

Camden Planning Guidance

# Housing

London Borough of Camden

CPG 2



July 2015



## CPG2 Housing

1	Introduction.....	5
2	Affordable housing and housing in mixed use development ....	7
3	Student Housing.....	48
4	Residential development standards.....	59
5	Lifetime Homes and Wheelchair Housing .....	69
6	Development involving net loss of homes.....	81



# 1 Introduction

## What is Camden Planning Guidance?

- 1.1 We have prepared this Camden Planning Guidance (CPG) to support the policies in our Local Development Framework (LDF). This guidance is therefore consistent with the Core Strategy and the Development Policies, and forms a Supplementary Planning Document (SPD) which is an additional “material consideration” in planning decisions. The Council formally adopted CPG2 Housing on 6 April 2011 following statutory consultation. The Camden Planning Guidance documents (CPG1 to CPG8) replace Camden Planning Guidance 2006.
- 1.2 This document (CPG2 Housing) has been subject to two updates:
- 4 September 2013 following statutory consultation in November to December 2012, and
  - 17 July 2015 following statutory consultation in March to April 2015.
- Details on these updates and the consultation process are available at [camden.gov.uk/cpg](http://camden.gov.uk/cpg).
- 1.3 The Camden Planning Guidance covers a range of topics (such as design, sustainability, amenity and planning obligations) and so all of the sections should be read in conjunction, and within the context of Camden’s LDF.

## Housing in Camden

- 1.4 A key priority for the Council is to ensure that everyone has the opportunity to live in a decent home at a price they can afford in a community where they want to live. Camden is a very popular place to live, which means that average house prices are high and that the demand for affordable housing far outstrips supply.
- 1.5 The Local Development Framework seeks to make full use of Camden’s capacity for housing to establish a plentiful supply and broad range of homes. In addition to meeting or exceeding Camden’s housing targets, the Local Development Framework seeks to ensure that new homes are built to a high standard and provide well-designed accommodation that meets the needs of a range of occupiers.

### **What does this guidance cover?**

- 1.6 This guidance provides information on all types of housing development within the borough. It provides specific guidance on:
- Affordable housing
  - Student housing
  - Residential Space standards
  - Lifetime homes and wheelchair housing
  - Development involving net loss of homes
- 1.7 It highlights the Council's requirements and guidelines which support the Local Development Framework policies:
- CS1 – Distribution of growth
  - CS5 – Managing the impact of growth and development
  - CS6 – Providing quality homes
  - CS14 – Promoting high quality places and conserving our heritage
  - DP1 – Mixed use development
  - DP2 – Making full use of Camden's capacity for housing
  - DP3 – Contributions to the supply of affordable housing
  - DP4 – Minimising the loss of affordable housing
  - DP5 – Homes of different sizes
  - DP6 – Lifetime homes and wheelchair housing
  - DP7 – Sheltered housing and care homes for older people
  - DP8 – Accommodation for homeless people and vulnerable people
  - DP9 – Student housing, bedsits and other housing with shared facilities
  - DP26 – Managing the impact of development on occupiers and neighbours

## 2 Affordable housing and housing in mixed use development

### KEY MESSAGES

- Affordable housing includes social and affordable rented housing and intermediate housing
- Residential and mixed-use development adding 1,000 sq m gross housing or more should provide affordable housing
- Most mixed-use developments with residential floorspace should provide 50% affordable housing
- Residential developments should provide a proportion of affordable housing depending on their capacity for homes, taking into account proposed floorspace and number of dwellings
- Residential developments with capacity for 50 or more homes should provide 50% affordable housing
- Affordable housing should include a large proportion of family homes and contribute to creating mixed and inclusive communities
- Affordable housing should generally be provided on site

- 2.1 The guidance on affordable housing relates to Core Strategy policy CS6 - *Providing quality homes*, and Development Policies DP3 – *Contributions to the supply of affordable housing*, DP4 – *Minimising the loss of affordable homes*, and DP5 – *Homes of different sizes*. The guidance on housing in mixed-use development relates to Core Strategy policy CS1 – *Distribution of growth* and Development Policy DP1 – *Mixed-use development*.
- 2.2 The guidance is divided into seven subsections. Each subsection deals with a different question relating to requirements for affordable housing and housing in mixed-use development as follows:
- what is affordable housing?
  - which developments should contribute to affordable housing?
  - how much affordable housing do we expect?
  - what types of affordable housing do we expect?
  - how is affordable housing funded?
  - how will the Council consider financial viability?
  - can the market housing and affordable housing be provided off-site?
- 2.3 The property market, development finance and affordable housing funding have all been subject to considerable change since 2007, and it is likely that change will continue.
- 2.4 The implementation of planning policy will need to respond to these changes. Implementation guidance therefore needs to be more readily

reviewed and amended than would be possible within the Core Strategy or Development Policies.

- 2.5 The Government has introduced changes to national planning practice guidance in relation to affordable housing thresholds and seeking affordable housing where vacant floorspace is developed for housing ("*vacant building credit*"). The Council is considering the implications of these changes and how they will operate in conjunction with Camden Development Policies 2010. This guidance will therefore continue to be subject to review as the need arises.

### **When does this guidance apply?**

- 2.6 This guidance applies primarily to development that:
- provides an additional 1,000 sq m or more (gross) of housing in Use Class C3 or Use Class C4, or
  - provides an addition of 200 sq m or more (gross) of non-residential floorspace in the Central London Area (excluding Hatton Garden) or the town centres of Camden Road, Finchley Road/ Swiss Cottage and Kilburn High Road, or
  - provides affordable housing floorspace, or
  - involves the loss and replacement of affordable housing floor space.
- 2.7 We strongly encourage developers to involve a housing association or other affordable housing provider in the design of proposed affordable homes before submitting a planning application. Affordable housing development that is not purpose-designed is less likely to receive public funding and less likely to be sold or let to an affordable housing provider.

#### **HOUSING ASSOCIATIONS AND REGISTERED PROVIDERS**

Registered Providers are owners and managers of affordable housing who are regulated by Government. Many operate on a not-for-profit basis and use any trading surplus to maintain existing homes and to help finance new ones. Registered Providers include the Council, housing associations, housing trusts and cooperatives. In this guidance, the term housing associations is used to refer to all Registered Providers other than the Council.

- 2.8 A developer considering the appropriate use or mix of uses for a site should contact the Council's Regeneration and Planning Division in the first instance. The Strategic Planning and Information Team can provide initial guidance on the interpretation of policies in the Core Strategy and Development Policies document.
- 2.9 A formal pre-planning application advice service is available for development proposals. A fee is charged for this service on the basis of the size of the proposed development. We strongly encourage developers to use this service if they are proposing development of the type described in paragraph 2.6 of this guidance.



- 2.10 Where we are seeking affordable housing the developer should contact the Housing Commissioning and Partnerships Team. This team will provide guidance on the types of affordable housing that the Council is currently prioritising and suggest potential housing association partners that would be appropriate for the scheme. Paragraphs 2.60 and 2.61 of this guidance give more details of the Council's arrangements with housing associations.

## Guidance

### What is affordable housing?

- 2.11 Affordable housing is defined in the Government's National Planning Policy Framework (NPPF) – Annex 2 The NPPF indicates that affordable housing should:
- be provided to households whose needs are not met by the market, and
  - be provided to households who are eligible for affordable housing, taking into account local incomes and local house prices, and
  - remain at an affordable price for future eligible households unless arrangements are in place for subsidies to be recycled into alternative affordable housing provision.
- 2.12 Three types of affordable housing are defined in the NPPF– these are **social rented housing**, **affordable rented housing** and **intermediate housing**.
- 2.13 **Social rented housing** is primarily housing managed by local councils and housing associations. The cost of social rented housing is controlled through target rents set by a national rent regime. Other affordable housing providers may manage social rented housing under the same rental arrangements.
- 2.14 **Affordable rented housing** is housing managed by local councils and housing associations and let to households who are eligible for social rented housing. Rents are set on a scheme-by-scheme basis and are guided by local market rents rather than a national rent regime.
- 2.15 The NPPF indicates that rents should not exceed 80% of the local market rent (including service charges where they apply). In practice, most affordable rented housing in Camden has rents significantly below 80% of market rents. The Mayor's Housing Supplementary Planning Guidance (November 2012) stresses that the maximum percentage will not apply in all schemes or to all units within a scheme. The SPG also indicates that on average family units will be around target rent levels for social rented housing.
- 2.16 Camden Core Strategy 2010-2025 and Camden Development Policies 2010 do not include affordable rented housing as they were adopted before the new housing product was introduced. To guide operation of Camden's adopted planning policies, we will follow the approach of the

London Plan, and consider social rent and affordable rent together as "social-affordable rented housing". References to social rented housing in the Core Strategy and Development Policies documents will be treated as references to social-affordable rented housing.

- 2.17 **Intermediate housing** is housing that costs more than social housing but less than equivalent market housing. Intermediate housing costs (including service charges) must also be cheap enough for eligible income groups to afford. The London Plan and the Mayor's annual reviews provide details of eligible income groups. Most intermediate housing in Camden has been provided by housing associations, but the NPPF indicates that intermediate housing can include homes provided by private sector bodies. Provided that it costs less than market housing and is cheap enough for eligible income groups, intermediate housing can include a range of tenures such as:
- rented housing;
  - shared-ownership housing (where occupiers buy a share and rent the remainder);
  - shared equity housing and
  - homes for sale at less than market prices.
- 2.18 Camden controls the cost of intermediate housing taking into account market costs and the eligible income groups set out in the London Plan and the Mayor's annual reviews. Further Alterations to the London Plan published in January 2014 indicated that eligible households were those with incomes of less than £66,000<sup>1</sup> per year, or £80,000<sup>1</sup> for family homes, defined as having three or more bedrooms. The Mayor's Housing Supplementary Planning Guidance (November 2012) noted that the London Plan eligibility figures are expressed in terms of gross household income. The Guidance also advised that Councils should seek intermediate homes that are affordable to households within the full range of incomes below the upper limit, and take account of service charges when considering the cost of affordable housing. The London Plan Annual Monitoring Report 10, 2012-13, notes that the Mayor will monitor the average annual incomes of households moving into intermediate housing against a benchmark of £43,550<sup>2</sup>, or £50,550 for family homes with three bedrooms or more.
- 2.19 Eligible household incomes for intermediate housing are reviewed each year through the London Plan Annual Monitoring Report, which also indicates how the affordability of intermediate housing will be assessed.

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<sup>1</sup> updated to £71,000 per year or £85,000 for family homes in London Plan Annual Monitoring Report 11, 2013-14

<sup>2</sup> updated to £46,250 in London Plan Annual Monitoring Report 11, 2013-14

The London Plan Annual Monitoring Report 10, 2012-13 indicates that intermediate housing should cost:

- no more than 3.5 times the household income threshold to buy<sup>3</sup>; and
- no more than 40% of net household income including rent and service charges (with net income assumed to be 70% of gross income).

- 2.20 Camden's Core Strategy recognises that intermediate housing needs to be attractive to a range of household types across a range of incomes. More guidance is provided on how we seek a range of intermediate housing in the sub-section 'What types of affordable housing do we expect?'

### **Which developments should contribute to affordable housing?**

- 2.21 Camden's Development Policies document indicates that the Council will expect all residential developments with capacity for 10 or more additional dwellings to make a contribution to the supply of affordable housing. This also applies to mixed-use developments that include housing and have capacity for 10 or more dwellings in addition to any appropriate non-residential floorspace.
- 2.22 Camden's Development Policies document also indicates that an additional floorspace of 1,000 sq m (gross) is capable of accommodating 10 dwellings, and any development adding residential floorspace of 1,000 sq m (gross) or more should make a contribution to the supply of affordable housing.
- 2.23 A contribution to affordable housing is expected from schemes that add fewer than 10 dwellings but add more than 1,000 sq m floorspace (gross) on the basis that economic viability can still be achieved from a small number of larger and more expensive homes. A contribution will also be sought from schemes that add 10 or more dwellings but add less than 1,000 sq m floorspace (gross) unless the applicant demonstrates it would not be financially viable to proceed with the development on that basis (see the sub-section How will the Council consider financial viability?).
- 2.24 We acknowledge that an addition of 1,000 sq m residential floorspace will not have a 10 dwelling capacity in every single case. In assessing capacity, the Council will take into account whether the additional area is capable of contributing to the number of homes in the scheme (e.g. does it have access to natural light?). We will also take into account any other constraints that would prevent 10 dwellings from being developed, such

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<sup>3</sup> the stipulation in the first bullet point no longer appears in London Plan Annual Monitoring Report 11, 2013-14

as where it would be impractical to provide safe vehicle access for 10 dwellings, or inappropriate to subdivide a Listed Building.

- 2.25 Under Development Policy DP1, the Council requires mixed-use developments to include housing where appropriate. Paragraphs 1.19 to 1.24 of the Development Policies document provide more guidance on how the Council will consider whether a contribution to the supply of housing is appropriate. In the Central London Area (except Hatton Garden) and the larger town centres of Camden Town, Finchley Road/ Swiss Cottage and Kilburn High Road, where development proposals add 200 sq m (gross) floorspace or more, policy DP1 requires up to 50% of additional floorspace to be housing. This requirement combines with the affordable housing requirements of policy DP3 so that in the Central London Area and the larger town centres, where developments add 2,000 sq m (gross) floorspace or more:
- the Council will generally seek 1,000 sq m or more of additional housing;
  - the development will generally have capacity for 10 or more additional homes, and we will expect a contribution to the supply of affordable housing.
- 2.26 The floorspace thresholds relating to Development Policies DP1 and DP3 refer to additions to gross floorspace (and are assessed in terms of Gross External Area – GEA – including each floor, including the thickness of external walls, partition walls and common areas). The policy requirements in policy DP1 are not triggered by increases in net non-residential floor space that take place wholly within the existing building envelope, such as reduction in circulation space, common areas or plant areas. However, works involving a change to residential use will trigger policy DP3 affordable housing requirements if the residential floorspace has capacity for 10 or more additional homes.
- 2.27 Floorspace measurements are sometimes provided which exclude common areas and exterior walls of the building (this often applies to flats), or just exclude the exterior walls (this often applies to houses). Where a figure for Gross External Area including common areas is not available, the Council will consider using a conversion factor to assess the housing/ affordable housing requirement and to calculate the payment in lieu.
- To convert to GEA where common areas and exterior walls have been excluded - multiply by 1.25.
  - To convert to GEA where only exterior walls have been excluded – multiply by 1.053.

#### **GROSS EXTERNAL AREA/ GROSS EXTERNAL FLOORSPACE**

The whole area of a building taking each floor into account. Includes the thickness of external walls, partition walls and common areas such as shared staircases, entrance halls and corridors.

**GROSS INTERNAL AREA/ GROSS INTERNAL FLOORSPACE**

The whole enclosed area of a building within the external walls taking each floor into account and excluding the thickness of the external walls. Includes the thickness of partition walls and common areas such as shared staircases, entrance halls and corridors.

**NET INTERNAL AREA/ NET INTERNAL FLOORSPACE**

The usable area within a building measured to the face of perimeter or party walls. Includes the thickness of internal partition walls, but excludes common areas and the thickness of partition walls that define the edge of common areas.

- 2.28 As indicated in the Development Policies document, the approach to affordable housing set out in policy DP3 and in this guidance is suitable for housing that is self-contained, including self-contained sheltered housing for older people (i.e. homes in Use Class C3). The approach will also apply if additional floorspace is proposed in Use Class C4 (small houses in multiple occupation) as these can be used as self-contained C3 homes without submitting a planning application.
- 2.29 This approach to affordable housing is not suitable for housing with shared facilities, such as student housing and bedsits. A contribution to affordable housing is not generally expected from developments of student housing and other housing with shared facilities provided that it complies with Development Policy DP9 and contributes to creating a mixed and inclusive community. However, the Council will seek to ensure that student housing is attractive to groups who would otherwise share private rented homes, and in some circumstances will seek self-contained general needs housing on part of the site, including affordable housing. A separate section of our planning guidance gives more information about development of **Student Housing**.
- 2.30 The Council may need to consider controlling the affordability of care homes for older people and accommodation for homeless people or vulnerable people. Some aspects of this guidance will not be suitable for these types of housing, and the Council will tailor its approach as appropriate to fit the specific type of occupier and provider.

**How much affordable housing do we expect?**

- 2.31 Our Core Strategy and Development Policies give targets and criteria which we use to assess the appropriate contribution to affordable housing from each development. These include:
- an overall borough target equivalent to 220 additional affordable homes per year;
  - seeking to achieve the maximum reasonable amount of affordable housing under the specific circumstances of the site, including the financial viability of the development;
  - aiming to minimise social polarisation and create mixed and inclusive communities;

- an affordable housing target for specific developments of 50% of additional residential floorspace; and
- a sliding scale setting lower affordable housing targets for developments that have capacity for 10 to 49 additional homes.

- 2.32 The sliding scale is explained in paragraphs 3.17 to 3.20 of our Development Policies document. The purpose of the sliding scale is to encourage developers to cross the 10-dwelling threshold and propose medium-sized schemes rather than small schemes. In this way the sliding scale has potential to add significantly to the number of schemes that deliver affordable housing, and the overall amount of affordable housing. Paragraph 3.21 of the Development Policies document indicates that we will monitor the operation of the sliding scale closely to assess its impact on the supply of housing, and consider any need to review the approach through our Annual Monitoring Report.
- 2.33 The sliding scale is a simple straight-line scale, where every increase of 1 home in site capacity should provide an additional 1% in affordable housing floorspace. Sites with capacity for 10 additional homes should normally provide 10% affordable housing floorspace, sites with capacity for 20 additional homes should normally provide 20% affordable housing floorspace, and sites with capacity for 40 additional homes should normally provide 40% additional floorspace. Figure 1 below indicates how the sliding scale will operate in more detail.
- 2.34 When we assess capacity, we will look at the number of additional homes proposed and the additional built floorspace (GEA). As a minimum, an acceptable development has capacity for the number of additional homes proposed. In terms of floorspace, 1,000 sq m (GEA) of built development is considered to have capacity for 10 dwellings. Each additional 100 sq m (GEA) added to the development is considered to create capacity for an additional dwelling (including capacity for a share of common areas such as shared staircases, entrance halls and corridors). We will round floorspace to the nearest 100 sq m to give capacity in terms of the nearest whole number. In negotiations we will focus on seeking affordable homes of an appropriate size and layout rather than absolute mathematical correspondence with the sliding scale.

Figure 1. Sliding scale for affordable housing negotiations

<b>Benchmark</b>	<b>Site capacity</b>	<b>Expected affordable housing floorspace</b>
10 homes proposed, or fewer homes with a floorspace of 1,000 sq m gross	10 homes	10%
20 homes proposed, or fewer homes with a floorspace of 2,000 sq m gross	20 homes	20%
30 homes proposed, or fewer homes with a floorspace of 3,000 sq m gross	30 homes	30%
40 homes proposed, or fewer homes with a floorspace of 4,000 sq m gross	40 homes	40%
50 homes or more proposed, or fewer homes with a floorspace of 5,000 sq m gross or more	50 homes or more	50%
<b>Example</b>	<b>Site capacity</b>	<b>Expected affordable housing floorspace</b>
11 homes with a built floorspace of 925 sq m gross	11 homes	11% x 925 sq m
21 homes with a built floorspace of 1,735 sq m gross	21 homes	21% x 1,735 sq m
21 homes with a built floorspace of 2,360 sq m gross	24 homes	24% x 2,360 sq m
35 homes with a built floorspace of 3,749 sq m gross	37 homes	37% x 3,749 sq m
46 homes with a built floorspace of 4,280 sq m gross	46 homes	46% x 4,280 sq m
53 homes with a built floorspace of 4,640 sq m gross	50 homes or more	50% x 4,640 sq m

2.35 As indicated in paragraphs 1.12 and 3.18 of our Development Policies document, the sliding scale will only apply to mixed use developments that include housing in limited circumstances.

- The sliding scale will apply if the development adds less than 1,000 sq m to non-residential floorspace but has a residential element with capacity for an additional 10 to 49 homes (i.e. 1,000sq m to 4,900sq m residential floor space).
- The sliding scale will not apply if the development includes an addition to non-residential floorspace of 1,000 sq m or more. In this case there is significant potential for the non-residential element to enhance the viability of the development, and we will seek 50% of residential floorspace as affordable housing (subject to DP3 criteria).

- In all mixed-use schemes with capacity for 50 or more additional homes we will seek 50% of residential floorspace as affordable housing (subject to DP3 criteria).
- 2.36 When negotiating on individual schemes, Camden calculates the proportion of housing in each category (market/ social-affordable rented/ intermediate) in terms of floorspace. This arrangement enables us to negotiate family-sized affordable housing in schemes where the developer proposes smaller market homes, and prevents an under-provision of affordable housing where the developer proposes unusually large market homes. Calculations will not generally be based on the number of dwellings or number of habitable rooms as these calculations would create an incentive for the developer to provide the smallest affordable homes possible.
- 2.37 Calculations of the capacity of the site are based on gross floorspace (GEA), including common areas. However, once the GEA has been used to identify the target affordable housing percentage, it is then generally more appropriate to use net internal floorspace when considering the split between market, social rented and intermediate housing. This allows the homes themselves to be compared without the distortion of shared spaces such as external corridors and lobbies, lifts and common staircases. See paragraph 2.27 of this guidance for more detailed definitions of gross and net floorspace.
- 2.38 Policy CS6 of our Core Strategy and Development Policy DP3 indicate that the Council will consider many other characteristics of the development, the site and the area when negotiating the proportion of affordable housing in specific schemes. These considerations are explained in detail in paragraphs 3.24 to 3.29 of our Development Policies document. Considerations include seeking a mixture of tenures in each part of the borough, having regard to any social problems arising from existing concentrations of a single tenure, and other planning objectives considered to be a priority for the site. As part of estate regeneration we will seek to improve the tenure mix in some areas of concentrated social rented housing, such as parts of Gospel Oak.
- 2.39 Where we agree that the affordable housing can be provided off-site, the amount of affordable housing sought will be adjusted. These adjustments are explained in the sub-section '**Can the market housing and affordable housing be provided off-site?**'
- 2.40 The Camden Affordable Housing Viability Study 2009 examined the viability of the sliding scale and the 50% floorspace target for sites with capacity for 50 homes or more. The Study indicates that the scale and target is financially viable for a range of scheme types across a range of locations in the borough. However, there will be circumstances where the percentage of affordable housing sought by the sliding scale or target is not viable. The sub-section '**How will the Council consider financial viability?**' explains what we will expect from the developer in these circumstances.



## What types of affordable housing do we expect?

### Mixing affordable housing and market housing

- 2.41 The Council expects affordable housing and market housing to form integral parts of each development. A common design approach should be used, with high quality materials and finishes throughout. Where a development site is large enough to accommodate several residential blocks, market and affordable blocks should be spread evenly across the site. The layout of the development should optimise residential amenity for all tenures, and avoid concentrating affordable housing close to potential sources of disturbance such as service yards, traffic and railways.
- 2.42 As indicated in paragraph 3.26 of our Development Policies document, in schemes with internal communal spaces, the Council does not generally seek to mix affordable and market dwellings on the same corridors or sharing the same stairs, lifts and entrance lobbies. This is because occupiers have to pay a service charge and/ or management charge for the cleaning and maintenance of communal spaces. Service charges are often a significant proportion of overall housing costs, particularly in market housing blocks, and can simply be too high for the occupiers of affordable housing to pay. The law ensures that an occupier cannot be required to pay higher service charges to subsidise charges to another occupier receiving the same common services, regardless of tenure. To ensure that service charges are kept to a minimum, the communal parts of affordable housing are generally designed for durability and low maintenance costs.

#### **SERVICE CHARGES**

Service charges are levied by landlords to recover the costs they incur in providing services to a dwelling. The charge normally covers the cost of such matters as general maintenance and repairs, insurance of the building and, where the services are provided, central heating, lifts, lighting and cleaning of common areas etc.

- 2.43 Where it is necessary for affordable and market housing to share the same entrances, stairs and lifts, the Council will seek to negotiate service charges sufficiently low for the affordable housing to be available to eligible households. Paragraph 3.14 of the Development Policies document notes that the Council may consider an off-site contribution to affordable housing if the service or management charges of an on-site scheme would be too expensive for affordable housing occupiers or providers. The Council will only take this step where measures to keep service and management charges within affordable limits have been fully explored and found to be impractical. For more information - see the sub-section of this guidance '**Can the affordable housing be provided off-site?**'

### **Mix of social-affordable rented housing and intermediate housing**

- 2.44 The Core Strategy indicates that we are aiming to tackle social polarisation and create mixed and balanced communities by seeking a diverse range of housing products to suit a range of incomes. Many households who need affordable homes in Camden will only be able to afford social rented or affordable rented housing, however we recognise that intermediate housing can make an important contribution to creating mixed-communities. Camden's Core Strategy sets out guidelines that 60% of affordable housing should be social rented housing (now treated as social-affordable rented housing) and 40% should be intermediate housing. As indicated in paragraphs 2.36 and 2.37 of this guidance, it will generally be appropriate to calculate the split between social-affordable rented and intermediate housing in terms of net internal floorspace.
- 2.45 Since adoption of Camden's Core Strategy and Development Policies document, the Government has introduced a new product called affordable rented housing. More information about affordable rented housing is provided in paragraph 2.14 to 2.16 of this guidance.
- 2.46 Rents for affordable rented housing are set on a scheme by scheme basis. Affordable rented housing should comply with the Government's definition of affordable housing and 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. The Mayor's Housing Supplementary Planning Guidance (November 2012) indicates that providers may wish to charge a lower rent than the relevant Local Housing Allowance (LHA) cap, which is the maximum housing benefit available to most households living in privately rented accommodation. The Council will strongly encourage providers to view the LHA cap as the maximum acceptable affordable rent where the cap is less than 80% of local market rents.
- 2.47 Paragraph 6.57 of Camden's Core Strategy and Development Policy DP3 indicate that the Council will consider various characteristics of the development, the site and the area when negotiating the nature of the affordable housing contribution from specific schemes. Considerations that may influence the proportion of social-affordable rented housing and intermediate housing are set out in paragraphs 3.22 to 3.30 of our Development Policies document. Circumstances where the Council may depart from the 60% social-affordable rented: 40% intermediate split include:
- providing flexibility for up to 100% social-affordable rented housing or 100% intermediate housing where the overall proportion of affordable housing in the scheme is substantially over 50%;
  - seeking up to 100% social-affordable rented housing where the overall proportion of affordable housing in the scheme is 30% or less;

- providing flexibility for more than 40% intermediate housing where this can help to create a mixed and inclusive community in an area with an existing concentration of social rented housing; and
- providing flexibility for more than 60% social-affordable rented housing where high residential land values will make intermediate housing too expensive for the households that need it.

2.48 A number of intermediate housing types have been devised by the Government (most are currently marketed in London via the Mayor's First Steps programme). Camden seeks a variety of intermediate housing to suit different needs. Due to the high market values in Camden and lenders' deposit requirements, it is now rarely possible to develop homes for shared ownership in Camden that would be affordable to households with incomes below the Mayor's eligibility caps. The Council will therefore generally seek intermediate rented housing, rather than shared-ownership housing (where occupiers buy a share and rent the remainder). However, all intermediate housing must comply with the cost requirements imposed by the Government and Mayor as indicated in paragraphs 2.17 to 2.19 of this guidance. When costs are assessed, service charges are included, and we will encourage developers to take this into account at the design stage so that service charges are minimised.

#### **FIRST STEPS**

First Steps is the official intermediate housing programme from the Mayor of London aimed at helping low and modest income Londoners to buy or rent a property at a price they can afford. Priority is given to housing association and Council tenants and armed forces personal, followed by local priorities, which may vary from development to development. Camden's local priorities include tenants in social rented housing, people on the waiting list, and first-time buyers with a limited income, such as key workers.

- 2.49 We are particularly keen to promote take up of intermediate housing by tenants of social-affordable rented housing. On the basis of the household incomes of those registering an interest in intermediate housing, Camden will seek to achieve a proportion of the following (these figures are currently under review):
- intermediate rented homes that households can afford with an income of £30,000 or less per year (gross);
  - one-bedroom shared-ownership homes that households can afford with an income of £30,000 or less per year (gross);
  - two-bedroom shared-ownership homes that households can afford with an income of £40,000 or less per year (gross).
- 2.50 In negotiations on intermediate housing and legal agreements, the Council will seek to ensure that homes are occupied by households in need of affordable housing, particularly tenants of existing social-affordable rented housing, and do not remain vacant due to high costs or a shortage of mortgage finance. We will provide flexibility within legal

agreements to allow different intermediate models to be used depending on demand when the development is completed. We will also provide for intermediate housing to be used as social-affordable rented housing where this would be viable in the context of the overall financial viability of the development and any public subsidy available.

- 2.51 In the case of shared ownership housing, we will use legal agreements to reduce the costs to occupiers by:
- ensuring that buyers are able to buy a relatively low percentage share – generally we will set the minimum share at no more than 25%; and
  - limiting the level of the rent paid on the unsold share – generally we will set the maximum rent at 2% of the value of the unsold share.
- 2.52 When intermediate housing was first introduced it was often aimed specifically at key workers. Key workers are generally defined as staff of public authorities such as the NHS, teachers, social workers, fire-fighters, the police and the armed forces. The Council will not generally limit occupation of intermediate housing to key workers. Where a restriction to key workers is appropriate in the context of the characteristics of the development or the area, Camden will generally use the definition of key workers given in this guidance, varied as necessary to meet the purpose of the proposal (eg for development on NHS land to provide housing for nurses). When considering the proportion of key worker housing appropriate to a development, the Council will have regard Development Policy DP3, the characteristics of the development and the area and the circumstances noted in paragraph 2.47 of this guidance.

### **Mix of dwelling sizes**

- 2.53 The Council's Residential development standards (included as section 4 of this CPG) give general guidance on the floorspace and internal arrangements for all housing tenures. In addition, homes of all tenures should meet lifetime standards in accordance with Development Policy DP6 and the guidance in this CPG on Lifetime homes and wheelchair housing. Three other sets of guidance are particularly relevant to affordable housing design:
- The London Plan 2011 sets residential space standards that the Mayor will apply to development of housing in all tenures.
  - Housing with public subsidy in London must comply with the Mayor's London Housing Design Guide (published in interim form in August 2010).
  - Housing Supplementary Planning Guidance November 2012 published by the Mayor of London incorporates elements of the London Housing Design Guide and applies to development of housing in all tenures.
- 2.54 This sub-section of the guidance is concerned primarily with the numbers of bedrooms that are expected as part of affordable housing development. Camden's Core Strategy indicates that we will seek a

range of self-contained homes to meet identified dwelling size priorities. These priorities are set out in detail in our Development Policies document, which includes a Dwelling Size Priorities Table.

- 2.55 For social-affordable rented housing, we will give high priority to family homes with three or more bedrooms. Market rents in Camden are far beyond the reach of most families in housing need. The Mayor's Housing Supplementary Planning Guidance (November 2012) indicates that on average family units will be around target rent levels. When seeking the maximum reasonable proportion of affordable housing, the Council will encourage the provision of affordable rented housing in accordance with the NPPF definition and give priority to family homes at or around the level of guideline targets for social rents as resources and development viability permit.
- 2.56 Due to the high market values in Camden it is no longer likely to be possible to develop intermediate housing for shared-ownership that has more than one bedroom and remains affordable to households with incomes below the Mayor's eligibility caps. Consequently the intermediate dwelling size priorities set out in the Development Plan document are no longer appropriate. For intermediate housing, we will focus on ensuring that housing is affordable to households who are eligible for intermediate housing and have a range of incomes below the upper limit set by the Mayor. We will not generally seek dwellings with 2-bedrooms or more. More detailed guidance is given in the following Figure 2 and Figure 3.

**Figure 2. Mix of social-affordable rented housing**

<p><b>Overall aim: 50% of homes with 3 bedrooms or more</b></p> <p><b>Preferred mix:</b></p> <ul style="list-style-type: none"> <li>• 1-bedroom homes – no more than 20%</li> <li>• 2-bedroom homes – 30%</li> <li>• 3-bedroom homes – 30%, or 50% if no 4-bedroom homes are provided</li> <li>• 4-bedroom homes – 20%</li> </ul> <p><b>Other objectives:</b></p> <ul style="list-style-type: none"> <li>• Priority will be given to 3- and 4-bedroom homes at or around the level of guideline targets for social rent.</li> <li>• Social-affordable rented homes should have physically separate kitchens and living areas where practical, particularly 3- and 4-bedrooms homes. We will seek the design of 100% of 3 bedroom and 50% of 2 bedroom homes with physically separate kitchens and living areas.</li> <li>• At least 10% of homes should be designed, built and fitted-out to meet wheelchair housing standards in accordance with Development Policy DP6, subject to accompanying paragraph 6.9.</li> </ul>
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### Figure 3. Mix of intermediate housing

**Preferred mix:**

In order to meet needs while remaining within the cost limits set out in paragraphs 2.17 to 2.19 of this guidance, we expect most intermediate homes in Camden developments to have no more than one bedroom.

- Studio flats – a proportion of studio flats may be acceptable, but we will generally resist development where all the intermediate homes are studio flats
- 1-bedroom homes – a proportion is expected in all schemes
- 2-bedrooms or more – a proportion may be included where it is possible to provide them within the limits of eligible incomes and affordability – such homes are likely to be for intermediate rent rather than shared-ownership

**Other objectives:**

- At least 10% of homes should be designed, built and fitted-out to meet wheelchair housing standards in accordance with Development Policy DP6, subject to accompanying paragraph 6.9.

- 2.57 The precise mix of dwellings will be negotiated with developers, affordable housing providers and any employers involved in each scheme, taking into account the character of the development, the site and the area, and other criteria included in Development Policy DP5. We will take full account of guidance in the Development Policies document dealing with large homes, child density and separate kitchens (paragraphs 5.11 to 5.13), and wheelchair housing (paragraph 6.9).
- 2.58 Where schemes involve both social-affordable rented housing and intermediate housing, it may often be appropriate to have a high proportion of one-bedroom intermediate homes and a high proportion of social-affordable rented homes with three bedrooms or more. Such schemes can potentially meet our dwelling size priorities while limiting the cost of the intermediate housing and limiting overall child density.

### How is affordable housing funded?

- 2.59 Public subsidy will usually be needed to supply the proportions of affordable housing anticipated by the Core Strategy and Development Policies. The main source of public subsidy has been the Homes and Communities Agency until recently, although the Agency's funding role within London is now carried out by the Mayor. The Council also administers its own affordable housing fund, which is formed from developer contributions where a payment-in-lieu has been provided instead of housing or affordable housing. The Council will consider providing subsidy from the affordable housing fund where funding from the Mayor of London (or successor organisations) is not available or is unable to secure an acceptable proportion and mix of affordable housing. In particular, the Council may offer subsidy from the affordable

housing fund to secure additional large homes (3 or 4 bedrooms) and additional wheelchair housing.

- 2.60 The NPPF indicates that affordable housing should remain at an affordable price for future eligible households, or if these restrictions are lifted, the subsidy should be recycled. In practice, almost all additions to affordable housing in the borough that are associated with private development are transferred to a housing association on completion. Where this is the case, we will ensure that the property remains available as affordable housing by negotiating transfer of the freehold to the housing association. Where this is not possible, for example because of mixed-tenures or commercial uses within the block, the Council will negotiate for a long-lease to the housing association, ideally 125 years.
- 2.61 Where the affordable housing is to be transferred to a housing association, one or more housing associations will usually submit bids to the developer to indicate how much they are able to pay for the transfer of ownership. The payment will be inclusive of any public subsidy, the capitalised value of future rents, and the value of any equity that will be sold (usually arising from shared-ownership housing). Camden's Affordable Housing Viability Study 2009 estimated that where subsidy is available payments have typically been around 60% of the market value of social rented homes and 80% of the market value of shared-ownership homes. These estimates reduce to 40% and 60% respectively if no public subsidy is available. For specific schemes these percentages will vary with market values, the availability of credit, levels of public subsidy, changes to Government controls on rents and changes to the Mayor's guidance on the income level of occupiers.
- 2.62 The Government has reduced the amount of public funding available for affordable housing. This is leading to a reduction in the number of developments that receive subsidy and a reduction in the amount of any subsidy paid for each home. We acknowledge 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.
- 2.63 In some cases, it may be possible to provide intermediate housing without direct public subsidy, particularly shared ownership homes. Such opportunities can arise where land is acquired cheaply, where unusually small homes are developed, or where charitable contributions are available. We will actively pursue such opportunities, and (in accordance with paragraph 2.47 of this guidance) may be prepared to consider schemes with up to 100% intermediate housing where the overall proportion of affordable housing floorspace in the development is substantially more than 50%. Where intermediate housing is provided without public subsidy, we will still use a legal agreement to secure the long-term availability of the homes as affordable housing for eligible households.

## How will the Council consider financial viability?

### Policy background to financial viability appraisal

- 2.64 Our Core Strategy and Development Policies outline a number of Council aims and commitments relating to housing and mixed-use development that provide a framework for considering financial viability:
- housing is the priority land-use of the Local Development Framework
  - we will seek to **maximise the supply of additional housing**, and
  - we will seek the **maximum reasonable amount of affordable housing** on each site, taking into account specific circumstances including the financial viability of the development
  - to maximise overall housing supply, we will implement policies flexibly in response to economic uncertainty
  - to ensure that housing development is viable, we may consider varying the proportion and/ or type of market and affordable housing in a development, or consider off-site solutions where necessary (see the sub-section '**Can the affordable housing be provided off-site?**')
- 2.65 Where a development provides an addition of 200 sq m or more (gross) of non-residential floorspace in the Central London Area or the larger town centres, applicants will need to demonstrate that the development is providing an appropriate contribution to the supply of housing. Where a development has capacity for 10 or more additional dwellings, applicants will need to demonstrate that the development is providing the maximum reasonable amount of affordable housing. In most cases, the applicant will be required to submit a financial viability appraisal to justify the proportions of housing and affordable housing proposed. Where viability will be a key factor influencing the content of development and the extent of planning obligations the Council strongly encourages discussion of viability at the pre-application stage – see paragraphs 2.70 to 2.73 below.
- 2.66 There is a limited amount of government guidance on how development viability should be considered in decision-taking, primarily paragraph 173 of the NPPF and National Planning Practice Guidance (NPPG) ID10 paragraphs 1 to 4 and 16 to 24. Paragraph 2 indicates that there is no single approach to viability assessment, and there is a range of sector led guidance available. The GLA has developed a methodology for financial viability appraisal in London in the form of an annually reviewed Development Control/ Development Appraisal Toolkit, and this is accompanied by detailed Guidance Notes. As well as providing information on the operation of the Toolkit, the Guidance Notes provide more general advice on viability appraisal, and will be used to inform the Council's approach.

### What is financial viability appraisal?

- 2.67 The NPPF advises that a viable development should provide competitive returns to a willing landowner and a willing developer. A financial viability



appraisal can be used to explore whether the NPPF test of viability is met by assessing the value of a development, subtracting an assessment of development costs and a competitive developer return, and establishing the remaining land value available to provide a return to the landowner.

- 2.68 A financial viability appraisal is a balance sheet for the development which enables all scheme costs and revenues to be taken fully into account. The Council expects viability appraisals to generate a 'residual land value'. The residual land value is the sum available to fund land purchase once all scheme revenues and costs have been taken into account, including provision of affordable housing, other planning obligations and the return to the developer but excluding any price already paid for land acquisition. Figure 4 sets out some of the typical inputs used in viability appraisal.
- 2.69 Schemes are considered to be viable where the residual land value (taking into account the provision of affordable housing and other planning obligations) matches or exceeds a benchmark land value for the site. The benchmark land value represents the competitive price at which a reasonable land owner would be willing to sell their land for development. This value will depend on the particular circumstances of the site (eg whether the land is vacant or occupied, the condition and marketability of any buildings) and the options available. The Council will seek to agree the benchmark value with the applicant, with the assistance of advice from any appointed independent verifier.

**Figure 4. Typical inputs to financial viability appraisal**

<b>Cost inputs</b>	<b>Revenue inputs</b>
demolition and build costs (supported by an elemental cost plan)	sales values
professional fees	payment by a housing association for transfer of affordable housing
marketing fees	public subsidy for affordable housing (if not included above)
development finance costs	capitalised rents and yield (for non-residential floorspace and any proposed private rented residential floorspace)
land finance and holding costs (for the period covering land acquisition/ scheme preparation, planning application and development)	capitalised ground rental income
planning obligations other than affordable housing	
developer's return (non-residential floorspace and market housing)	
contractor's return (affordable housing)	

#### **Before a viability appraisal is submitted**

- 2.70 We strongly advise applicants to discuss the general parameters of individual viability appraisals with us before they are prepared. Early discussions can ensure that the appraisal provides the evidence needed

to assess the application and help to avoid delays after the application is submitted. Discussions should include the scope of viability appraisal, appropriate measures of land value, and the value of affordable housing. Submission of a draft viability appraisal may be appropriate.

- 2.71 Discussions may include whether viability appraisal of the proposed development should be accompanied by viability appraisal of alternative options such as:
- a development that meets our full expectations for housing and affordable housing contributions but is not viable
  - a development that partly meets our expectations for housing and affordable housing contributions
  - development for an alternative use that is lawful (having regard to the most recent lawful use and any applicable development orders), or has a current planning consent or has been agreed in principle as a site allocation in an adopted local plan or development plan document
  - an alternative development falling below the relevant Development Policy thresholds (200 sq m in DP1 and 1,000 sq m in DP3)
  - a development above the thresholds that makes no contribution to housing or affordable housing
  - an off-site contribution to housing or affordable housing
- 2.72 At the pre-application stage developers are also strongly encouraged to discuss provision of affordable housing with Registered Providers and the Council's Housing Commissioning and Partnerships Team to inform discussion of likely rents, suitable intermediate housing models and capital values – see also paragraphs 2.7 to 2.10.
- 2.73 As indicated in our Development Policies document, in certain circumstances the Council will expect applicants to fund an independent verification of the financial viability appraisal. Where independent verification is likely to be required we will seek to discuss this at the pre-application stage, and we will seek a commitment from prospective applicants to provide the necessary funding. Independent verification will be required where the proportion or mix of housing/ affordable housing sought falls considerably short of the contributions anticipated by our Development Policies document. This independent verification will either be:
- commissioned directly by the Council in negotiation with the applicant; or
  - commissioned by the applicant from an independent body subject the Council agreeing the body and the specifications in advance.

#### **What form should the viability appraisal take?**

- 2.74 Several viability appraisal models are available, and the Council does not insist that a particular model is used. However, the model must generate a residual land value on the basis of an agreed developer return (reflecting project scale, risk and loan requirements - see

paragraph 2.78), and must be capable of being fully interrogated by the Council and any appointed independent verifier. The Council encourages the use of standard viability software. Where a bespoke model is produced for a particular scheme, the Council will expect a fully working electronic copy to be made available so that assumptions can be tested and varied by the Council and any appointed independent verifier. The Council will respect any intellectual copyright existing in a bespoke viability appraisal model and seek to agree with the applicant any arrangements needed to ensure copyright is protected.

- 2.75 The GLA publishes an Affordable Housing Development Control Toolkit (also known as the Three Dragons Toolkit), and most financial viability appraisals submitted to the Council are prepared using the Toolkit. The GLA Toolkit was designed specifically to assist negotiations between planning officers and developers. The Toolkit is reviewed annually.
- 2.76 As indicated in Core Strategy paragraph 19.17, the Council will expect developers to provide information on viability through an "open-book" approach to the extent that costs and values are known at the time of the appraisal (see also paragraph 2.99 of this guidance). Some of the information required for viability appraisal may be regarded as commercially sensitive. The Council seeks to strike a balance between transparency in decision making and respect for commercial confidentiality. As part of the decision-making process the Council will therefore generally release a report of the independent verification of the financial viability appraisal. As a minimum, this report will include the intended percentage of developer return, the residual land value and the benchmark land value. Other figures in the report may be redacted if they are judged to be commercially sensitive.
- 2.77 If requested, the Council will endeavour to prevent release of any redacted sensitive information to third parties. However, subject to agreement with the applicant, release of sensitive information may be necessary in some circumstances, such as:
- to enable independent verification of the viability appraisal
  - where another body has a role in considering the application such as the Mayor and the GLA
  - where another body has a role in providing public subsidy for the development such as the Homes and Communities Agency, the Mayor and GLA
  - where the development is subject to a planning appeal.

#### **Inputs to financial viability appraisal**

- 2.78 Viability appraisal of development requires the input of a range of information including build costs, developer's return (profit) and sales values. We will expect the inputs to the viability appraisal to meet the following requirements:
- all inputs should be backed up by relevant evidence;

- build costs should be backed up by BCIS data, quotations for building works, an elemental cost plan and detailed specification of the intended fit out, accompanied by any plans and drawings that have been used in formulation of the cost plan but do not otherwise form part of the planning application;
- land finance and holding costs should generally relate to a period starting from when a proposed development scheme is prepared for pre-application discussion with the Council, and continuing until development has been completed – they should not generally include periods when the site has not been in the control of the applicant, periods when the site has been generating a net revenue for the applicant from an existing use, periods when the applicant is not actively seeking to bring the site forward for development (eg if a site is held as part of a land bank), or delays and costs arising from failed appeals;
- land finance and holding cost should relate to an agreed benchmark value for the site where this differs from the price paid, as the price paid may overestimate what can be achieved on the site (see paragraphs 2.82 to 2.89);
- residential sales values should be backed up by analysed evidence of values achieved for comparable new-build homes of similar specification that have recently been completed nearby;
- affordable housing values should be based on evidence including a breakdown of assumptions regarding rent, full market value, initial equity sale, any staircasing assumptions, and anticipated rent charged on unsold equity, accompanied by capitalisation yield and calculations used to derive capital values, and should be backed up wherever practical by offers from Registered Providers that have a nominations agreement with the Council (see also paragraph 2.72);
- the appraisal should express the developer return on the market housing and commercial elements of a scheme as a percentage of their gross development value (GDV) (the capital value of all revenue derived from these elements), although this may be accompanied by other measures of developer return, such as a percentage of costs or internal rate of return (IRR);
- a lower percentage return should be assumed on the affordable housing reflecting the low risk associated with sale to a Registered Provider – this may be incorporated at a blended rate with return on the market housing and commercial elements;
- the percentage developer return should reflect the scale and the risks associated with the project, and the current requirements of lenders – the applicant should justify the percentage selected; and
- cash flows should be modelled wherever appropriate.

2.79 Sensitivity testing should be carried out and submitted as part of each financial viability appraisal to show the potential for the residual value to change significantly as a consequence of relatively small changes in the inputs. In particular, the impact of changes in sales value and build costs

should be tested given the rapid increases in Camden house prices in recent years and emerging concerns about increases in build costs. Where a viability appraisal is independently verified, this should include verification of any sensitivity testing provided by the applicant, and provide additional sensitivity testing where the submitted appraisal is deficient.

- 2.80 The GLA's Development Control Toolkit provides benchmark values for some viability appraisal inputs. The guidance notes accompanying the GLA Development Control Toolkit are available free and provide more detailed information on which costs can appropriately be included in a viability appraisal. The Council will closely scrutinise development costs that exceed benchmark figures. Where independent verification of the appraisal is required, this should include confirmation that the inputs used are appropriate and are in accordance with relevant evidence.
- 2.81 The Council will not expect viability appraisal to include land value or acquisition cost as a fixed input. Valuations and acquisition costs generally reflect an assumption by the valuer about what can be developed on the site, including an assumption about the proportions of non-residential development, market housing and affordable housing that will be acceptable. If land value forms a fixed input to the appraisal, the process becomes circular, and the proportions of market housing and affordable housing that are viable will match the initial assumption of the valuer. The Council's preferred measures of land value are given in Figure 5.

**Figure 5. Preferred measures of Land Value**

<b>Residual Land Value</b>	The value of a development once all scheme costs and revenues have been taken into account, including build costs, professional fees, developer's returns, provision of affordable housing and S106 contributions, but excluding site acquisition cost.
<b>Existing Use Value (or EUV)</b>	The value of a site in its lawful use. The Council will require evidence of the EUV, for example the value of rents paid by an existing occupier, or values achieved for sale of comparable sites continuing in the same use. The EUV should take account of revenue from the lawful use and any refurbishment or development costs that would be incurred to re-commence lawful use of a vacated site.
<b>Existing Use Value plus a premium (or EUV plus)</b>	The value of a site in its lawful use, as described above, but with an additional premium added as an incentive to the landowner to make the site available for development. Any premium is usually expressed as a percentage of EUV. The scale of any premium will depend on the particular circumstances of the site (eg whether the land is vacant or occupied, the condition and marketability of any buildings and the options available).

- 2.82 The residual land value should be an output of the viability appraisal. As indicated in paragraph 2.69, the Council will consider the development to be viable if the residual land value exceeds a benchmark land value that

provides an incentive sufficient for the landowner to make the site available for development, taking into account the other options available. NPPG notes that these options may include the current use value or its value for a realistic alternative use that complies with planning policy

- 2.83 The Council's preferred measure of land value is existing use value, although other measures of land value may also be considered where they are appropriate. As stated in paragraph 2.69, we will seek to agree the benchmark value with the applicant, with the assistance of advice from any appointed independent verifier, and the starting point for these negotiations should be the Existing Use Value (EUUV). In some circumstances (eg where a property is vacant and significant expenditure would be required to return it to use) a residual land value at or around EUUV may be sufficient to incentivise development. In other circumstances (eg where a tenant has an unexpired lease and will need to relocate) a premium will be needed to be added to the Existing Use Value (EUUV plus) to incentivise release of the site.
- 2.84 The NPPG indicates that the incentive needed to bring forward the land will depend on the other options available. Consequently, the GLA Toolkit Guidance Notes state that the level of the premium will depend on site specific circumstances. Following from that, there is no normal or usual percentage to apply as a premium. The Guidance notes a number of appeals in which Existing Use Value has been accepted as the starting point for benchmark land value. In some appeal cases, no premium was held to be required, but in others reasonable premiums were held to be 10% or 20% of EUUV.
- 2.85 As a broad indication of how benchmark land values will be negotiated, the Council considers that reasonable premiums to apply in different circumstances could be as follows:
- 0-10% for old dilapidated buildings at the end of economic life;
  - up to 20% for a property in a viable existing use; and
  - up to 30% where development would need to fund relocation of an existing activity.
- 2.86 The NPPG also suggests that a realistic alternative use value (AUV) could be the basis for establishing a benchmark, and the Council may consider AUV alongside EUUV where appropriate. An AUV is unlikely to be appropriate where it rests on assumptions about what would be granted planning consent, and requires costs and sales values or rents to be established for a hypothetical scheme that has not been worked-up in sufficient detail to be implemented. In accordance with the GLA Toolkit Guidance Notes, the Council therefore considers that the use of AUV as the basis for a benchmark is most likely to be appropriate where there is an alternative lawful use (having regard to the most recent lawful use and any applicable development orders), or there is already a planning consent in place with potential to be implemented, or there is a site allocation in a local plan (such as the Camden Site Allocations

Document 2013) that gives sufficient detail for a realistic alternative proposal to be costed and valued.

- 2.87 The RICS guidance note "Financial Viability in Planning" suggests that the benchmark value should be based on the market value. There is no straightforward methodology for establishing market value, but the RICS guidance and NPPG both indicate the value should reflect development plan policies and all other planning considerations (notably planning obligations and any Community Infrastructure Levy charge). The RICS guidance also places a great deal of emphasis on the sale prices of comparable development sites, and notes that the 'risk-adjusted' value for a site without planning permission will be lower than the current market price for land with permission in place.
- 2.88 The RICS guidance notes that the actual price paid for a site may be used as evidence of market value where the site has recently been acquired/ disposed. However, the guidance warns that land values may change between the date of purchase and the viability appraisal, that developers may overpay due to an overestimate the acceptable development density or an underestimate the necessary planning obligations, and that site assembly may create a synergistic value greater than the components.
- 2.89 The Council considers that the market value and/ or the price paid for a site should be treated very cautiously in establishing a benchmark value as developers will compete for sites by assuming a reduced level of planning obligations – and particularly affordable housing (see also paragraph 2.81). However, the Council may consider market value and/ or price paid alongside Existing Market Value where market value and/ or price paid is supported by clear evidence in the form of a viability appraisal demonstrating that market value has been assessed on the basis of full compliance with planning policy. Transactional evidence may be relevant where:
- it relates to comparable sites nearby;
  - full and relevant details of the transactions are known and publically verifiable; and
  - there is evidence that the stated land values allow for viable development proposals that fully comply with planning policy.
- 2.90 The purpose of the premium referred to in Figure 5 and paragraphs 2.83 to 2.85 is to provide an incentive to a landowner to release the site for development (as a vendor). A separate incentive is provided to the developer (as a purchaser) to carry out the development through a return based on the development process itself, including the land purchase. Once a land transaction has taken place, it is not appropriate for the developer to apply a further premium to the market value or the price paid.
- 2.91 An alternative use value (AUV) cannot provide a meaningful benchmark value unless it represents a financially viable development that would be an option for a landowner to consider. To be financially viable, the

scheme would by definition provide competitive returns to a willing landowner and a willing developer. Consequently it should not be necessary for a further premium to be applied to an alternative use value.

### **Deferred affordable housing contributions**

- 2.92 London Plan policy 3.12 and Camden Development Policy DP3 indicate that the Council should seek the maximum reasonable amount of affordable housing in negotiations relating to residential and mixed-use sites. Many factors can have a significant impact on the maximum viable contribution to affordable housing, including changes to sales values, changes to build costs, changed specifications for materials and finishes and changes to the cost of finance. These factors can change quickly, and changes of a few percentage points can have a significant impact on the viability of a development. For example, house prices have risen sharply each year in Camden since the beginning of 2010. In the year to September 2010, prices had risen by 16.3%, with another 5.2% increase by September 2011, 7.2% higher by September 2012, 11.9% higher by September 2013 and 20.4% higher by September 2014 (source: Land Registry). Significant changes to viability are likely between the grant of planning permission and commencement, and between commencement and completion of the development.
- 2.93 The Council will therefore seek to negotiate deferred affordable housing contributions (similar to 'contingent obligations' referred to in London Plan policy 3.12) for developments where the provision of housing/ affordable housing falls significantly short of targets in Development Policies DP1 and DP3 due to financial viability, and there is a prospect of viability improving prior to completion. The deferred contribution is not a fixed amount, but is capped at the shortfall between the amount of additional housing/ affordable housing proposed and the Council's policy targets. The actual contribution is determined by a further viability appraisal undertaken on an open book basis at an agreed point after approval of the development but before the scheme is fully occupied.
- 2.94 A deferred contribution is only triggered if the further financial viability appraisal shows that there has been sufficient growth in viability. If the residual value of the development exceeds an agreed benchmark site value, then the excess is split equally between the developer and the Council unless the Council's share reaches the cap. Where the cap is reached, the contribution matches the shortfall between housing/ affordable housing provision and the Council's policy targets, and any further growth in the residual value relative to the benchmark site value will pass to the developer in full.
- 2.95 The Council has regard to the arrangements for 'contingent obligations' suggested by the London Plan and the Mayor's SPG. In the particular circumstances of Camden, the Council takes the following approach:
- re-appraisal of viability is expected after implementation when the development is substantially complete; and



- re-appraisal of viability and deferred affordable housing contributions are sought as part of planning obligations for developments that proceed as a single phase, as well as for phased schemes.

2.96 Particular Camden circumstances justifying our approach are set below:

- Given the pace of recent house price rises in Camden (20.4% in the year up to Sept 2014), a re-appraisal of viability immediately prior to commencement would significantly underestimate the ability of the development to contribute to affordable housing, as the sales values for market housing will have increased considerably by the time of completion.
- The pace of Camden house price rises means that even a short-term permissions (such as commencement within 12 months) and a requirement for review only if completion fails to take place within a modest period (such as 18 months from commencement) would allow a scheme to make a significantly smaller contribution to affordable housing than could be supported by the sales values finally achieved.
- Given the type and scale of housing development in Camden, most market and affordable housing is delivered by schemes that proceed as a single phase. The pace of Camden house price rises means that if they are not subject to viability re-appraisal, such schemes will make a significantly smaller contribution to affordable housing than could be supported by the sales values finally achieved.
- In a single phase scheme it is difficult to change the mix of market and affordable housing after implementation, so for single phase schemes in Camden deferred contributions will generally take the form of a payment-in-lieu.
- Many of Camden's development projects take advantage of the particular qualities of the borough to create unique homes at the higher end of the market – examples include developments in historic areas and developments creating views over Central London or Hampstead Heath. Given the uniqueness of such homes, it is exceedingly difficult to identify comparable developments or pertinent values achieved elsewhere, and consequently there is considerable uncertainty over the sales values likely to be achieved. Undertaking viability re-appraisal as close to the end of the development process as possible removes uncertainty as it allows recorded sales values to be used rather than predictions.
- Many of Camden's development projects (particularly those aimed at the higher end of the market) are designed to very high specifications in terms of materials, finishes and decor. High specifications give rise to high build costs that are difficult to confirm by reference to published sources such as BCIS, and are often engineered downwards during implementation. Undertaking viability re-appraisal as close to the end of the development process as possible removes uncertainty as it allows recorded build costs to be used rather than estimates.

- There are concerns that build costs in Camden could rise rapidly in coming years due to the unusually large number of construction projects taking place in Central London, and this uncertainty can also be removed by undertaking a later re-appraisal using recorded building costs.
- The Council's approach has been agreed as a planning obligation for more than ten developments in Camden. At the end of 2014, four of these had been completed, and had paid the full deferred affordable housing contribution, providing more than £13 million to fund additional affordable housing.

2.97 The Council will generally seek to secure the following arrangements for deferred affordable housing contributions in a S106 agreement:

- the deferred affordable housing contribution will take the form of a payment in-lieu to the Council's affordable housing fund
- the maximum contribution will be a payment-in-lieu based on the shortfall against housing/ affordable housing targets, calculated in accordance with CPG8 Planning Obligations
- full details of the agreed financial viability appraisal which guided determination of the application will be recorded
- the benchmark value for the site agreed in that appraisal (in accordance with paragraphs 2.69 and 2.82 to 2.91 of this guidance will be recorded
- at a specific point during the development process we will require a further financial viability appraisal produced on an open book basis – generally this will be either at practical completion, or when a specified number of homes in the development have been sold but there are sufficient unsold homes for sales proceeds to fund the deferred contribution
- the developer will fund an independent verification of the further financial viability appraisal (as indicated in paragraph 2.73 of this guidance)
- following independent verification, the agreed benchmark value will be subtracted from the residual value given in the further financial viability assessment – this calculation will give a negative value or zero (a deficit) or a positive value (a surplus)
- if the calculation shows a deficit, no deferred affordable housing contribution will be required
- if the calculation shows a surplus of less than twice the maximum contribution, then the deferred affordable housing contribution will be half of the surplus
- if the calculation shows a surplus that is twice the maximum contribution or more, then the deferred affordable housing contribution will be capped at the maximum
- following independent verification of the further financial viability appraisal, the Council will give formal notice of the sum required, and payment shall be made within 28 days

- 2.98 Different arrangements may be appropriate in some cases, depending on character and scale of the development. For example:
- Where a phased development is proposed, and improvements in viability could potentially provide additional affordable housing within the development, it may be appropriate to undertake further financial viability assessment earlier in the process.
  - In the case of large developments with a long site preparation and construction period, it may be appropriate to undertake more than one further financial viability assessment.
  - It may occasionally be necessary to vary the formula for calculating surplus or deficit to reflect the particular viability appraisal model being used, but the Council will expect to agree a formula that reflects the principle set out in paragraph 2.94.
  - An adapted mechanism will be necessary where a development will be managed for private rent by an institution.
  - Using a growth model to assess viability may be an appropriate alternative to a deferred contribution in some circumstances where changes in the values and costs are predictable and the growth model will maximise the affordable housing offer at the time an application is determined.
- 2.99 The further financial viability appraisal should comply with all the requirements for financial viability appraisal set out in paragraphs 2.64 to 2.91, including the modelling of cash flows. As indicated in Core Strategy paragraph 19.17, the Council will expect developers to provide information on viability through an "open-book" approach, however the Council will endeavour to prevent release of commercially sensitive information as set out in paragraphs 2.76 and 2.77 of this guidance. Where inputs such as build costs and sales values are based on estimates rather than agreed contracts and transactions on homes within the scheme, we will expect appraisals to use appropriate projections with reference to trends in the requisite segment of the housing market and to sources such as BCIS indices.

### **Can the market housing and affordable housing be provided off-site?**

- 2.100 Our Core Strategy and Development Policies promote mixed-use development and mixed and inclusive communities in line with the Government's NPPF. Development Policy DP1 indicates that housing contributions should normally be provided on site, while Development Policy DP3 indicates that affordable housing contributions should normally be made on site. Both policies do provide for off-site contributions, but only in a limited set of circumstances. The Council will only accept off-site contributions where provision cannot practically be achieved on-site in terms of meeting the criteria set out in the two Development Policies and accompanying paragraphs. The Council will only accept contributions in the form of payments-in-lieu in exceptional circumstances.

- 2.101 The Council will take the project management and implementation costs of off-site contributions into account and will expect there to be a neutral impact on Council expenditure and resources. Obligations may therefore need to include a payment to cover the additional costs of delivery of off-site contributions where such costs fall to the Council.
- 2.102 When considering the acceptability of off-site contributions and payments-in-lieu, we will have close regard to all relevant criteria in Development Policies DP1 and DP3 alongside accompanying paragraphs 1.15 to 1.24 and 3.13 to 3.30. We will also have regard to Core Strategy CS9 and the Council's support for residential communities in Central London, and ensure that off-site contributions do not undermine the benefits of mixed-use areas (such as those identified in paragraph 1.7 of our Development Policies document) or conflict with the creation of mixed and inclusive communities. These considerations apply to all sites regardless of size.
- 2.103 The Council will particularly expect contributions to be made on-site where the development is larger. Where mixed-use policy DP1 applies, we will expect on-site housing contributions where 1,000 sq m (gross) or more of additional floorspace is proposed. Where affordable housing policy DP3 applies, we will expect on-site affordable housing contributions where 3,500 sq m (gross) or more of additional floorspace is proposed. It may not always be practical to include affordable housing within a market development (for example in smaller developments), however prior to considering an off-site contribution the Council will expect developers of all schemes to demonstrate that, on-site provision is not practical having regard to all the considerations referred to in paragraph 2.102 of this guidance.
- 2.104 The NPPF indicates that affordable housing provision should be made on-site unless an off-site solution is robustly justified. To meet this objective, the Council expects all options for on-site affordable housing to be fully explored, even where small developments are involved. Before they submit an application, we will expect applicants to fully consider different arrangements of the site and the scheme to secure the best possible prospect of achieving an on-site affordable housing contribution. In particular, applicants will be expected to show that the following options cannot practically deliver an on-site contribution before off-site solutions will be considered:
- where the site characteristics provide potential for a variety of scheme design and layouts, designing the scheme to provide a separate entrance (or entrances) and stair/ lift core(s) for affordable homes
  - where it is only possible to provide a single entrance lobby and stair/ lift core, designing the communal spaces to ensure that service and management charges are sufficiently low for affordable housing occupiers and providers (see also paragraph 2.42 of this guidance)
  - approaching a range of housing associations and other providers (including the Council) to seek bids for acquisition of on-site affordable homes

- offering flexibility to housing associations and other providers to deliver different types of affordable housing (eg intermediate housing)
- where providing the full affordable housing contribution on-site is not financially viable, providing a reduced affordable housing floorspace on-site
- where an on-site solution is not financially viable, seeking a top-up payment from the Council's affordable housing fund.

### **Making the contribution on another site**

2.105 The following terms are used in this guidance to shorten explanations of off-site arrangements:

- **application site** – the site of the proposed development that generates a policy requirement for housing under policy DP1 or affordable housing under policy DP3;
- **delivery site(s)** – one or more proposed development sites elsewhere intended to meet policy requirements off-site.

2.106 The paragraphs accompanying policies DP1 and DP3 indicate that where off-site provision is made, the overall percentage of housing/affordable housing and non-residential uses will be considered across the aggregate floorspace on all related development sites. In other words, the percentage requirement for an off-site contribution is calculated as a proportion of the floorspace at the application site and the floorspace at the delivery site(s) added together, rather than the application site alone. In the case of policy DP1, where there is a single target of 50% for negotiation of on-site contributions, off-site contributions should normally involve matching the non-residential floorspace increase at the application site with an equivalent increase in residential floorspace at the delivery site. In the case of policy DP3, where the sliding scale applies a formula is used to calculate off-site contributions. Figure 6 and Figure 7 below show how the off-site policy requirement can be calculated.

2.107 Calculating the percentage across floorspace on all related development sites helps to ensure that the policies do not provide an unintended incentive towards off-site contributions. Off-site contributions allow more non-residential floorspace (or market housing floorspace) to be developed at the application site. Considering the sites together ensures that this gain in non-residential floorspace (or market housing) also leads to a proportionate increase in residential floorspace (or affordable housing floorspace) at the delivery site.

2.108 Calculating the proportion across all related development sites also enables land swaps. A land swap enables a developer to offset additional non-residential floorspace (or market housing) at the application site by reducing non-residential floorspace (or market housing) elsewhere.

- Under DP1, redeveloping/ converting non-residential floorspace for off-site housing can be used to offset the addition of non-residential floorspace at the application site;
- Under DP3, redeveloping/ converting market housing floorspace for off-site affordable housing can be used to offset the addition of market housing at application site.

2.109 A calculation of this type under policy DP1 is included in paragraph 1.16 of our Development Policies document and as Example 2 in Figure 6.

**Figure 6. Calculating off-site contributions under policy DP1**

Additional floorspace proposed	Generally under 1,000 sq m for off-site housing contribution to be considered
On-site housing target	50% of additional floorspace on the application site
Off-site housing target	50% of total additional floorspace (application site plus delivery site)
Housing floorspace required off-site	Should match total addition to non-residential floorspace across the related sites

**Example 1**

Additional floorspace proposed (application site)	= 800 sq m
Housing floorspace required if on-site (application site)	= 400 sq m
Remaining non-residential floorspace addition on-site (application site)	= 400 sq m
Non-residential floorspace addition if principle of off-site housing is agreed (delivery site, with no conversion of non-residential floorspace to housing elsewhere)	= 800 sq m
Housing floorspace required off-site (with no conversion of non-residential floorspace)	= 800 sq m
Ratio of non-residential floorspace to housing floorspace off-site	800:800 = 50%:50%

**Example 2**

Non-residential addition on-site (application site, where principle of off-site housing is agreed)	= 800 sq m
Housing floorspace required off-site (delivery site, with no conversion of non-residential floorspace)	= 800 sq m
Non-residential loss off-site through conversion to housing (delivery site)	= minus 400 sq m through conversion to housing
Net non-residential addition (all sites)	= 400 sq m
Net housing floorspace required off-site (by conversion of non-residential floorspace)	= 400 sq m
Ratio of non-residential floorspace to housing floorspace off-site	400:400 = 50%:50%

**Figure 7. Calculating off-site contributions under policy DP3**

Additional market housing floorspace proposed - 'a'	Generally under 3,500 sq m for off-site affordable housing contribution to be considered
On-site affordable housing target -'b' (percentage)	Varies according to the sliding scale for sites with capacity for less than 50 homes (NB the sliding scale does not apply where the primary application site also includes 1,000 sq m or more of additional non-residential floorspace – see paragraph 2.35 of this guidance).
Off-site affordable housing target (proportion)	$= b / (100 - b)$
Affordable housing required off-site (secondary delivery site) - 'c' (sq m)	$c = a \times b / (100 - b)$

**Example**

Additional market housing floorspace proposed	= 2,500 sq m
Target for on-site affordable housing	= 25% x 2,500 sq m = 625 sq m
Off-site affordable housing target	= 25 / (100 – 25) = 33.3%
Target for off-site affordable housing contribution	= 2,500 sq m x 33.3% = 833.3 sq m
Ratio of market housing floorspace to affordable housing floorspace off-site	2,500:833.3 = 75%:25%

- 2.110 Development Policies DP1 and DP3 indicate that we will take into account the economics and financial viability of development when considering off-site contributions as well as on-site contributions. The arrangements in paragraphs 2.64 to 2.91 of this guidance will apply, and applicants will need to submit financial viability appraisals to demonstrate that the application and delivery sites are providing the maximum reasonable contributions to housing (under DP1) or affordable housing (under DP3). Applicants will be required to fund an independent verification of the financial viability appraisal where the proportion or mix of housing/ affordable housing sought falls considerably short of the contributions anticipated by our Development Policies document and this guidance.
- 2.111 As indicated in paragraph 2.100 of this guidance, contributions to housing/ affordable housing should normally be made on site. Mechanisms guiding the delivery of housing and affordable housing should not create a financial incentive for the developer to make off-site contributions. Where the level of off-site contribution is below the level anticipated by our Development Policies document and this guidance,



we will seek to ensure the additional value created by the development is broadly the same with an off-site contribution as it would be with an on-site contribution. In addition to the financial viability appraisal requirements of paragraphs 2.64 to 2.91, the Council may therefore seek a comparison between the financial viability of on-site and off-site solutions (taking into account the existing use value and residual development value of the application site and delivery site).

### **Residential land-use credits and affordable housing credits**

- 2.112 Within Camden's Central London area there are a number of property investors and developers that own a significant number of sites. We may negotiate arrangements with such landowners to take advantage of commercial development opportunities, market housing opportunities and affordable housing opportunities on separate sites provided this does not compromise our objectives for mixed-use and mixed and balanced communities. In particular, owners of several sites may be able to bring forward developments of housing or affordable housing in advance of any policy requirement from Development Policies DP1 or DP3. In effect, the 'delivery site(s)' is/ are developed before the 'application site' has been identified (see paragraph 2.105 of this guidance for an explanation of these terms). The Council may agree to 'bank' this floorspace in the form of credits that can be accepted against the policy requirements from future development. When an 'application site' generates a housing/ affordable housing requirement, the Council will have discretion to agree to use of the 'banked' credits to offset part or all of the policy requirement.
- 2.113 The credits mechanism has potential to deliver additional housing and affordable housing earlier in the financial cycle by creating incentives for multiple site-owners to:
- seek opportunities for housing/ affordable housing development in advance during periods when commercial markets are poor rather than seeking to negotiate payments in lieu when commercial development prospects improve;
  - bring forward housing/ affordable housing development that they would otherwise hold back until commercial development prospects improve;
  - take up opportunities to convert lower value commercial properties to housing when leases expire;
  - provide affordable housing when the market for private housing would be unable to support it.
- 2.114 The mechanism can also help developers to deliver commercial floorspace or market housing more quickly when demand is strongest.
- 2.115 There are two types of credits that could be considered in this way:
- **residential land-use credits** – created where housing is provided but is not required by policy – these can be used where market

housing is needed to offset additional commercial development under Development Policy DP1; and

- **affordable housing credits** – created where affordable housing is provided in place of market housing but is not required by policy – these can be used where affordable housing is needed to offset additional market housing development under Development Policy DP3.

- 2.116 The two types of credit could potentially be created by a single development at the same time if affordable housing is provided but there is no policy requirement for any type of housing. However, each type of credit can only be used once and only against a single policy requirement.
- 2.117 Residential land-use credits and affordable housing credits are types of off-site contributions, and will be governed by the policy considerations set out in paragraph 2.100 to 2.104 of this guidance. Paragraphs 1.15 and 3.15 of our Development Policies document indicate that off-site contributions should be made in the same area as the application site. In the case of residential land-use and affordable housing credits, the Council will only agree to bank credits from development in the Central London area, and will only allow credits to be used to offset requirements on another site in Central London. Credits should be used in reasonable proximity to the delivery site. In the Central London context, in most cases the Council will require credits to be used within 500 metres of the delivery site, taking into account any demonstrable benefits from allowing provision on a more distant site. The Council will not agree to credit arrangements that would erode the mixed-use character of Central London or add to concentrations of affordable housing at the fringes of Central London.
- 2.118 The Council will use two mechanisms to ensure that residential land-use credits and affordable housing credits serve to increase the overall delivery of housing or affordable housing.
- The Council will not agree to the formation of credits from development of market housing or affordable housing where this development would clearly have arisen regardless of any future DP1/ DP3 requirements on other sites.
  - Where we agree to the use of credits to off-set a housing requirement from additional non-residential space or an affordable housing requirement from additional market housing, the credit required will be equivalent in floorspace terms to the overall increase in non-residential floorspace – or market housing floorspace – across the application site and the delivery site(s) together, in accordance with the considerations set out in paragraphs 2.105 to 2.109 of this guidance.
- 2.119 The Council may therefore agree to acknowledge development in Central London as creating residential land-use credits and/ or affordable housing credits subject to the following constraints:

- the creation of credits should form part of the resolution to grant permission for housing/ affordable housing on the 'delivery site'
- the Council will only agree the formation of credits where this will serve to increase the overall delivery of housing or affordable housing
- the scale and type of credits created should be agreed at the time of the resolution on the 'delivery site' (floorspace of residential land-use credits and floorspace of affordable housing credits)
- at the request of the credit-holder, the Council may consider credits agreed by resolution as a material consideration offsetting policy requirements at a future 'application site' in Central London
- the Council will only accept the existence of credits as a material consideration where an off-site contribution would comply with Development Policies DP1, DP3 and all other relevant policies and material considerations
- the Council will only accept the existence of credits as a material consideration for sites in Central London
- the Council will require the credits to be used in reasonable proximity to the 'delivery site', and in most cases within 500 metres
- the Council will consider the scale of credits required to off-set a policy requirement in terms of the overall increase in non-residential floorspace increase or market housing floorspace across the application and delivery site(s) together
- the existence of credits will not place any obligation on the Council in terms of its decision-making in relation to a future 'application site'
- the period over which the credit can be applied to a future 'application site' should also be agreed at the time of the resolution on the 'delivery site', usually until 10 years from the date of the resolution
- the credits will generally be specific to an applicant, developer or landowner, and will not be regarded as transferable
- the Council will seek a S106 legal agreement to ensure that where development at an application site is justified by the existence of credits, the development cannot be occupied until the housing/ affordable housing that creates the credits is completed and available for occupation
- the creation and 'cashing-in' of credits and the implementation of development at 'delivery sites' and 'application sites' will be closely monitored and regularly reported.

### **Payments in lieu**

- 2.120 Development Policies DP1 and DP3 only allow payments-in-lieu of housing/ affordable housing in exceptional circumstances, and these will be governed by the policy considerations set out in paragraph 2.100 to 2.104 of this guidance. Payments-in-lieu may be accepted where the required housing/ affordable housing cannot practically be achieved on-site and the applicant demonstrates that no alternative site is available in the area (see paragraphs 1.17 and 3.15 of the Development Policies

document). Payments-in-lieu of housing will be paid into the Council's affordable housing fund whether they arise under policy DP1 or policy DP3, as the Council does not hold funds for investment in market housing.

- 2.121 Where development proposals involve a shortfall of the housing or affordable housing required under Policies DP1 or DP3, the Council may negotiate a payment in lieu of the unmet requirement.
- 2.122 Where the Council considers that a payment-in-lieu of housing/ affordable housing is appropriate under policies DP1 or DP3, we will calculate the payment-in-lieu in accordance with CPG on **Planning Obligations**. The calculation is based on viability research commissioned by the Council to set a standard affordable housing payment-in-lieu. In negotiating a payment-in-lieu, the Council will also take into account the economics and financial viability of the particular development. Where a payment-in-lieu at the level anticipated by CPG on Planning Obligations would not be viable, the arrangements in paragraphs 2.64 to 2.91 of this guidance will apply.
- 2.123 As indicated in paragraph 2.111, financial appraisal mechanisms should not create an incentive towards off-site solutions. In addition to the financial viability appraisal requirements of paragraphs 2.64 to 2.91, the Council may therefore seek financial viability appraisal of the development with and without an on-site contribution, and will seek to ensure that any payment-in-lieu is broadly equivalent to the increase in development value where no contribution is made on-site. The Council may also consider the cost of developing the required percentage of housing/ affordable housing off-site.

### **Background**

- The National Planning Policy Framework (NPPF) provides a definition of affordable housing and sets the framework which local councils use to secure affordable housing from market housing development.
- The London Plan and the Mayor's Housing SPG give guidance on the income groups who are eligible for intermediate housing, and also cap the cost of intermediate housing on the basis of income.
- The London Plan Annual Monitoring Report is used to review annually which income groups are eligible for intermediate housing.

## **Securing works / conditions / S106**

- 2.124 Provision of housing required under Development Policy DP1 will generally be secured by a planning obligation under S106 of the Town and Country Planning Act 1990. The precise terms of the S106 agreement will vary between developments to reflect the nature and financial viability of the development. In most cases S106 terms will include:
- identifying all homes in the development
  - preventing the occupation of non-residential floorspace until the housing is completed and available for occupation, including non-residential development justified by a residential land-use credit agreed in association with a housing development on another site.
- 2.125 Provision of affordable housing required under Development Policy DP3 will always be secured through a S106 planning obligation. The precise terms of the S106 agreement will vary between developments to reflect the nature and financial viability of the development. In most cases, S106 terms will include:
- identifying all affordable homes in the development
  - specifying which homes will be social rented housing, which homes will be affordable rented housing and which homes will be intermediate housing
  - defining social rented housing in terms of the Government's national rent regime
  - defining intermediate housing in terms of the income groups and the ratio of housing cost to income contained in the London Plan, the Mayor's Housing SPG and the London Plan Annual Monitoring Report
  - defining affordable rented housing in terms of relevant guidance including the NPPF, the London Plan, the Mayor's Housing SPG, and in relation to Local Housing Allowance caps and lower quartile market rents available locally and across the borough
  - identifying social rented, affordable rented and intermediate wheelchair homes
  - arrangements for the development, fitting out and transfer of the affordable housing to an affordable housing provider
  - arrangements for the fitting out/ adaptation of wheelchair homes for occupation by a household containing one or more people who are wheelchair users
  - preventing the occupation of some or all market housing until the affordable housing has been completed, fitted out and transferred to an affordable housing provider - including market housing justified by an affordable housing credit agreed in association with affordable housing development on another site

- securing availability of the affordable housing to future eligible occupiers, or securing recycling of public subsidy if the affordable housing is sold.

2.126 Other S106 terms that may be required in connection with DP1 and DP3 include:

- where off-site delivery will be at a known site or sites, linking the developments together
- where a site is not identified for delivery at the outset, specifying the floorspace, nature of housing required and general location
- where a site is not identified for delivery at the outset, arrangements for identifying one or more delivery sites prior to the implementation of the development
- making a payment-in-lieu of housing/ affordable housing prior to implementation or occupation of the development
- making a payment to cover the additional costs of delivery of off-site contributions where such costs fall to the Council
- arrangements for a deferred affordable housing contribution if provision of housing/ affordable housing falls significantly short of targets due to financial viability, and there is a prospect of viability improving prior to completion
- specifying the type of intermediate housing – e.g. key-worker, intermediate rent, shared ownership
- controls on the rents of intermediate rented housing and affordable rented housing
- limiting the minimum percentage share available in shared ownership homes
- limiting the rent charged on the unsold proportion of shared ownership homes.

## Resources / contacts

### Contacts

Guidance on interpretation of the LDF Core Strategy and Development Policies document	Strategic Planning and Implementation Team – 020 7974 5964 – or email planningpolicy@camden.gov.uk
Guidance on our affordable housing priorities and our housing association partners	Camden Council Housing Commissioning and Partnerships Team – 020 7974 2743
Guidance on the pre-planning application advice service	<a href="http://www.camden.gov.uk/ppaa">www.camden.gov.uk/ppaa</a> Camden Council Duty Planner Service – Contact Camden - 020 7974 4444

### Resources

Affordable Housing Development Control Toolkit and Guidance Notes, GLA 2014	<a href="http://www.london.gov.uk/who-runs-london/mayor/publications/planning/affordable-housing-development-control-toolkit">www.london.gov.uk/who-runs-london/mayor/publications/planning/affordable-housing-development-control-toolkit</a> (see Mayor's Priorities - Planning – Publications – February 2014)
Camden Housing Needs Survey Update 2008	<a href="http://www.camden.gov.uk/ldf">www.camden.gov.uk/ldf</a> (see Evidence and Monitoring pages)
Camden Affordable Rent Study 2011	<a href="http://www.camden.gov.uk/housing">www.camden.gov.uk/housing</a> (see Housing Policies and Strategies – Social Housing Reform)
Housing Supplementary Planning Guidance, Mayor of London, November 2012	<a href="http://www.london.gov.uk/who-runs-london/mayor/publications/planning/housing-supplementary-planning-guidance">http://www.london.gov.uk/who-runs-london/mayor/publications/planning/housing-supplementary-planning-guidance</a> (see Mayor's Priorities - Planning – Supplementary Planning Guidance)
National Planning Policy Framework (NPPF), CLG 2012	<a href="https://www.gov.uk/government/publications/national-planning-policy-framework--2">https://www.gov.uk/government/publications/national-planning-policy-framework--2</a> (see GOV.UK - Publications – Policy Papers – Planning and Building - Department of Communities and Local Government – March 2012)
National Planning Practice Guidance, CLG 2013 and subsequent	<a href="http://planningguidance.planningportal.gov.uk/">http://planningguidance.planningportal.gov.uk/</a>