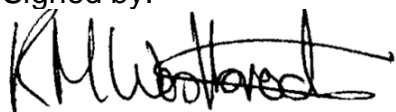


<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARDS: ALL</b>
<b>REPORT TITLE:</b> Intermediate Housing Strategy (HASC/2016/08)	
<b>REPORT OF</b> Cabinet Member for Housing	
<b>FOR SUBMISSION TO</b> Housing Scrutiny Committee Cabinet	<b>DATE</b> 31 <sup>st</sup> March 2016 6 <sup>th</sup> April 2016
<p><b>SUMMARY OF REPORT</b></p> <p>A key recommendation of the Equality Taskforce was that the Council should explore ways to develop the intermediate housing sector in Camden. The Intermediate Housing Strategy reflects the ambitions set out in the Camden Plan to maintain the diversity of the borough's population and to foster strong and cohesive communities.</p> <p>Intermediate housing costs less than market housing but more than social rent, can include homes for shared ownership and rent, and is provided to households whose needs are not met by the market, with eligibility set with regard to local incomes/house prices. The Council will be the main provider of new intermediate housing over the life of this strategy, with the Community Investment Programme (CIP) set to deliver almost 300 units of intermediate housing over the next ten years. There is a need to ensure that these homes remain affordable while property values continue to rise, and the strategy therefore has close links to the proposed new delivery vehicle being considered to manage and improve access to new intermediate housing supply produced through the CIP.</p> <p>The strategy seeks to ensure that intermediate housing is a viable option for developers and produces a majority of units that are affordable to households with incomes between £30,000 and £40,000.</p> <p><b>Local Government Act 1972 – Access to Information</b> No documents which are required to be listed were used in the preparation of this report.</p> <p><b>Contact Officer:</b> Rhys Makinson Assistant Director Needs and Resources, Email: <a href="mailto:rhys.makinson@camden.gov.uk">rhys.makinson@camden.gov.uk</a></p> <p><b>WHAT DECISIONS ARE BEING ASKED FOR?</b> Members of <b>Housing Scrutiny Committee</b> are asked to consider the report and refer any comments to the Cabinet. <b>Cabinet</b> is asked to approve the Intermediate Housing Strategy.</p>	

Signed by:



**Rosemary Westbrook**

Director of Housing & Adult Social Care

Date: 21 March 2016

## **1. WHAT IS THIS REPORT ABOUT?**

- 1.1 Camden's Housing Strategy 2011-16 noted that the 'most recent assessment of housing need highlighted the ability of over half of households in need of affordable housing to cover the costs of intermediate, rather than social rented, housing'.
- 1.2 In 2013, The Equalities Taskforce identified 'suitable and affordable housing' as one of three priority areas which cuts across the five strategic objectives in the Camden Plan. The Taskforce further recommended that the Council should specifically explore ways to develop the intermediate housing sector in Camden.
- 1.3 The Intermediate Housing Strategy (Appendix 1) responds to this recommendation by consolidating existing policy and practice, in addition to proposing further mechanisms to maximise delivery of an affordable product in high demand, whilst ensuring that it is fairly allocated.
- 1.4 Intermediate housing costs less than market housing but more than social rent, can include homes for ownership, shared ownership and rent, and is provided to households whose needs are not met by the market, with eligibility set with regard to local incomes/house prices.
- 1.5 This proposed strategy also cross references the report to this Cabinet meeting proposing that the Council set up a delivery vehicle for CIP schemes to manage and improve access to new intermediate housing supply produced through the CIP programme.

## **2. WHY IS THIS REPORT NECESSARY?**

- 2.1 The Equality Taskforce focus on intermediate housing was based on the evidence that, although Camden has one of the highest proportions of social housing in London, individuals and families on low and middle incomes are very unlikely to secure it. Demand for social housing by far exceeds supply, and this group of in-work households, often referred to as the 'squeezed middle', cannot afford the high prices in the private rental and/or sale market.
- 2.2 Although a London wide phenomenon, central London boroughs like Camden have experienced significant increases in property values in recent years. In Camden, potential first time buyers would now need to borrow as much as fifteen times their income to obtain a mortgage.
- 2.3 This increase in property values has meant that it is also no longer possible to deliver the most common type of intermediate housing, shared ownership, at a price that is affordable to the Council's target income groups earning £30,000 to £40,000 per year.
- 2.4 The most affordable intermediate housing product on the market at the moment is intermediate rent and this strategy provides a framework for promoting this type of affordable housing in the borough.

2.5 The Strategy provides that framework by identifying actions that the Council will take in four areas:

- planning policy – through incorporating elements of the Strategy into formal planning guidance and refining details of policy, such as the preferred model or models of intermediate housing and how the Council ensures that these are delivered
- direct delivery – subject to Cabinet approval, through the setting up of a delivery vehicle for intermediate housing on CIP schemes that will let units at rents which ensure that a majority of the units will be affordable to households with incomes between £30,000 and £40,000 (as adjusted by wage inflation)
- influencing supply by providers – mainly through encouraging developers and Registered Providers (RPs) to provide intermediate rent rather than shared ownership units.
- access arrangements – through establishing a website on which people seeking intermediate housing can register their interest, promoting that website to teachers in Camden’s family of state schools, and requiring providers of intermediate housing in the borough to market their units to these people in the first instance and to let them in accordance with the Council’s Priority Matrix

2.6 The order of priorities in the Priority Matrix is:

- Camden social housing tenant
- Camden resident on Housing Needs Register
- Any other Camden resident
- Non Camden resident who has worked in the borough for the preceding six Months.

2.7 The Matrix has been devised to prioritise Camden residents over non-Camden residents, in recognition of the Equalities Taskforce’s objective to see the social mix of the borough maintained, and non-Camden residents who have worked in the borough for the last six months over those who haven’t, in recognition of the contribution that keyworkers from outside the borough make to Camden.

### 3. OPTIONS

3.1 **Approve the Intermediate Housing Strategy (recommended).** This will give a clear framework for the Council’s work of promoting this type of affordable housing in the borough.

3.2 **Do Nothing.** Without the clear framework offered by the Strategy, fewer affordable intermediate housing units will be delivered in the borough and the movement towards the borough’s population being polarised between very wealthy and very poor households will be accelerated.

### 4. WHAT ARE THE REASONS FOR THE RECOMMENDED DECISIONS?

4.1 It is recommended that the Council has an Intermediate Housing Strategy in order to make public the Council’s commitment to promoting this type of affordable housing within the borough, and to set out the ways in which it will do so via planning policy,

direct delivery, influencing housing association and other providers' supply, and by influencing access arrangements.

## **5. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?**

- 5.1 There is considerable risk that the government proposals relating to 'Starter Homes', i.e. home ownership at 80% of market value, in the Housing and Planning Bill, will impact on the objectives of the Intermediate Housing Strategy.
- 5.2 Presently the risk is likely to mainly impact on s106 negotiations, rather than the Council's CIP, as Starter Homes are set to be considered as affordable housing for section 106 purposes.
- 5.3 Until the detail is clarified through Government Directions as to the threshold and proportion of Starter Homes required on any particular site, it is not possible to assess the impact on the affordable housing (including intermediate housing) that can be achieved through S106 agreements on developments in Camden.
- 5.4 There is also a risk that the action that government has taken to prevent local authorities from setting local priorities for access to shared ownership homes will be extended to intermediate rent homes.
- 5.5 These risks are being partly mitigated through the activity that is taking place in relation to the Housing and Planning Bill and the responses that the Council is making to government consultation on changes to the National Planning Policy Framework and on Starter Homes, but these risks and uncertainties will still be present going forward.

## **6. WHAT ACTIONS WILL BE TAKEN AND WHEN FOLLOWING THE DECISION AND HOW WILL THIS BE MONITORED?**

- 6.1 If the Intermediate Housing Strategy is approved by Cabinet, an implementation plan will be drawn up in respect of the actions in the strategy and progress with this will be monitored by the Cabinet Member for Housing.

## **7. LINKS TO THE CAMDEN PLAN OBJECTIVES**

- 7.1 The Intermediate Housing Strategy reflects the ambitions set out in the Camden Plan to maintain the diversity of the borough's population, to foster strong and cohesive communities, to provide new solutions to tackle inequality, and to get things right first time.
- 7.2 The strategy also addresses a key recommendation of the Equality Taskforce that the Council should explore ways to develop the intermediate housing sector in Camden.

## **8. ENGAGEMENT**

- 8.1 To inform the strategy prior to drafting, a seminar was held in February 2015, with Development Directors and Managers of all Camden's actively developing Housing Associations.
- 8.2 In September 2015, the Housing Scrutiny Committee set up an Intermediate Housing Scrutiny Panel, which held three public meetings in November and December 2015, and considered a draft version of the strategy. One of the Panel's meetings was attended by external experts from private developers, Housing Associations and the GLA, who all presented evidence to support their views on the delivery of intermediate housing in the borough.
- 8.3 In November/December 2015, Housing Associations were consulted on the draft strategy. The following issues were raised:
- switching the intermediate housing tenure from shared ownership to intermediate rent will reduce the offer that Housing Associations can make to the developer and this will impact on the viability and the total percentage of affordable housing on the scheme, i.e. the Council will need to expect less total affordable housing as a result.
  - it would be beneficial to have clearer planning policies as Housing Associations are working in a commercial environment against developers where everyone is bidding competitively.
  - there is still a market in Camden for shared ownership, from people with large deposits supported by family members.
  - salary levels need to drive the policy rather than setting percentages below market rent, and the Council needed to determine what these should be.
  - there was some appetite for a 'blended rent' approach, as this would enable Housing Associations to raise their offer to developers and encourage more development.
  - those experienced in letting to sharing households supported this concept in order to be able to increase the rent on two bed units and therefore increase the offer to developers to make schemes viable..
- 8.4 The draft recommendations from the Intermediate Housing Strategy Panel and feedback from Registered Providers have been taken into account in finalising the strategy.
- 8.5 An Equality Impact Analysis Checker has been completed on the final proposals (see Appendix 2). In summary, it concluded that, overall, the activity will have a positive impact on those with protected characteristics who are economically disadvantaged.

## **9. LEGAL IMPLICATIONS**

- 9.1 Comments of the Borough Solicitor's department have been included in the report.

## **10. RESOURCE IMPLICATIONS**

- 10.1 This report seeks approval of the strategy contained within the body of the report and the attached appendices. The steps needed to implement the strategy will be delivered by the Housing Commissioning and Partnerships Team and the cost of delivery will be contained within existing budgets. In furtherance to delivery of objectives set out in this paper, a funding bid was made to the Equalities Taskforce Fund.
- 10.2 The strategy proposes direct delivery of intermediate housing developed through the Council's Community Investment Programme (CIP) by an arm's length housing company wholly owned by the Council. A paper is being presented to Cabinet to recommend the establishment of such a company. At the moment it is planned that this company will only acquire 52 units at Maiden Lane which were originally earmarked for shared ownership. The acquisition of any further units will be considered on a case by case basis in light of viability and strategic fit with the Council's objectives.
- 10.3 The separate paper which seeks approval to establish a wholly owned housing company to deliver intermediate housing products includes the modelling of different rents to capture a range of target incomes. The paper demonstrates that the Council could successfully deliver the majority of intermediate housing products to its target income group (i.e. households with incomes of £30k - £40k per annum), subject to actual demand being in line with assumptions set out in the strategy.

## **11. APPENDICES**

Appendix 1 – Intermediate Housing Strategy  
Appendix 2 – Equality Impact Analysis Checker

**REPORT ENDS**

## INTERMEDIATE HOUSING STRATEGY

### 1. BACKGROUND

- 1.1 This strategy sets out the Council's approach to the supply and allocation of sub-market housing in Camden. It seeks to meet the aspirations set out in the Camden Plan and taken forward by the Equalities Taskforce to deliver suitable and affordable housing to middle income households.
- 1.2 The Equalities Taskforce saw intermediate housing (IH) as meeting 'the needs of low and middle income groups' who were 'very unlikely to secure' social housing. The focus on this issue was based on the evidence that, although Camden has one of the highest proportions of social housing in London, individuals and families on low and middle incomes are very unlikely to secure it because demand far exceeds supply, while they also cannot afford the high prices in the private rental and/or sale market.
- 1.3 The Taskforce highlighted the importance of maintaining the social mix<sup>1</sup> of Camden, identifying its potential to build community cohesion and enhance individuals' life chances. Providing an adequate supply of affordable housing at a good standard is integral to achieving this ambition.
- 1.4 Until relatively recently, the needs of low and middle income groups in Camden who could not access either social or market housing have been met to an extent by the most common IH product, which is called shared ownership (see 2.2 below). Unfortunately, with the increase in property values across central London, this product is becoming unaffordable and there is a need to consider alternatives.
- 1.5 It is now common to hear reports of low and middle income workers like teachers, nurses and even doctors who are unable to live in Camden. The Council needs to act to preserve the borough's social mix and to ensure that the local economy and public services are sustainable.
- 1.6 In September 2015, the Housing Scrutiny Committee set up an Intermediate Housing Scrutiny Panel to:
- investigate what the priority need in Camden for intermediate homes is
  - look at whether intermediate housing in Camden can support the Camden Plan objectives and economic/social needs
  - look at what is being done in other inner London boroughs which face the same issues as Camden
  - make recommendations about the types of intermediate products which Camden should seek to explore further and adopt in future developments
  - consider any implications for the housing aspects of the Community Investment Programme and setting up partnerships with other bodies to run pilot schemes, and make recommendations in these areas.

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<sup>1</sup> The Taskforce argued that a good social mix is achieved when communities contain residents who possess different characteristics in terms of: income and wealth, age, race, disability, sexual orientation, sex, employment, religion and belief, social attitudes and housing tenure.

1.7 The draft recommendations from the Intermediate Housing Scrutiny Panel have been taken into account in drawing up this strategy.

## 2. WHAT IS INTERMEDIATE HOUSING?

2.1 The National Planning Policy Framework 2012 indicates that IH:

- costs less than market housing
- costs more than social rent (social housing in Camden costs 25-35% of market rent)
- can include homes for ownership, shared-ownership and rent
- is provided to households whose needs are not met by the market, with eligibility set with regard to local incomes/house prices

2.2 The main IH products are:

- **Shared Ownership (SO):** Applicants purchase a property on a leasehold basis from a housing association (HA) or local authority, paying between 25 and 75 per cent of the property value, and pay the HA or local authority a low rent on the remaining property value. The applicant is responsible for 100 per cent of the maintenance, and is likely to pay service charges if the property is a flat. Purchasers can buy additional shares up to 100 per cent, known as 'staircasing', if their financial circumstances allow them to do so.
- **Shared equity/loan:** Applicants purchase the property outright with a conventional mortgage but with the assistance of a further loan, typically 20%, from a government body, which is also secured against the title of the property. Interest is not typically charged on the loan for an initial period. There are no regular capital repayments required on the loan but the amount repaid is based on the property value at the time of redemption, reflecting any increase or decrease in the value of the home.
- **Other low cost home ownership schemes:** These are home ownership products provided by developers, usually as part of a section 106 agreement, such as discounted market sale products and the government's Starter Homes Initiative (see 7.18-7.19).
- **Intermediate Rent (IR):** These are homes let at below market rent by HAs and other specialist providers, thereby enabling tenants to save for a deposit to subsequently become homeowners. Rents are usually charged at up to 80 per cent of market levels. They are let on assured shorthold tenancies

2.3 There have been a number of variations of the above products over the years and in some cases different brand names have been used to describe the same product.

## 3. WHAT INTERMEDIATE HOUSING IS THERE IN CAMDEN?

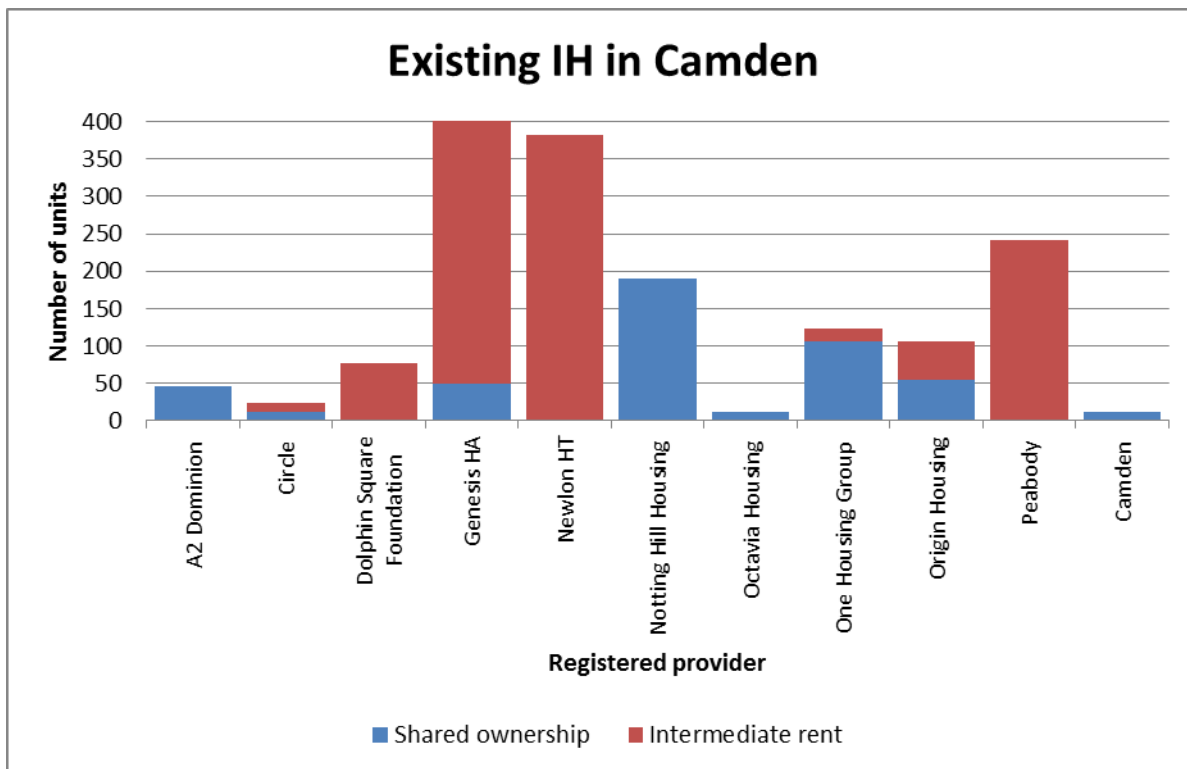
3.1 Approximately one-third of households in Camden live in the social housing sector (i.e. council or HA stock), with another one-third in the private rented sector and one-third in the owner-occupied sector.

3.2 There are around 13,000 HA homes in the borough, which includes around 1,900 Intermediate Housing units.



3.3 The main providers of IH in Camden are Genesis, Newlon Housing Trust and Peabody (see Graph 1 below).

**Graph 1**



3.4 Most of the IH provision from these three HAs is Intermediate Rent for ‘keyworkers’:

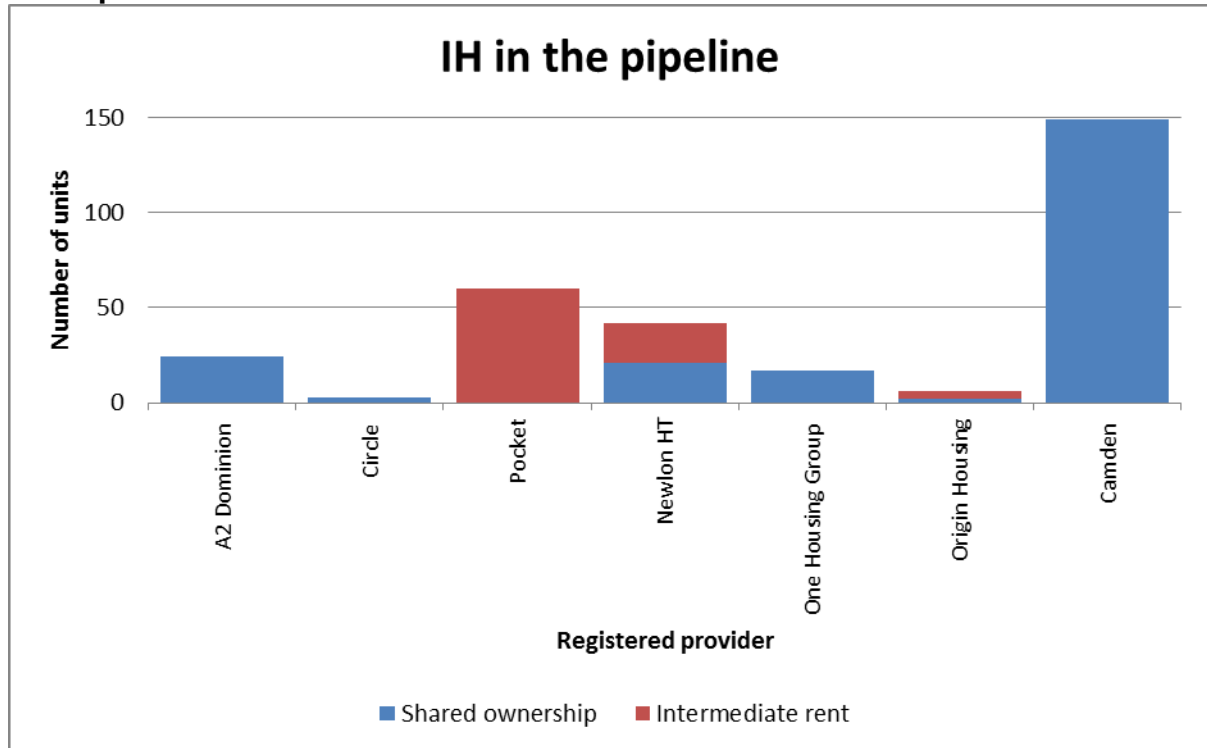
- Genesis – 613 units (some shared) across four buildings, held on short term leases, for NHS and University staff
- Newlon – 355 units for nursing staff at The Royal Free Hospital
- Peabody – 244 units on the Cumberland Market estate for generic key workers

3.5 The graph also shows that the main providers of Shared Ownership in the borough are Notting Hill Housing, reflecting their previous status as the borough agent for the now defunct Do it Yourself Shared Ownership product, and One Housing Group, reflecting their status as the social housing partner on the Kings Cross Central development.

3.6 There are approximately 300 units of IH presently in the development pipeline that are either on-site or have planning permission where delivery of consented schemes is likely.

3.7 Graph 2 below shows that the vast majority of these pipeline units are currently planned to be delivered as Shared Ownership and that approximately 150 of them are being developed by the Council as part of the Community Investment Programme (CIP). The CIP target is to build a total of 300 IH homes over the 15 years of the programme, which began in December 2010. To date, twelve CIP shared ownership units have been developed.

**Graph 2**



- 3.8 If all of these pipeline units are developed as planned, the total stock of IH units in Camden would be approximately 2,350, which would represent about 6% of the total affordable housing stock in the borough.
- 3.9 By way of comparison, Westminster has around 1,600 units of IH, with a development pipeline of 750 units. If all of these pipeline units are developed as planned, the total stock of IH units in Westminster would be approximately 2,350, which would represent about 8% of the total affordable housing stock in the borough.
- 3.10 Islington has around 1,750 units of IH, with a development pipeline of 500 units. If all of these pipeline units are developed as planned, the total stock of IH units in Islington would be approximately 2,250, which would represent about 5% of the total affordable housing stock in the borough.

#### **4. HOW DO PEOPLE ACCESS THIS INTERMEDIATE HOUSING?**

4.1 Access to IH is through waiting lists held by individual Housing Associations. The GLA has headline *eligibility* criteria for IH and individual boroughs are able to define eligibility more tightly through their planning agreements. The GLA also sets a headline *priority* order for IH and again individual boroughs are able to set their own local priorities.

##### *Eligibility*

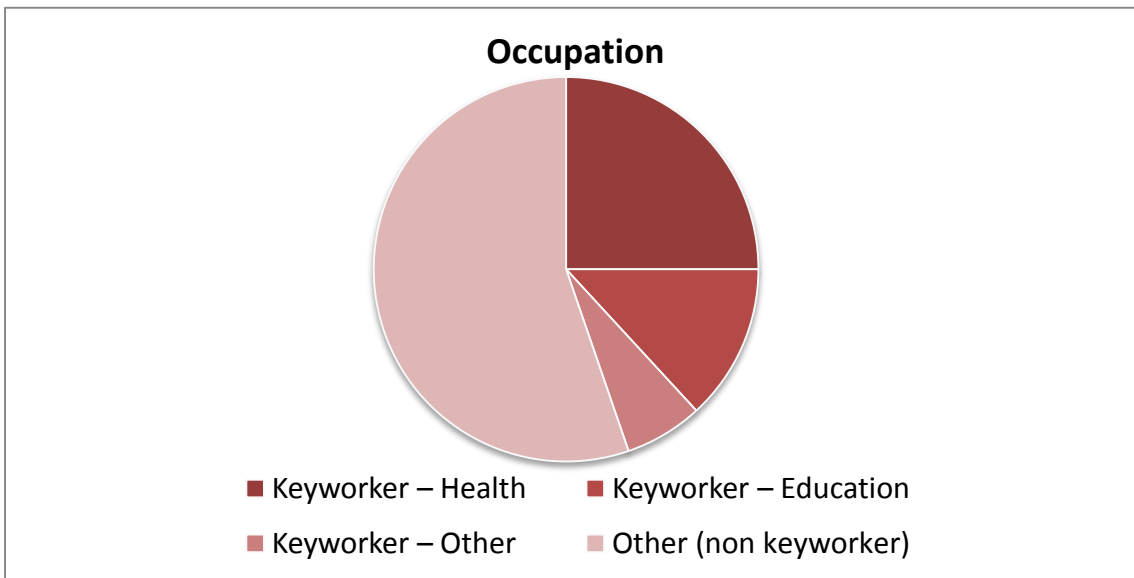
- 4.2 The headline eligibility criteria included in GLA guidance states that applicants must:
- have a gross household income of no more than £71,000 per annum when eligible to purchase or rent a one or two bedroom home or no more than £85,000 per annum when eligible to purchase or rent a family sized home (three or more bedrooms).

- be unable to purchase a suitable home to meet housing needs on the open market.
  - not already own a home or that a current home will have been sold before purchasing or renting an IH product.
- 4.3 The GLA guidance also states that local planning authorities should seek to ensure that intermediate provision provides for households with a range of incomes below the upper limit, and provides a range of dwelling types in terms of a mix of unit sizes (measured by number of bedrooms), and that average housing costs, including service charges, to households for whom IH is provided are affordable by households on annual incomes of £46,250 pa (i.e. the mid-point of the range between £21,500 and £71,000).
- 4.4 Through planning agreements, councils are able to define eligibility more tightly in relation to income levels and local connection. The Council does this in a planning policy document called CPG2: Housing.
- 4.5 CPG2: Housing sets out objectives that are more challenging than the GLA eligibility criteria, as follows:
- we promote take-up of intermediate housing by social housing tenants;
  - for 1-bedroom homes we target annual household incomes of £30,000 or less (gross);
  - for 2-bedroom homes we target annual household incomes of £40,000 or less (gross); and
  - we will only restrict eligibility to key workers on sites where this is particularly appropriate e.g. development on hospital land to provide housing for health workers.
- 4.6 In December 2015, the government announced that it was relaxing the eligibility criteria for Shared Ownership. From April 2016, the only criteria in London will be that households should have an income of no greater than £90,000, and local authorities will no longer be able to restrict Shared Ownership to key workers or those on lower incomes.
- 4.7 The headline priority order for IH set by the GLA is as follows:
1. HA and council tenants, and armed forces personnel
  2. Local priorities (which may vary from development to development)
  3. Other eligible buyers
- 4.8 ‘Keyworkers’ are not accorded any additional priority by the GLA over other applicants. As noted in Section 3 above, a large proportion of the total IH stock in Camden is already targeted to this group. Reaching agreement on a definition of ‘keyworkers’ can be difficult. A rigid definition of ‘keyworkers’ within public services, e.g. doctors, nurses and teachers, can mean that those most in need are excluded, e.g. hospital cleaners and teaching assistants, as well as those working within the voluntary and community sector and the creative industries.
- 4.9 It can also be evidenced (see case study box below) that there is a natural take up by keyworkers of the non-specific keyworker intermediate stock, due to the demographics of public sector workers, who are more likely to fit the eligibility requirements.

### Case study 1

In September 2015, Dolphin Living let 77 intermediate rent units on the Kings Cross Central site. The graph below shows the split between keyworker and non- keyworker occupations where there is at least one keyworker in residence (some flats are occupied by two keyworkers). It shows that a high proportion of the units (44%) were taken up by keyworkers. Marketing was targeted at teachers in Camden's family of state schools, which helped to increase the proportion of keyworkers from that sector.

Graph 3



## 5. WHAT IS THE DEMAND FOR INTERMEDIATE HOUSING?

- 5.1 The last Housing Needs Survey carried out by the Council in 2008 showed that a high proportion of the people who couldn't afford housing in the open market could afford something with a cost in between the cost of social housing and market housing – but in most cases it had to be nearer to the cost of social than market housing.
- 5.2 The fieldwork supporting the 2015 Strategic Housing Market Assessment included interviews held with Neighbourhood Forums, which found that:
- the main concerns were about a lack of genuinely affordable housing
  - the majority believed the types of property which should be given greatest priority on new developments in both the Borough and in their Neighbourhoods should be low cost homes to rent or buy and homes to buy at market price
- 5.3 A survey<sup>2</sup> carried out over the summer of 2015 of a sample of 500 residents in the borough found that the majority did not think that there was an adequate supply of affordable housing in the borough.

<sup>2</sup> July 2015 Camden resident insight survey

- 5.4 The majority also supported the development of social housing for people on lower incomes in the greatest housing need, and homes at a moderate rent for people on average incomes.
- 5.5 A significantly larger proportion of residents in the survey considered that it was more important for the Council to support the development of affordable housing to rent as opposed to affordable housing to buy.
- 5.6 The Equality Taskforce had recognised that individuals and families on low and middle incomes are very unlikely to secure social housing because demand far exceeds supply, while they also cannot afford the high prices in the private rental and/or sale market.
- 5.7 The median gross full-time pay for people resident in Camden is £39,601, which is above the central London average (£37,554), and above the Greater London average of £32,781<sup>3</sup>. Median equivalised household income in Camden in 2015 is estimated to be £32,695, and 24.5% of households in Camden have a household income of less than £20,000 a year. The table below shows the full distribution of household incomes across the borough<sup>4</sup>.

**Table 1**

<b>Household income band</b>	<b>Proportion of households</b>
Less than £20,000	24.5%
£20,000-£30,000	21%
£30,000-£40,000	15.7%
£40,000-£50,000	11.8%
£50,000-£60,000	8.4%
£60,000-£70,000	5.7%
£70,000-£80,000	4%
£80,000 and above	9%

- 5.8 In Camden, the median market rent for a two bed property is £465pw, which is unaffordable for anyone earning £40,000. A couple with two children and a combined income of £40,000 would be spending 69% of their income on rent for a two bed flat, far above assessments of the proportion of income which would classify a rent as affordable (30-40%). Income has to increase to over £60,000 for rent for a two bed to take up 50% or less of take home pay.<sup>5</sup>
- 5.9 Although a London wide phenomenon, central London boroughs like Camden have experienced significant increases in property values in recent years. In Camden, potential first time buyers would now need to borrow as much as 15 times their income to obtain a mortgage.

<sup>3</sup> Annual Survey of Hours and Earnings (ASHE) 2015, © ONS Crown Copyright OGL 2015

<sup>4</sup> Equivalised PayCheck 2015, © CACI 2015

<sup>5</sup> Written evidence submitted by LB Camden to Housing and Planning Bill Committee, December 2015

- 5.10 The high capital value of housing in Camden also means that it is no longer possible to deliver Shared Ownership homes that are affordable to the Council's target income groups earning £30,000 to £40,000 per year.
- 5.11 The GLA has recognised that delivering Shared Ownership homes in many central London locations, such as Camden, is no longer viable. The only way Londoners are able to qualify and remain within the income caps is for purchasers with significant savings to buy a larger share and/or pay a greater deposit.
- 5.12 Evidence (see box below) suggests that while there is still a demand for Shared Ownership homes in the borough, and that they are still sold very quickly, the incomes and savings required to purchase them are far in excess of those households that the Equality Taskforce identified as needing to be assisted.

**Case study 2**

The sale of five two-bedroomed shared ownership homes in Fitzrovia completed in June 2015. The market value of these units averaged £902,500. The average income of purchasers was £52,300 and average savings were £54,300.

Whilst property values in the borough vary depending on whether they are broadly north or south of the Euston Road, even units elsewhere in the borough valued in the region of £550,000 will be unaffordable to Camden's target groups of residents with limited savings.

- 5.13 The significant proportion of households in the borough who cannot access social housing but for whom market rent or sale and now even shared ownership homes are unaffordable is likely to be added to shortly by council tenants with household incomes above £40,000 who may be affected by the government's Pay-to-Stay proposals.
- 5.14 The response to the recent marketing of the Dolphin Living units to teachers in Camden's family of state schools (see Section 4 above) would suggest that there will be a healthy demand from that source for affordable Intermediate Rent units as well.
- 5.15 There should be a strong demand for Intermediate Rent at all price levels from 40% up to 80% of market rent (see table below).

**Table 2**

<b>Percentage of median market rent for average 2bed property (£465 pw)</b>	<b>Rent per week</b>	<b>Affordable to households with income of</b>
40%	£186.00	£34,543
50%	£232.50	£43,179
60%	£279.00	£51,814
70%	£325.50	£60,450
80%	£372.00	£69,086

## **6. WHAT ACTION WILL THE COUNCIL TAKE TO DEVELOP THE INTERMEDIATE HOUSING SECTOR IN THE BOROUGH?**

6.1 The Council will develop the IH sector in the borough through the following:

- planning policy
- direct delivery
- influencing supply by providers
- access arrangements

Planning policy

6.2 The Camden Core Strategy 2010-2025 (Policy CS6) sets out a general target to seek 50% of self-contained homes as affordable homes, and a guideline affordable housing split of 60% social rented housing and 40% IH.

6.3 Supporting paragraphs of the Core Strategy indicate that the Council will tackle social polarisation by seeking a variety of intermediate housing types (including Intermediate Rent and Shared Ownership) to meet the needs of households with a range of incomes, and will also support a range of market housing types including private rent and innovative low cost designs.

6.4 More detailed planning requirements for IH are contained in Camden Planning Guidance (CPG2): Housing, where it can be more readily updated (see 5.5 above).

6.5 Camden's Development Policies and CPG2 both include provisions allowing for 100% intermediate housing in schemes that provide substantially over 50% affordable housing.

6.6 Over the last couple of years, a draft Camden local plan has been produced through extensive engagement with Members, community representatives, the development industry and other stakeholders. As part of this process, the cross-party Members' Planning Policy Steering Group discussed the split between social housing and IH, together with the recommendation of the Equality Taskforce that IH should be provided to support individuals and families on low to middle incomes. Members agreed that the plan should promote provision of IH, but not at the expense of social housing. Members also considered the plan should retain the 60%-40% split.

6.7 Consequently, the Camden local plan considered and approved by Cabinet in January 2016 maintained the existing approach to IH, whilst emphasising that we will generally seek Intermediate Rent rather than Shared Ownership. The local plan also noted that high capital values in Camden made it difficult to provide Shared Ownership housing that complied with the Mayor's income caps, and advocated a variety of alternative intermediate models including housing for Intermediate Rent. It proposed that details should be included in Planning Guidance.

6.8 This version of the local plan will go through a further round of public engagement before being submitted to the government for examination by an independent inspector. It is anticipated that it will be adopted in winter 2016/17.

- 6.9 CPG2 will be revised as the local plan proceeds to adoption. This will provide an opportunity to incorporate elements of this IH Strategy into formal planning guidance and refine details of policy, such as the preferred model or models of IH and how the Council ensures that these are delivered.
- 6.10 Nothing in Camden's existing or proposed planning policies ties the Council or other providers to a particular intermediate housing type or model.

*Direct delivery*

- 6.11 The Council's CIP is set to deliver the largest new supply of IH in the borough, with a target of 300 programmed IH homes over the 15 years of the programme, which began in December 2010. When the CIP was first put together, these 300 homes were designated as being for Shared Ownership. Subject to Cabinet approval, the Council will replace some or all of the 300 Shared Ownership homes with the more affordable Intermediate Rental units, and these will be transferred to an arms-length company owned by the Council.

*Influencing supply by providers*

- 6.12 Apart from the CIP, the other main supply of affordable housing and hence IH in the borough comes from section 106 planning agreements, whereby developers are required to deliver a proportion of affordable housing on all developments above a certain size threshold.
- 6.13 The effect of the planning agreement is that the developer will invite HAs to bid for the affordable housing requirement. From the developer's perspective, the development will only be viable if the housing is sold at a high enough price to cover all the costs and deliver a 'developer's return' or profit. This means there is a minimum price that a HA has to pay the developer, and there is a direct relationship between viability, quantum and type of affordable housing as well as rent levels.
- 6.14 The Council always seeks to negotiate the best possible outcome on all such schemes in line with council housing policy and planning guidance, while still enabling schemes to come forward for development.
- 6.15 The Council will continue to seek to secure affordable IH on S106 schemes by:
- encouraging all developers and Housing Associations to provide Intermediate Rent rather than Shared Ownership units as the intermediate housing element of their affordable housing contribution to developments
  - encouraging all providers to adopt an approach to intermediate rent with a range of rent levels from 40% to 80% of market rent to secure scheme viability whilst ensuring that a majority of provision is affordable to households with incomes between £30,000 and £40,000 (as adjusted by wage inflation)
  - using the Affordable Housing Fund as a subsidy to either replace Shared Ownership with Intermediate Rent or subsidise rent levels
  - encouraging all providers and developers to minimise service charges in order to enhance affordability
  - encouraging some provision of well-designed studio as well as one-bedroom accommodation to meet the needs of single households or couples



- encouraging developers to design good quality two bedroom units suitable for sharing households
- 6.16 There are two other ways in which the Council might work in partnership with providers to deliver IH in the borough:
- targeted disposal of Council sites for IH – when considering options for sites that have been earmarked for disposal, the Council will assess their suitability for the provision of IH
  - redevelopment of properties or sites owned by major employers and institutions in the borough – the Council will continue to work with major employers and institutions in the borough, such as NHS trusts, universities and other organisations within the knowledge sector, to form strategic partnerships with a common aim of providing affordable IH for Camden workers.
- 6.17 The combination of the above actions should mean that more affordable IH products would be delivered in the borough in the coming years than are currently planned. However, proposals in Housing and Planning Bill, relating to the provision of Starter Homes may affect the number of homes provided.
- 6.18 If the Starter Homes proposals become law, all planning authorities in England must promote the supply of Starter Homes when carrying out relevant planning functions and developers could potentially discharge all their S106 affordable housing obligations by simply selling a proportion of the units in their scheme at a discount of 20% of market value to first-time buyers under 40 years of age.

#### *Access arrangements*

- 6.19 The Council will establish a website on which people seeking IH can register their interest, and will promote the website to teachers in Camden's family of state schools.
- 6.20 All providers of IH in the borough will be expected to market their units to people registered on this website and any other groups as specified by the council, in the first instance.
- 6.21 The Council will expect providers to let Intermediate Rent units in accordance with the Priority Matrix set out in Schedule 1.
- 6.22 The Priority Matrix has been devised to prioritise Camden residents over non-Camden residents, in recognition of the Equalities Taskforce's objective to see the social mix of the borough maintained, and non-Camden residents who have worked in the borough for the last six months over those who haven't, in recognition of the contribution that keyworkers from outside the borough make to Camden.
- 6.23 The Council will consult with providers of Intermediate Rent units about a process for letting units that effectively matches households with a range of incomes to different rent levels, i.e. ensuring that lower rents are targeted at households with lower incomes.

## 7. RISKS AND REVIEW

- 7.1 This Strategy is intended to be a live document, guiding the Council's actions in relation to addressing the need for IH in the borough over the coming years. As such, it needs to remain relevant and fit to fulfil this purpose.
- 7.2 In recognition that this is an area that is subject to significant changes in both the external environment (principally changes in the housing market, government policy, and actions of other organisations in both the affordable and private housing sectors) and internal environment (the impact of changes to related council strategies), this document will be subject to periodic review and revision.
- 7.3 The need to carry out a review will be determined by changes to the external and internal operating environments, but the need to do so will be considered at least annually. The scope and approach for these reviews will be determined at that point.

### Schedule 1 – Intermediate housing priority matrix

Priority	Status	Decision making		
		—————→		
1 <sup>st</sup>	Camden social housing tenant	If two or more applicants then points on the HNR will decide priority	If two or more applicants have the same points, income thresholds will apply	If still same, first to register an interest will have priority
2 <sup>nd</sup>	Camden resident on Housing Needs Register	As above	As above	As above
3 <sup>rd</sup>	Any other Camden resident	If two or more applicants, income thresholds will apply	If still same, first to register an interest will have priority	
4 <sup>th</sup>	Non Camden resident who has worked in the borough for the preceding six months	If two or more applicants, income thresholds will apply	If still same, length of time working in the borough will have priority	If still same, first to register an interest will have priority