landowner will want more for the land in the first place. It was also highlighted that in rural areas there is often most demand for larger scale properties and these bring lower margins.
- It was suggested that the policy should include the words “up to” before the percentage requirement to highlight that it is an aspirational target.

- It was suggested that a split requirement would require consultation on the areas to be included in each sub-area and that this will create more work and criticism.
- It was highlighted that there are a lack of skills in local authorities to deal with the issues of viability.
- There were concerns that a 20% requirement would not be ambitious enough.
- It was suggested that the 40% requirement might not have a very big effect as there is limited development in high value areas, landowners expectations are highest but also need to consider that need is highest.
- It was agreed that lower value areas need to be dealt with in as more holistic way as a lower affordable housing requirement alone will not help these areas. The viability evidence base points to wider issues that need to be considered.
- It was suggested that a drop in requirement to 20% would not be sufficient to secure more market housing in lower value areas as there is so little uplift due to marketability issues. Would need to consider dropping the requirement further to achieve wider improvements to an area.
- It was suggested that the Council should use its own land to bring forward affordable housing where it is needed.
- It was highlighted that landowner's views are key in this debate and it is important to consider the impact of other disincentives e.g. tax. From an investment point of view it is often better to keep to the use they have than fight to get homes on it.
- Need to consider whether these are short to medium term viability issues, in the long term developers don't want to be arguing viability on ever application, it is much better to set a realistic target in the first place.

### Threshold

<b>Threshold Options</b>	
1	Continue with the current threshold for requiring affordable housing at 15 dwellings or more.
2	Do not have a threshold so all housing proposals will be required to include affordable housing or make contributions to provide elsewhere.
<b>3</b>	<b>Reduce the threshold for requiring affordable housing to 5 dwellings or more.</b>
4	Continue with the current threshold for requiring affordable housing at 15 dwellings or more in urban areas and reduce to 5 dwellings or more elsewhere.

There was a consensus for dropping the threshold to 5 dwellings.

A summary of the discussion is set out below:

- A threshold of 15 seems high from experiences elsewhere. A threshold of 5 seems about right and will draw smaller urban and rural sites into making contributions.
- Smaller sites that derive 1 or 2 affordable housing units are likely to present management issues for RSLs. However, there is a role for the Local Authority in proposing RSLs with existing stock in the area or consideration could be given to using a managing agent, possibly local authority as they still have stock across all settlements.
- It was suggested that with a threshold of 5 dwellings, sites between 5 and 15 dwellings could generate a commuted sum in lieu of on site provision.
- A further option could be considered – a 15 dwelling threshold could be used in higher value areas and a lower threshold in lower value areas.
- If the viability assessment says there is no viability issue in having a threshold then it should be dropped to the lowest level that makes it practicable to derive affordable housing i.e.: 5 dwellings.
- There was a suggestion that low cost market housing should be provided as opposed to social rented stock in areas where there are management concerns or barriers to their realisation.
- We need to be aware of the impact on developers that are currently optioned under the old threshold. Flexibility is required or a period of transition. However we also need to consider how long the land has been optioned. The current lull in the market makes it a good time to introduce changes.
- Any change in policy needs to be publicised as soon as possible to enable developers to inform their land negotiations.

#### *Discussion Notes – Group 2*

There was a consensus for accepting 15 dwellings as the threshold but to explore a 15/5 split between urban and rural areas recognising rural areas may generate a commuted sum.

A summary of the discussion is set out below:

- There is a need to be flexible – rigidity could stymie development from coming forward.
- 15 dwellings is a round number for thresholds. It is understood and there is no need to change it. If we were considering smaller sites then financial contribution would need to be sought.
- There was a view that RSLs will not want to pick up single affordable housing units all over the Borough due to the management issues involved.

- Lowering the threshold is likely to lead to more developers saying their sites are unviable
- Viability is variable and directly relates to land prices. Prices dictate what can be built on site. There is a danger that a future policy is based on a past trend that is not necessarily sustainable into the future.
- Need to consider the possibility of a flexible approach in terms of planning affordable housing over the lifetime of larger sites where phasing is involved. This may present an opportunity to increase or decrease the threshold over the life of the site in response to market conditions.
- Affordable housing on small schemes tends to depress the value of the market housing on the scheme.
- Low cost/intermediate housing may be a middle ground on sites with a low threshold.
- Clear guidance required enabling schemes to be assessed on their merits in terms of their viability and a more flexible approach needs to be taken. A partnership approach should be emphasised – statements in policy should read “seek to negotiate” rather than “will be required”.
- The type of site will be an important consideration in determining viability – suggest future sites likely to be on brownfield sites, which tend to come with additional costs.
- 5 dwelling threshold in rural areas appears to be realistic.
- On sites of 100% affordable housing the council needs to be more realistic about the viability of the other planning obligations that can be provided.
- The threshold depends on the development strategy – if the focus is on the PUA fringe and Loughborough (urban concentration) then this will have a different impact on viability than a strategy which seeks to distribute housing throughout the Borough.

Target for the split between Social Rent and Intermediate Housing

<b>Target for Social-Rented and Intermediate Affordable Housing Options</b>	
<b>1</b>	Continue with the current split of 75% social rent and 25% intermediate housing.
<b>2</b>	<b>Change the split to 80% social rent and 20% intermediate housing.</b>

*Discussion Notes - Group 1*

A summary of the discussion is set out below:

- 20% Low Cost Home Ownership appears to be attractive to RSLs in the current economic conditions.
- Much depends on the market area – intermediate housing is more deliverable in higher market areas.
- What is the definition of ‘intermediate housing’? Does it include other models of provision than shared equity? There needs to be flexibility in the wording of S106 agreements to enable different models to be realised so as to be responsive to market conditions.
- Need clarification of what is meant by intermediate. Do we mean specifically Low Cost Home Ownership products or do we seek to include intermediate rent etc.
- Consider dropping overall affordable housing target on sites where the market has shifted and demand dropped.
- Preference currently for social rented as struggling to sell Shared Ownership.
- How will the policy be presented in the Core Strategy? How do you square the certainty afforded by specifying a detailed requirement for an 80/20 split, with the need for flexibility – the acceptance that things change over time and not all sites will be viable or appropriate for a 80/20 split?
- 75/25 is quite high. Elsewhere there are quite a few at 60/40.

#### *Discussion Notes - Group 2*

A summary of the discussion is set out below:

- A higher percentage of social rent is not likely to change the final proportion of units provided as viability arguments will find the true balance of provision or impact on overall numbers or type.
- Shared ownership is less costly for developers than rented and so is preferred.
- Suggestions that some RSL marketing departments are not interested in small numbers of Low Cost Home Ownership though.
- Certainty as to what the starting point for provision is to be is important to not only developers but also other actors in the development process – architects, RSLs etc, so that cost liabilities and designs can be considered early on in the process.
- Contraction of future funds may make it preferable for RSLs to have an 80/20 split and a lower percentage requirement overall.

#### Type and Size of Affordable Housing

**Size and type of affordable housing that is likely to be needed in particular locations and, where appropriate, on specific sites**

1	<p>Identify that there is a particular need for:</p> <ul style="list-style-type: none"> <li>• two and three bed general needs houses</li> <li>• two bed elderly person homes, downsizing flats and bungalows</li> </ul> <p>Require that the size and type proposed on a site:</p> <ul style="list-style-type: none"> <li>• broadly reflects what is being delivered on the rest of the site</li> <li>• is based on discussions with housing officers to ensure they meet local needs based on housing register and other evidence</li> </ul>
2	<p>As above and in addition specify the type and size of affordable housing that will be required as part of allocated sites. This would be set out in the strategic allocations policy in the Core Strategy and in the Site Allocations Document for other smaller allocations.</p>

*Discussion Notes - Group 1*

A summary of the discussion is set out below:

- Having a rigid idea as to the size and type is not a good idea. There is a need for greater flexibility in the policy given that the Core Strategy will cover a 20 year period.
- Consideration should be given to updating the need information in relation to size and type. Can the Strategic Housing Market Assessment table included in the workshop paper be periodically updated?
- On rural sites could we work with the Rural Housing Enabler to prepare needs surveys?
- It is important to RSLs that they secure the right type of units?
- At North West Leicestershire, developers have to hit high targets on the Buildings for Life measure so there is a tendency for site layouts to be available as part of pre-application discussions. Housing staff are able to use this information to make judgements about the size and type of dwelling required in the context of the local needs to arrive at a mutually agreeable package.
- 2 bed homes are more sustainable than 1 bed properties and present a more flexible solution for RSLs for a range of tenants.
- 4 bed housing is more difficult to secure and is not always in demand in all areas. Developers will tend to negotiate down from these. 2-3 bed homes are more straightforward and are almost universally in demand. 2 bed bungalows take up a similar plot size as a 4 bed house and these units are in demand and so some type substitutions could be negotiated.
- Suggest that a prescriptive approach set out in a policy is too rigid and gives no flexibility to match need over time.

- The needs survey will provide evidence of the particular size and type required.

*Discussion Notes - Group 2*

A summary of the discussion is set out below:

- It is for the Borough Council to determine the size and type based on needs surveys.
- If the site is only suitable for flats and the local affordable housing need is for houses then a commuted sum should be derived in lieu of on site provision.
- Bungalows will take up more land so this needs to be factored into negotiations.
- Caution against securing affordable housing by condition as this causes difficulty if variation in size or type is required.
- There was a discussion about the tension between quality and quantity.
- We need to reflect local need evidenced by the Housing Needs Survey and it was suggested that we may not be able to rely on the waiting lists.
- Size and Type should be captured in the I06 and not within the planning permission itself as this can be altered more easily.
- It was noted that RSLs are expected to meet Homes and Communities Agency quality standards even when funding is not being sought. And so policy should reflect the fact that affordable housing should be built to current standards.

Affordable Housing in Rural Areas

<b>Affordable Housing in Rural Communities Options</b>	
1	Continue with the current Rural Exception Policy of allowing small scale affordable housing schemes in areas where market housing site would not be suitable based on identified local need.
2	Continue with the current Rural Exceptions Policy and in addition make a commitment to allocate sites for 100% affordable housing in rural areas as part of the Site Allocations Document.

*Discussion Notes - Group 1*

There was consensus that option 1 is the best approach but that the Rural Exception Policy needs to be refined and potentially supplemented by a Local Needs Housing Policy.

A summary of the discussion is set out below:

- It was highlighted that exception sites take a long time and a lot of resources to achieve.
- It was pointed out that these sites are subject to the same level of bureaucracy as other sites for example when it comes to highways requirements and this can make them difficult to achieve.
- It was suggested that the rural exception policy alone could be divisive and lead to a greater gap between the 'have' and 'have nots' in rural communities as there are no properties available in between affordable homes and executive or very high value properties.
- It was argued that mixed tenure housing should be allowed where they meet the needs of the community i.e. this therefore overcomes the sustainability arguments which normally restricts mixed developments in rural areas. It was suggested that there is often a need for smaller properties in rural areas but that the majority of new development that does go on is large 5/6 bed properties.
- Cross-subsidy may become more important as funding becomes harder to secure.
- It was argued that sustainability is more than an issue of transport; it is about communities and providing people with homes. It was highlighted that the Homes for All guidance and Planning Policy guidance are pulling housing and planning aims in different directions when it comes to the issue of sustainability in rural areas. The issue of sustainability of rural communities has not been helped by inconsistent inspector decisions at appeal.
- It is important that the approach to rural communities prioritises local people.
- Need to ensure the local approach to rural exception sites is in line with national policy but may need other approaches to provide opportunities for cross-subsidy where exception sites are not viable.
- Need to consider opportunities for leasing land for 100 years rather than landowners selling their land, if this will help achieve development.
- It was noted that there is a general lack of certainty in the system at the moment and whether policy will change at a national level and what new proposals may come out.
- It was felt that the role and responsibility of the Parish Council should be defined in the policy.
- There was very little support for 100% affordable housing allocations. It was felt that time lag between identifying / proposing allocations and the adoption of the allocation / delivery would be too great to be successful at meeting local needs.
- There was also concern that allocating sites would raise hope value and increase the value of the land rather than reduce it.
- It was agreed that there needs to be time spent on raising awareness of social housing on exception sites and that they are based on providing for local needs in

perpetuity. This will help to overcome people's negative perceptions. There is a need to highlight examples of where it has been successful.

- Exception sites are often delivered by local builders which is good for the local economy.

### *Discussion Notes - Group 2*

There was consensus that the Rural Exception Policy should continue but that it needed to be rebranded. There was no particular consensus about the role of 100% affordable housing allocations.

A summary of the discussion is set out below:

- It was agreed that rural exception sites are really hard work, time consuming and there has been a lack of delivery in Charnwood.
- It was pointed out that generally exception sites are expensive and because they involve a smaller number of units it is difficult to make them work financially and grants are more difficult.
- There was a feeling that there is a need to see beyond the broad arguments in relation to sustainability and that housing in small rural communities is important.
- Although it was also pointed out that 100 homes on the edge of a small settlement is unlikely to keep services open as many of those 100 householders would be used to relying on other places for their services e.g. on their way home from work.
- It was suggested again that the key issue is landowner expectations. If a landowner has a paddock that adds value to the house so there would not be a sufficient uplift in value for an exception site to work.
- It was also highlighted that often landowners live in the community where their land is located and so there are concerns about releasing land for social housing and impact that will have on the village or perceived impact from other villagers.
- It was suggested that the role of rural exception sites in meeting local needs only is key to persuading villages and so the resistance can often be broken down once people understand the development is for their community's needs.
- It was agreed that the policy requires a new name as 'rural exception' doesn't really mean anything to people and doesn't highlight that it is for local needs. It was felt that if it was dressed up differently as they have in the Derbyshire Dales, people would be less resistant.
- There was some support for 100% affordable housing allocations and a feeling that this would provide certainty and therefore reduce aspirations of the landowners as there would be no discussion about pursuing market housing.
- It was felt that there should be a way of allowing some limited market development in villages as there is a need to do something to meet the needs of

these communities. This would get away from some of the difficulties with exception sites.

- It was suggested that the Parish Councils should have a role in taking the lead in bringing forward small scale development in the context of local housing trusts.
- It was pointed out that often the rural areas have conservation areas and this adds a further expense to delivering new homes.

### Developers Contributions

<b>Seeking Developer Contributions</b>
PPS3 is clear that there should be a presumption in favour of providing affordable housing on site to create a mix of housing. Where robustly justified financial contributions of equivalent value may be accepted where they contribute to the creation of mixed communities. Evidence suggests no alternative reasonable options.

### *Discussion Notes – Group 1*

There was consensus that the approach proposed is generally accepted but that, as the policy approach suggests, there will be circumstances where off site commuted sums may be appropriate.

A summary of the discussion is set out below:

- It was highlighted that affordable housing requirements need to be seen in the context of other developer contributions and requirements and not in isolation of these.
- It was argued that where an RSL is proposing a site for 100% affordable housing or a developer is offering a higher percentage of affordable housing than is required there should be more room for negotiation on other contributions or an exemption from other contributions.
- There was a feeling that the contributions towards some areas, for example education, are fixed and not open to negotiation compared to other contributions and this appears to be historical rather than an assessment of the relative merits of different contributions in the context of a particular proposal.
- It was considered that commuted sums do provide an opportunity to build affordable homes where they are most needed but there is less likelihood of them coming forward.
- It was agreed that commuted sums generally result in fewer affordable homes being built off site than would be on site but that this may be desirable to achieve rural schemes for example to meet needs better.

- It was suggested that developers would support commuted sums where they were desired.
- It was suggested that a proportion of commuted sums may be appropriate where there is a large site and a large number of affordable homes in one location may flood one market area.
- There must be a time limit for spending commuted sums.
- There was some concern that off site commuted contributions may not get spent due to lack of public subsidy.
- It was suggested that the HCA grant requirements i.e. per person rather than per property makes sites unviable.

#### *Discussion Notes – Group 2*

A summary of the discussion is set out below:

- It was suggested that for smaller sites contributions may be a better and more practical way of delivering affordable housing.
- It was highlighted that you can never buy back what was lost on site due to the additional costs of starting on a new site.
- It was suggested that commuted sums do provide the opportunity to bring forward sites that would be good for affordable housing and where there is need.
- It was suggested that it may be better in some cases to take a commuted sum and deliver what is practical and needed now rather than wait for the developer to build several years after a permission is given.
- There may be opportunities for land swaps.

#### General Points

##### *Group 1*

- There was a general discussion about intermediate housing and how it was financed.

##### *Group 2*

- Local Authorities rarely have the skills to come to a view on viability without the benefit of expert advice. Independent advice, paid for by developers, would be a way to get expert advice on a site by site basis.
- Openness and trust is important in negotiations.
- Some concern was expressed about the 3 Dragons model. Do local authorities have the experience to interpret the model? Is the model robust? For example, developer's profit level is assumed at 15% in the model but in the current market lenders are expecting 20% return on investments – is this taken into account?

- Suggestion that consideration should be given to identifying a mechanism for capturing change in valuation over the life of a scheme if permission given whilst market is suppressed.
- It was highlighted that there is an opportunity to bring forward public land where there is a lack of public funding.
- The RSL stakeholders highlighted the management issues associated with pepper potting social housing and suggested they would prefer clustering so they can reduce service charges. This could be several clusters within one development.