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Introduction

- 1.1. This note has been prepared in response to queries from Camden relating to affordable housing which related to the following:

“...our policies require a cascade approach, where AH [affordable housing] should be provided firstly on site, and then off-site, with a financial contribution only acceptable in exceptional circumstances.

No justification has been provided for not providing AH on-site. Whilst I can see there would be difficulties with cores, you will still need to demonstrate why this is not feasible.

Under the second part of the cascade, you need to demonstrate why it is not possible to provide AH off-site, in the area.”

- 1.2. This note is accompanied by an additional document titled “Affordable Provision” dated 28 August 2018 prepared by the architects, Piercy&Company.

Background

- 1.3. On 4 May 2018, a planning application was submitted proposing the redevelopment of the existing, under-utilised site at 18-22 Haverstock Hill by demolishing the existing 11 residential units, A1 unit and A5 units and structures, and to redevelop the site to provide 29 new, high quality residential units (i.e. an uplift of 18 new self-contained units) and a significant increase and improvement in retail floorspace within the Camden Town Centre. The Council's reference number for this planning application is 2018/2179/P.
- 1.4. The supporting Planning Statement justified why it was not possible to provide on-site affordable housing (largely due to site constraints and design reasons) or off-site affordable housing (the applicant does not own other sites in the Borough). Whilst the supporting Viability Report demonstrated how it was not financially viable to provide any affordable housing on site, the applicant was prepared to take a commercial decision and forego an amount of profit and provide an ex gratia Payment-in-Lieu (PiL) in order to deliver the proposed scheme which would provide considerable planning benefits.
- 1.5. The applicant's Viability Report was assessed by the Council's assessor, BPS Chartered Surveyors (“BPS”). Following extensive discussions, BPS considered £1million (“£1m”) to be the maximum affordable housing contribution supported by the current viability position of the scheme. The applicant has agreed to provide a contribution of £1m as a PiL and also agreed to the principle of a deferred affordable housing contribution, subject to the applicant reviewing the specific details and wording of the review mechanism.

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- 1.6. The Council has subsequently requested further justification in light of their affordable housing policies. This note elaborates on the justification provided in the original supporting information.

Planning Policy Background

- 1.7. At the national level, the NPPF requires local planning authorities to ensure that policy documents meet fully objectively assessed housing needs. The NPPG recognises that any planning obligations, including affordable housing, must be fully justified and evidenced and should not prevent development going forward. Para 031 of the NPPG refers to the order of the Court of Appeal dated 13 May 2016, which gives legal effect to the policy set out in the Written Ministerial Statement of 28 November 2014.
- 1.8. Policy 3.13 of the London Plan sets a standard affordable housing provision threshold of sites with capacity to provide 10 or more units.
- 1.9. In negotiating the provision of affordable housing on individual sites, Policy 3.12 of the London Plan (2016) states that *"negotiations on sites should take account of their individual circumstances including development viability, the availability of public subsidy, the implications of phased development including provisions for reappraising the viability of schemes prior to implementation (contingent obligations), and other scheme requirements"*.
- 1.10. At the local level, Local Plan Policy H4 states that for all developments which provide one or more additional homes and involve a total addition to residential floorspace of 100sqm GIA or more, the Council will seek affordable housing provisions based on a sliding scale target. The latter starts from 2% where there is capacity for one additional home and increases by 2% for each home up to a capacity for fewer than 25 additional homes. For development of 10 or more additional homes, this provision of affordable housing will be sought on-site.
- 1.11. Where affordable housing cannot be practically provided on site, or off-site provision would create a better contribution (in terms of quantity and/or quality), the Council may accept provision of affordable housing off-site in the same area, or exceptionally a payment-in-lieu.

On-Site Affordable Housing

- 1.12. On the basis of the above, it is acknowledged that in policy terms the preference is for on-site affordable provision. The submitted Development Viability Appraisal concluded the scheme could not afford any on-site affordable housing. The Design Team has considered the potential for the site to provide on-site affordable housing, however, due to the constrained nature of the site this is not feasible and would result in an undesirable layout/core arrangements and loss of retail frontage and area. The key issues are set out below:

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- i. The provision of on-site affordable units would result in the proposal having a reduced retail frontage and floor area which would detrimentally impact the range and number of future, potential retail tenants/occupiers, and also remove any flexibility of the potential units (ability to subdivide in to two units), thus negatively impacting the Camden Town Centre, and achievable values;
 - ii. Due to the constrained nature of the site, it is likely that any additional bins/bikes storage area would need to be accommodated at the ground floor level resulting in an unattractive 'back of house' appearance within the Camden Town Centre along its primary retail frontage;
 - iii. Due to the small site and its developable area, it would be problematic and undesirable for the scheme to accommodate an additional, separate core and/or lifts, as this would detrimentally impact the proposed building's appearance of the ground floor frontage, the building's layout, circulation spaces, its efficiency, involve a loss of residential floor area (which would further impact on viability) and compromise the quality of residential accommodation;
 - iv. The accessible units would need to be re-located in the upper levels and require an additional lift – again impacting on the building as outlined in the aforementioned point;
 - v. If the Council require the affordable units to share the core/amenity/service areas, this is normally problematic for Registered Providers (RP) for management and service charge reasons; and
 - vi. RPs are often reluctant to take on a small number of affordable housing units as they usually require a 'critical mass' of affordable housing units.
- 1.13. Even when a small number (i.e. 1 unit) of on-site affordable is considered (e.g. a 3-bed duplex wheelchair accessible unit – as illustrated in the architects document), this would result in a minimum loss of retail floor area of approximately circa 26sqm and a loss of nearly 15% of the retail frontage. The applicants have considered whether affordable units could be provided on site and in order to have a separate entrance, this would result in the 3 bed duplex unit accessed from the ground floor. If this 1 x 3 bed unit were to be provided on-site as an intermediate rented unit, the residual land value of the proposed development would decrease by over £1m (the maximum reasonable amount of affordable concluded by BPS), and therefore resulting in the development becoming undeliverable. This is due to the value differential between market housing and affordable housing in this location, the loss of retail space, and the negative impact on value of retail space through the loss of frontage and less flexible layouts. Therefore the scheme cannot provide on-site affordable housing in viability

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terms, and furthermore, the provision of 1 unit would be challenging from an RPs perspective for the reasons set out above. However in our view, if two separate cores were proposed for reasons stated above, these would need to be 'tenure blind' and therefore same size entrance cores would be required thus further reducing the proposed retail floorspace.

- 1.14. In light of the findings above, it can be demonstrated and justified why it is not feasible or possible to provide on-site affordable housing in this instance

Off-Site Affordable

- 1.15. Whilst the applicant has previously advised that they do not own any other buildings/sites in the vicinity of the application site or within LBC, nonetheless, in line with LB Camden's policy we have further considered the possibility of facilitating the delivery of affordable housing off-site. We have given consideration to the provision of land for the development of affordable homes, and the conversion of market sale homes, with the £1m that is currently proposed as a Payment in Lieu.

Option 1 – Development Land

- 1.16. This option involves the purchase of land for the development and delivery of affordable housing units by an RP. Given that the Applicant does not own any other sites in Camden, we have undertaken a search on EGi and Costar, two databases that track land availability and sales, which have provided no results for land on the market for £1m or less. We have also sought advice from Savills North London Land team who are active in the Camden market, and monitor availability and transactions. They have also confirmed that there is nothing on the market for £1m. In reality the land would have to be purchased for significantly less than £1m in order to provide a sufficient build budget to deliver the affordable housing units, which reduces the likelihood of this being an option. The cheapest site they have been able to identify is £2.85m.
- 1.17. Based on the above purchasing development land within the borough for an RP to take forward is not likely to be an option in this instance as prevailing land values in the borough are very high. As such, given the cost of development land within the borough and in light of the viability findings, this scheme could not provide a sufficient financial payment to secure an off-site development plot.

Option 2 – Conversion of Market Sale Properties

- 1.18. This option involves the purchase of constructed units originally intended for market sale. In this instance the applicant would facilitate the conversion of market units to affordable using the £1m that is currently proposed as a Payment in Lieu.

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- 1.19. A payment would be required to cover the difference in value between that which an RP would realistically pay for affordable housing units and their equivalent market value. We have given consideration to Land Registry data which shows the average value of a residential property in Camden to be £882,365 (as at the latest available data from June 2018). Assuming a capital value of £165,000 for an intermediate rent unit (based on an assumed income threshold of £40,000), the value deficit would be £717,365. On this basis an off-site provision could equate to 1 intermediate rent unit, however this method is limited by the following factors:
- i. RPs preference to manage a meaningful quantum of units in one location which would require acquisition of a number of homes in a single block – this is limited by the available market stock, and the low number of units that could be afforded;
 - ii. Design standards / stock quality - the average price reflected above will take into account transactions of greater and lower values. It is likely that a significant amount of the units that are suitable in cost terms may not meet the minimum size requirements of RPs. Acquisition of off-site affordable housing in this way may therefore lead to lesser quality units than would be delivered in new-build affordable housing that has been designed specifically for that tenure to RPs' requirements;
 - iii. Service charge costs – purchase of individual second hand units will not allow certainty over future servicing costs and is likely to either reduce the value an RP can pay for the unit or reduce the contribution available;
 - iv. Management issues – RPs avoid taking on units that share cores and communal areas with private housing, and when purchasing second hand units this is likely to be the case. This potentially has issues associated with service charges and impact on the affordability for the future occupiers.

Exceptional Circumstances & Benefits

- 1.20. As noted earlier, whilst the applicant's Viability Report has demonstrated that there is a deficit incurred in viability and therefore cannot reasonably afford any onsite affordable, the Applicant has agreed to an ex gratia PIL contribution of £1m and the principle of a review mechanism (subject to review of the details).
- 1.21. The applicant has taken this commercial decision to provide the £1m PiL, forgoing an amount of profit in order to deliver the proposed scheme which would provide considerable planning benefits.
- 1.22. It is acknowledged that London Plan Policy 3.12c seeks to provide on-site affordable housing, and only in exceptional circumstances where it can be demonstrated robustly that this is not

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appropriate in terms of the policies it may be provided off-site, and that a payment in lieu contribution should only be accepted where this would have demonstrable benefits in furthering affordable housing and other policy objectives. In line with the Mayor's Viability SPG, such resources can be pooled and 'ring fenced' to enable greater, more appropriate, new affordable housing to be provided.

1.23. Having regard to the constrained nature of the site, the provision of on-site affordable housing would not be appropriate as outlined above. The provision of off-site affordable housing is also not possible or appropriate as outlined above.

1.24. In the context of the proposal, the site constraints and viability assessment, it is considered that the provision of a PiL would offer greater benefits to the Borough and therefore considered as exceptional circumstances and would therefore comply with Policy H4, the London Plan, the Mayor's Viability SPG and the NPPF. The applicant will be able to deliver a scheme which would provide the following benefits:

- The development of new high-quality housing units, which will contribute towards the housing targets for both LBC and London;
- A new building with the highest standards of design and materials palette, reflecting the local townscape and preserving the setting of the neighbouring heritage assets;
- An increase in the amount of retail floorspace provided at ground floor, contributing to the vitality and viability of the town centre;
- An increase in the number of employment opportunities on site;
- The provision of communal areas and play space for residents;
- Protection of amenities of surrounding and future residential occupiers;
- Net biodiversity and ecological gains through inclusion of green roof and bird/bat boxes;
- Sustainable transport promoted through secure cycle parking provisions and proximity to public transport services;
- Carbon savings of 28.5% and appropriate carbon off-setting solutions;
- Predicted BREEAM rating of "Excellent" in compliance with policy; and
- Adequate refuse/recycling and servicing provisions in line with LBC's requirements.

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- 1.25. We consider that the proposals accord with national, regional and local planning policy and would provide many positive benefits to the local area and Camden. Accordingly, we respectfully request that planning permission is granted.

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