



**65 Maygrove Road, Camden.
London**

Affordable Housing Policy Statement

November 2011
Affordable Housing Solutions Ltd

Confidential

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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: Planning Policy Statement 3 (PPS): Housing; Delivering Affordable Housing, the accompanying document to PPS3; Planning Policy Statement 1: Delivering Sustainable Development (CD6/1); 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 mixed use projects containing an element of residential use, 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 *Planning Policy Statement 3: Housing* (CD6/2). The key housing policy goal is to ensure that everyone has the opportunity of living in a decent home, which they can afford, in a community where they want to live. In this regard PPS3 seeks to use land efficiently in order to deliver new housing in suitable locations. PPS3 demands high quality homes which provide a mix of market and affordable homes suitable for a wide variety of households. This in turn aims to promote mixed and balanced communities.

2.2 The proposed development has been designed to deliver an inclusive, liveable and sustainable community, and offer a high level of amenity. The scheme will therefore be fully in accord with the Government's key housing policy goals as set out in paragraph 9 of PPS3:

"to ensure that everyone has the opportunity of living in a decent home, which they can afford, in a community where they want to live. To achieve this the Government is seeking:

- ***to achieve a wide choice of high quality homes, both affordable and market housing;***
- ***to widen opportunities for home ownership and ensure high quality housing for those who cannot afford market housing;***
- ***to improve affordability, including by increasing the supply of housing; and***
- ***to create sustainable, inclusive, mixed communities."***

2.3 Paragraph 29 of PPS3 amongst other things requires local planning authorities to set an overall target for the amount of affordable housing to be provided, reflecting the PPS3 definition of "affordable housing" in Annex B of PPS3. Such targets should

'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.'

PPS3 recognises that local planning authorities need to balance the affordable housing needs of the Borough against the financial viability of the scheme to ensure that projects are encouraged to move forward. Clearly, the recent changes in the way the Government seeks to deliver affordable housing in the future now precludes the use of capital grant to support S106 delivered affordable housing. This will in turn reduce the ability of residentially led projects to support the target quantum of affordable housing.



2.4 Paragraph 29 of PPS3 recognises that it is crucial for local planning authorities to balance the need to encourage schemes to come forward, by ensuring affordable housing requirements are viable. If a local planning authority fails to take full account of financial viability, the supply of market housing (upon which affordable housing supply depends) will fall.

2.5 In this regard it should be noted that PPS3 has an accompanying policy document entitled *Delivering Affordable Housing* (CD6/9). Annex E of that document provides further guidance on the use of developer contributions and grant funding in the provision of affordable housing. Paragraph 94, in particular, notes that where grant funding is not available, the shortfall can be taken account by reducing the overall number of affordable homes required from developers.

2.6 Paragraph 25 sets out the Government's objective to ***"provide a variety of high quality market housing. This includes addressing any shortfalls in the supply of market housing"***. The Application scheme makes a significant contribution towards increasing the supply of high quality market homes in the Borough.

2.7 PPS3 also states clearly that affordable housing does not need to be delivered on every single site above the qualifying threshold. Schemes without on-site affordable housing are acceptable ***"as long as the agreed approach contributes to the creation of mixed communities in the local authority area"***. 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 PPS3 is to balance the need for affordable housing with the need for a scheme to be financially viable. This does not require a mix of units on every single development since with reference to Paragraph 20 a community is not confined to a single development; it is made up of many developments, some of which will provide affordable housing, whilst others may not.

2.8 The proposed development is fully in line with the principals of Planning Policy Statement 1: Delivering Sustainable Development (CD6/1). Whilst it does not discuss the provision of affordable housing as a single issue it does require local planning authorities amongst other things to

"ensure the provision of sufficient, good quality, new homes (including an appropriate mix of housing and adequate levels of affordable housing) in suitable locations, whether through new development or the conversion of existing buildings. The aim should be to ensure that everyone has the opportunity of a decent home, in locations that reduce the need to travel..."
(Paragraph 23(vii) PPS1).



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

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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 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:

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

7.0 Conclusion

7.1 The proposed development at 65 Maygrove provides the London Borough of Camden with an opportunity to promote the delivery of a high quality residentially led mixed use project containing market 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 National, Regional and Local policies and best practice. Moreover the proposed development provides a benchmark of housing design excellence and sustainability.