



**65-67 Maygrove Road, Camden.
London**

Affordable Housing Policy Statement

October 2012
Affordable Housing Solutions Ltd

Confidential

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Contents

		Page
1.0	Introduction	3
2.0	Affordable Housing Policy: Relevant National Policy	4
3.0	Regional Housing Policy: The London Plan	6
4.0	The London Borough of Camden LDF Core Strategy	7
5.0	Method of Financial Viability Assessment	10
6.0	Complexity occasioned by the changing Government Policy	11
7.0	Conclusions	12



1.0 Introduction.

1.1 Affordable Housing Solutions, (AHS), have been appointed by the Applicant, Regal Homes (RH), to advise in relation to any affordable housing obligations attached to the proposed development at 65 Maygrove Road , located in the London Borough of Camden.

1.2 The purpose of this Statement is to provide background information to support the affordable housing proposal contained in the Planning Application, prepared on behalf of the Applicant, and should be read in conjunction with the Application.

1.3 This Statement considers the following issues:

- An analysis of proposed affordable housing solution in relation to relevant planning policy at a National, Regional, and Local level.
- The maximum reasonable proportion of affordable housing that the scheme can deliver whilst remaining economically viable.
- The recent changes the Government has made to the way affordable housing will be funded in the future. This will preclude the use of capital grant to support S106 linked affordable housing provision.

1.4 The following policy documents have been considered: The National Planning Policy Framework, (2012); The London Plan, (2011); The London Plan Housing Supplementary Planning Guidance (2005);Camden Council's LDF Core Strategy (2010);Camden Development Policy DP3 (2010);Camden Council's Planning guidance, CPG2, Homes and Communities Agency Framework Document (2011).

1.5 AHS will submit under separate cover an economic viability assessment, on behalf of the Applicant, together with an explanatory report. This confidential financial data will demonstrate what level of affordable housing the proposed project is capable of providing without becoming unviable.

1.6 The scheme will be appraised employing the GLA's recommended financial model; specifically, the GLA's Development Control Toolkit Model, 2011. We understand that this model is acceptable to Camden Council for the purposes of determining the maximum viable quantum of affordable housing in residential projects, and is therefore appropriate for the purpose in relation to the subject project.



2.0 Affordable Housing Policy: Relevant National Policy

2.1 The principal national policy guidance on housing and affordable housing is set out in the National Planning Policy Framework, March 2012, (NPPF) which replaces previous guidance in Planning Policy Statement 3: Housing (CD6/2). At the centre of this new framework document is a 'presumption in favour of sustainable development' and states in paragraph 15:

“Policies in Local Plans should follow the approach of the presumption in favour of sustainable development so that it is clear that development which is sustainable can be approved without delay. All plans should be based upon and reflect the presumption in favour of sustainable development, with clear policies that will guide how the presumption should be applied locally.”

2.2 The key housing policy goal is to deliver 'a wide choice of high quality homes' for both the private and affordable sector and suggests that in order to boost the supply of housing Local Authorities should:

- use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period;
- identify and update annually a supply of specific deliverable sites sufficient to provide five years' worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land;
- identify a supply of specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15;
- for market and affordable housing, illustrate the expected rate of housing delivery through a housing trajectory for the plan period and set out a housing implementation strategy for the full range of housing describing how they will maintain delivery of a five-year supply of housing land to



meet their housing target; and set out their own approach to housing density to reflect local circumstances.

2.3 NPPF recognises that in order for development sites to be recognised as deliverable the sites should be available now, in a suitable location and with a realistic prospect that housing will be completed within five years. Importantly NPPF acknowledges the significance of viability in securing a deliverable project.

2.4 Paragraph 50 of NPPF recommends that in order ‘to deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities,’ Local Authorities should:

- plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
- identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and
- where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.

2.5 NPPF seeks to bring back into use redundant land in order to deliver new housing in suitable locations and proposes in paragraph 51 that:

“Local planning authorities should identify and bring back into residential use empty housing and buildings in line with local housing and empty homes strategies and, where appropriate, acquire properties under compulsory purchase powers. They should normally approve planning applications for change to residential use and any associated development from commercial buildings (currently in the B use classes) where there is an identified need for additional housing in that area, provided that there are not strong economic reasons why such development would be inappropriate.”

2.6 It is evident that it is not the Government’s intention that every single site should provide a significant quantum of affordable housing, or indeed any affordable housing.



The key issue in relation to the NPPF is to balance the need for sustainable development with the need for a scheme to be viable and deliverable.

2.7 The proposed development has been designed to deliver an inclusive, liveable and sustainable project, and offer a high quality product. The scheme will therefore be fully in accord with the Government's key housing policy goals as set out above.

2.8 On April 6th 2012 the Community Infrastructure Levy (CIL) came into force and accordingly the financial viability assessment will take on board the obligations in relation to the Mayoral CIL payment.

3.0 Regional Policy – The London Plan

3.1 The affordable housing proposals will fully take on board the strategic policies and priorities identified in the new London Plan 2011.

3.2 Policy 3.11, states that borough targets should be based on an assessment of regional and local housing need and a realistic assessment of supply, and should take account of the London Plan strategic target that 60% of the affordable housing provision should be for social rent and 40% intermediate provision. Importantly, this strategic target relates to units delivered from all sources of supply, including 100% affordable housing schemes, and it is the individual circumstances which apply to each site which will determine the maximum reasonable provision of affordable housing.

3.3 In addition, Policy 3.12 encourages Councils to have regard to the need to encourage rather than restrain residential development, and to the individual circumstances of the site. This policy requires that targets should be applied flexibly, taking account of individual site costs, the availability of public subsidy and other scheme requirements. There is nothing in the London Plan to suggest that a scheme fails to comply with policy if it provides less than the agreed borough target. Indeed, this has been tested at appeal (decision reference APP/G5180/A/08/2084559), where the Inspector interpreted the previous London Plan (2008) Policy 3A.10 as follows:

“Moreover, policy 3A.10 of the LP makes clear that Boroughs ‘should seek the maximum reasonable amount of affordable housing when negotiating on individual private residential...schemes’, concluding that Boroughs should have regard to the need to encourage rather than restrain residential development, and to the individual circumstances of each site. In my view, both policies seek such provision through negotiation, and the acceptance of specific site circumstances. I conclude, as the Council did at the Inquiry, that in



negotiating a figure of affordable housing below 35%, such ‘provision’, assuming specific circumstances are demonstrated, could encompass ‘0’, or no affordable units.”

3.4 Policy 3.12 is supported by paragraph 3.71, which urges boroughs to take account of economic viability when estimating the appropriate amount of affordable provision. The GLA’s Development Control Toolkit is recommended for this purpose.

3.5 In the London Plan 2011 the Mayor provides a numeric target of 13,200 new affordable homes per year in London based on identified need, capacity, viability and creation of sustainable communities. The Mayor requires individual London borough’s to set a borough wide target for the quantum of affordable housing rather than a proportion for the borough of each development. The proposed design emphasis is on the quality of new homes, including the principle of internal space and other design standards, and reflects the Mayor’s promotion of Lifetime Homes standards and wheelchair accessible housing in all developments.

3.6 The Mayor’s Draft Housing Strategy also encourages the provision of more family sized units in new developments. The proposed design solution for the Maygrove Road proposed affordable homes fully achieves this target.

4.0 Camden Council’s LDF Core Strategy

4.1 Camden Council’s Core Strategy policy CS6 indicates that the Council will aim to secure high quality affordable housing for Camden households who are unable to access market housing. Camden Development Policy 3, (DP3), gives more guidance on how their 50% affordable housing target will apply, and includes a sliding scale from 10% to 50% for the affordable housing percentage in developments with capacity for fewer than 50 dwellings.

4.2 The Core Strategy Document was adopted in late 2010, and for the first time introduces a 1,000 m² floorspace affordable housing policy threshold. This is intended to bring more schemes into the policy range, by effectively lowering the threshold to reflect a site’s capacity to provide 10 units, whilst leaving the choice open to developers to provide larger units as required by the local market. On this basis, the Council’s affordable housing policy will apply to the proposed development.

4.3 Core Strategy Policy CS6 aims to make full use of Camden’s capacity for housing. In relation to new self-contained residential schemes this is to be achieved by:



- a) Maximising the supply of additional housing to meet or exceed Camden's target of 5,950 homes from 2007-2017, including 4,370 additional self-contained homes.
- b) Regarding housing as the priority land-use of Camden's Local Development Framework.
- c) Seeking to ensure that 50% of the borough-wide target for additional self-contained homes is provided as affordable housing.
- d) Seeking to negotiate an affordable housing contribution from specific proposals on the basis of:
 - § the maximum reasonable amount of affordable housing under the specific circumstances of the site, including the financial viability of the development.
 - § an affordable housing target of 50% of the total addition to housing floorspace.
 - § guidelines of 60% social rented housing and 40% intermediate affordable housing.
- e) Seeking a diverse range of housing products in the market and affordable sectors to provide a range of homes accessible across the spectrum of household incomes.

4.4 The Council will seek the maximum reasonable amount of affordable housing on development sites in accordance with the London Plan, however, Camden recognise that,

'The financial viability of the development is a key consideration'.

4.5 The Borough's Core Strategy reflects that in Camden, a high proportion of homes are developed in small schemes which cannot practically contribute to the supply of affordable housing, and a small proportion are developed in schemes designated wholly as affordable housing . Specifically Paragraph 6.31 states that:

'It will not be feasible to include a full range of homes wide enough to meet all needs within every development. On individual sites, we will seek a mix that addresses needs identified at the borough-wide level and local needs, taking into account the characteristics and constraints of the site and area'.



4.6 Development Policy 3 provides guidance as regards the interpretation of the Core Strategy with regard to affordable housing issues. The key aspects of the policy are as follows:

- a) The Council expect all residential developments with a capacity for 10 or more additional dwellings to make a contribution to the supply of affordable housing.
- b) The Council expect the affordable housing contribution to be made on-site, but where it cannot practically be achieved on site, the Council may accept off-site affordable housing, or exceptionally a payment-in-lieu.
- c) The Council will negotiate the development of individual sites and related sites to seek the maximum reasonable amount of affordable housing on the basis of an affordable housing target of 50% of the total addition to housing floorspace, but will apply the target with regard to a sliding scale from 10% for developments with capacity for 10 dwellings to 50% for developments with capacity for 50 dwellings.
- d) In considering whether an affordable housing contribution should be sought, whether it can practically be made on site, and the scale and nature of the contribution that would be appropriate, the Council will also take into account:
 - § access to public transport, workplaces, shops, services and community facilities.
 - § the character of the development, the site and the area.
 - § site size, and constraints on including a mix of market and affordable tenures.
 - § the economics and financial viability of the development including any particular costs associated with it.
 - § the impact on creation of mixed and inclusive communities.
 - § any other planning objectives considered to be a priority for the site.

4.7 The Council considers that a floorspace of 1000 m² is capable of accommodating 10 dwellings. Therefore residential developments providing additional floorspace of 1000 m² are expected to make a contribution to affordable housing supply,



with a target of 10% for 1,000m² of additional housing and 50% for 5,000m² of additional housing, considered to be sites with a capacity of 10 and 50 units respectively. Thus, a scheme of 2,000m² would target the provision of 20% and 4,000m² would target 40% affordable housing floor space. **Paragraph 3.17** of DP 3 confirms that the Council will take a flexible approach towards the sliding scale and in any event the target will be subject to the financial viability of the scheme.

4.8 The confidential financial viability assessment will robustly demonstrate that the level of proposed affordable housing is the maximum the scheme can support while remaining financial viable. Section 5 provides further detail regarding the viability assessment process and the specific issues surrounding the assessment of the Maygrove Road proposals.

4.9 Camden has recently prepared Planning Guidance, CPG2, to support the policies in their Local Development Framework (LDF). This guidance draws from the Council's published information and is also consistent with the Core Strategy and Development Policies.

4.10 CPG2 makes reference to Affordable Rented housing, a new product introduced by the current Government. It is intended that this product meets the general PPS3 definition of affordable housing but rent setting is outside the national rent regime. Rents can be set up to 80% of local market rents. The Council has yet to confirm its approach to affordable rented housing although it is understood that a study of affordable rent levels has been undertaken and work is in hand to introduce appropriate rent levels for this new product.

4.11 In paragraph 2.43 of CPG2 it states that;

'proposals for affordable rented housing should be accompanied by a demonstration that the homes will comply with the Government's definition of affordable housing, and will be affordable to households whose needs are not met by market housing, having regard to lower quartile market rents available locally and across the borough. The Council is unlikely to support proposals for affordable rented homes that would be more expensive than market homes available anywhere in the borough.'

4.12 It is also recognised in CPG2 that the Government has reduced the amount of public subsidy available for the provision of affordable housing. The new HCA funding regime is based on a nil grant arrangement for S106 linked affordable housing provision, although grant may be available for additionality. It is acknowledged by the Council that if public subsidy is not available the proportions of affordable housing



anticipated by the Core Strategy and Development Policies will not be viable in all developments. Section 6 of this report provides further detail of these recent funding changes

5.0 Method of Financial Viability Assessment

5.1 The application scheme will be appraised employing the GLA's recommended financial model; specifically, the GLA's Development Control Toolkit Model 2011. We understand that this model is acceptable to Camden Council for the purposes of determining the maximum viable quantum of affordable housing in mixed use projects containing an element of residential use and is, therefore, appropriate for the purpose in relation to the 65 Maygrove Road project.

5.2 In addition we will provide an easily understandable and detailed review of the cost and revenue implications of the development which drive the Toolkit model. Our intention is to be seen to be offering full transparency as regards the ability of the project to subsidise affordable housing production, CIL, and S106 contributions generally.

5.3 AHS will follow the guidance set out by the GLA in its guidance notes that accompany its DCTM, (2011), namely that

“Local authorities, as a measure of good practice should take a number of factors when deciding whether what they are asking for in terms of an affordable housing contribution is viable or not. These factors can be summarised as.... the existing use value of the site... [or] any alternative uses”.

5.4 The Toolkit is founded on the calculation of a residual land value for the proposed development. Residual valuation is a frequently used method for appraising the financial viability of development schemes, whether new developments, or refurbishment of existing buildings. The residual valuation can be expressed as a simple equation:

$$\text{Value of Development} \text{ less Cost of Development less Profit = Residual Land Value}$$

5.5 The residual land value (RV) is then compared with a benchmark against which the viability of the scheme can be appraised. In this regard, the Toolkit Guidance notes state that the comparator should be the Existing Use Value of the

site (EUV), Alternative Use Values, (AUV), and as general context the site acquisition cost.

5.6 On a project specific basis, the Toolkit will demonstrate what level of affordable housing and other s106 contributions can be supported while remaining financial viable. The Viability Assessment will take due regard of the Homes and Communities Agency's Framework document, published on 14th February 2011 and, therefore, will be based upon the assumption that no capital grant will be made available, (see below).

6.0 Complexity occasioned by the changing Government Policy

6.1 The Government has made radical changes in how it will fund and support the delivery of new affordable homes in England. The Comprehensive Spending Review of 2010 reduced social housing capital budget by 63%, and the follow on Homes and Communities Agency Framework document, published on 14th February 2011, sets out the Governments plans to deliver new homes by way of revenue subsidy, rather than capital subsidy. Specifically, the Government outlined plans for Registered Partners (RP's) to fund new homes through charging rents at up to 80% of the market rate.

6.2 The HCA's expectation is that s106 schemes can be delivered at nil grant input for both affordable home ownership and for affordable rents. The HCA have indicated they may be more flexible in London but the starting point is nil grant, with any grant only being available for additional affordable units.

6.3 Since the capitalisation of the net rental stream represents the RP offer price to developers for s106 linked affordable housing product, the level of the rent cap imposed by the Council will be a crucial determinant of viability. Many London boroughs appear to have concerns in connection with the assumption that new build and re-lets will primarily be at 80% of market rent since affordability issues are particularly pronounced in London

6.4 Discussions with Council Housing Officers, inform us that as regards new development proposals, we should therefore assume that no capital grant is available to support the development. This will be the starting point for any Toolkit model.

6.5 Furthermore, it would currently appear that Camden do not consider that rents set at up to 80% of market rents will be affordable for many people in housing need. In this regard when considering the toolkit inputs we will take the advice of one of the Council's approved RP's as to the likely value of any affordable housing content at 65-67 Maygrove Road.

7.0 Conclusion

7.1 The proposed development at 65-67 Maygrove provides the London Borough of Camden with an opportunity to promote the delivery of a high quality residentially led project containing market and affordable housing designed to meet the needs of the area.

7.2 The Applicant will separately submit a confidential financial viability assessment in the form of the GLA's Development Control Toolkit Model 2011 in order to demonstrate what level of affordable housing the project can support.

7.3 This affordable housing outcome is entirely in accord with the National Planning Policy Framework, The London Plan, Regional and Local Planning Policies and best practice. Moreover the proposed development provides a benchmark of housing design excellence and sustainability.