



**369-377 Kentish Town Rd
LB Camden**

Affordable Housing Policy Statement



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1.0 Introduction.

- 1.1 Affordable Housing Solutions, (AHS), have been appointed by the Applicant to advice in relation to any affordable housing obligations which may be attached to the Proposed Scheme at Kentish Town Rd, located in the London Borough of Camden.
- 1.2 The purpose of this Statement is to provide background information to support the affordable housing proposal contained in the Planning Application, prepared on behalf of the Applicant, and should be read in conjunction with the Application.
- 1.3 This Statement considers the following issues:
- An analysis of proposed affordable housing solution in relation to relevant planning policy at a National, Regional, and Local level.
 - The maximum reasonable proportion of affordable housing that the scheme can deliver whilst remaining economically viable.
- 1.4 The following policy documents have been considered:
National Planning Policy Framework March 2018 (NPPF); The London Plan, (2016); GLA Strategic Housing Market Assessment (SHMA), (2014). GLA Affordable Housing and Viability SPG (2017); GLA London Housing Strategy Draft (2017); LB Camden Local Plan (2017); LB Camden Housing CPG2 (as amended March 2018); LB Camden Interim Housing CPG (November 2018); LB Camden Draft Developer Contributions (November 2018); Camden's Draft revised Local Area Requirements for Planning Applications (2018); Homes and Communities Agency Framework Document (2011); Community Infrastructure Levy (Amendment) Regulations 2011.
- 1.5 AHS will submit under separate cover an Economic Viability Assessment, on behalf of the Applicant, together with an explanatory report. This confidential financial data will demonstrate what level of affordable housing and tenure type the Proposed Scheme is capable of providing without becoming unviable.
- 1.6 The scheme will be appraised employing an Argus development appraisal, which is a standard industry model. We understand that this model is acceptable to Camden Council for the purposes of determining the maximum viable quantum of affordable housing in fully residential and mixed use projects containing an element of residential use, and is therefore appropriate for the purpose in relation to the subject scheme.

2.0 Affordable Housing Policy: Relevant National Policy

2.1 The principal national policy guidance on housing and affordable housing is set out in the National Planning Policy Framework published in July 2018 (NPPF). Affordable housing is defined by the National Planning Policy Framework as follows:

“Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions ...” These include affordable housing for rent, starter homes, discounted market sales housing and other affordable routes to home ownership.

2.2 Para 61 states *‘the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people.....’*

2.3 Para 64 states that planning policies should expect at least 10% of the homes to be available for affordable home ownership.

2.4 The key housing policy goal is to support the Government’s objective of *‘significantly boosting the supply of homes’*. To deliver a sufficient supply of homes local authorities should:

determine the minimum number of homes needed, strategic policies should be informed by a local housing needs assessment

prepare a strategic housing land availability assessment. From this planning policy should identify:

Specific deliverable sites for years one to five of the plan period

Specific sites or broad locations for growth for 6-190 years and, where possible, 11 – 15 years.

2.5 The NPPF considers that *‘small and medium sized sites can make an important contribution to meeting the housing requirement of an area, and are often built-out relatively quickly.’* Promoting these to include:

identifying at least 10% of their housing requirement on sites no larger than one hectare

supporting the development of windfall sites – giving great weight to the benefits of using existing sites within existing settlements for homes

- 2.6 NPPF notes that if the planning application does not comply with the contributions expected from development, it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.
- 2.7 It is not the Government's intention that every single site should provide a significant quantum of affordable housing, or indeed any affordable housing. The key issue in relation to the NPPF is to balance the need for sustainable development with the need for a scheme to be viable and deliverable.
- 2.8 The proposed development has been designed to deliver an inclusive, liveable and sustainable project, and to offer a high quality product. The Proposed Scheme will therefore be fully in accord with the Government's key housing policy goals as set out above.

3.0 Regional Policy – The London Plan

- 3.1 The affordable housing proposals fully take on board the strategic policies and priorities identified in the London Plan (2016).
- 3.2 London Plan Policy 3.11, states that borough targets should be based on an assessment of strategic, sub-regional and local housing need, and a realistic assessment of supply. and should take account of the London Plan strategic target that 60% of the affordable housing provision should be for social rent and affordable rent 40% intermediate provision. Importantly, this strategic target relates to units delivered from all sources of supply, including 100% affordable housing schemes, and it is the individual circumstances which apply to each site which will determine the maximum reasonable provision of affordable housing.
- 3.3 In addition, Policy 3.12 encourages Councils to have regard to the need to encourage rather than restrain residential development, and to the individual circumstances of the site. This policy requires that targets should be applied flexibly, taking account of individual site costs, the availability of public subsidy and other scheme requirements. There is nothing in the London Plan to suggest that a scheme fails to comply with policy if it provides less than the agreed borough target. Indeed, this has been tested at appeal (decision reference APP/G5180/A/08/2084559), where the Inspector interpreted the previous London Plan (2008). Policy 3A.10 as follows:

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

negotiation, and the acceptance of specific site circumstances. I conclude, as the Council did at the Inquiry, that in negotiating a figure of affordable housing below 35%, such 'provision', assuming specific circumstances are demonstrated, could encompass '0', or no affordable units."

- 3.4 Policy 3.12 is supported by paragraph 3.71, which urges boroughs to take account of economic viability when estimating the appropriate amount of affordable provision. The GLA's Development Control Toolkit is recommended for this purpose.
- 3.5 Policy 3.12 also notes that affordable housing should normally be provided on-site, however, where it can be demonstrated robustly that this is not appropriate it may be provided off-site, or by way of cash in lieu contribution when it will be ring-fenced and possibly pooled to secure additional affordable housing elsewhere in the Borough.
- 3.6 In the London Plan 2016, the Mayor provides a numeric target of 17,000 new affordable homes per year in London based on identified need, capacity, viability and creation of sustainable communities. The Mayor requires individual London boroughs to set a borough wide target for the quantum of affordable housing rather than a proportion for the borough of each development.
- 3.7 The proposed design emphasis is on the quality of new homes, including internal space and other design standards, and reflects the Mayor's promotion of Lifetime Homes standards and wheelchair accessible housing in all developments.
- 3.8 The recently published Affordable Housing and Viability SPG (2017) sets out a clear approach to assessing planning applications and their affordable housing content. For applications that do not provide 35% affordable housing without a public subsidy, the SPG confirms that a financial viability assessment should be submitted for scrutiny by the LPA. The SPG confirms that percentage of affordable housing in a scheme should be measured by habitable rooms.
- 3.9 In addition, the SPG seeks to clarify London Plan policy in relation to affordable housing tenures. The preferred tenure split is for schemes to deliver at least 30% low cost rent (Social Rent or London Affordable Rent); at least 30% as intermediate products, (with London Living Rent and/or shared ownership being the default tenures); the remaining 40% to be determined by each LPA.



4.0 The LB Camden - Relevant Policy.

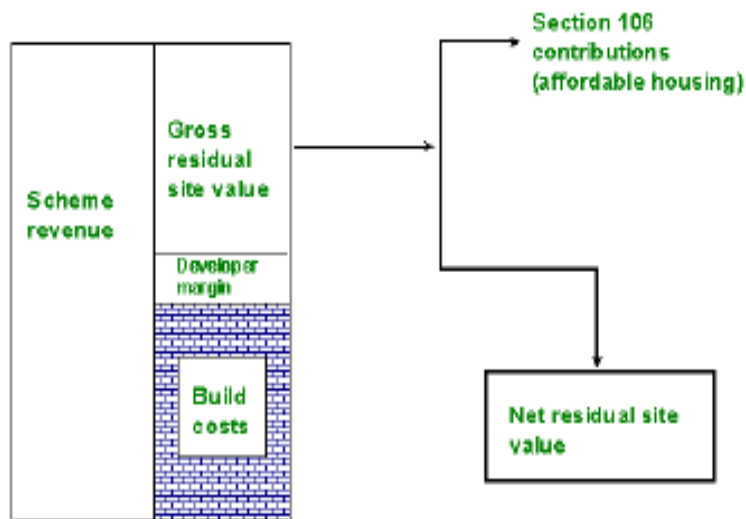
- 4.1 One of the key strategic targets of Camden's Local Plan, Policy H4, is to maximise the supply of affordable housing and exceed the borough wide strategic target of 5,300 additional homes from 2016/7 to 2030/1.
- 4.2 Camden have set out in the Local Plan a sliding scale of affordable housing provision from one additional unit, or 100sm GIA, up to a capacity of 25 dwellings. For schemes with a capacity for dwellings of 25 (a GIA of 2,500sm) or more the affordable target is 50%.
- 4.3 The sliding scale is 2% for each home and additional home up to the 25 capacity. The target for development capacity is 100sm GIA for one home. Therefore, for schemes with less than 10 homes (1,000sm GIA) the Council will accept a payment-in-lieu.
- 4.4 For developments with a capacity of 10 or more units the Council will normally require this to be on-site but may accept off-site or a payment-in-lieu exceptionally.
- 4.5 The affordable target will be applied to floorspace.
- 4.6 The guideline mix for affordable housing is 60% social or affordable housing and 40% intermediate housing.
- 4.7 In negotiating the affordable contribution of a site, the Council will consider the financial viability (s3.123 of the Local Plan) of the particular scheme. Where the affordable proposal is significantly short of Policy H4, the Council may seek independent verification of the appraisal. This does not preclude circumstances where the developer provides a financial appraisal which offers no affordable housing on-site, off-site or as a payment-in-lieu.
- 4.8 Where a Council considers a payment-in-lieu is appropriate then the policy requirement is set out in the 'Payments in lieu rates and planning obligations' section of the Interim Housing CPG. It should be noted all the costs of affordable housing contributions into account and will be subject to the financial viability of the development.
- 4.9 The form of the viability appraisal is set out in the Housing CPG2 (As amended March 2018), the type of model (Residual Land Value) and cost and revenue inputs are identified.
- 4.10 Camden's Draft revised Local Area Requirements for Planning Applications states that applications that fail to meet the policy requirements for affordable housing, should demonstrate that they have maximised provision of affordable housing with a viability assessment.

- 4.11 The CPG2 sets out the preferred options for Land value for the site benchmark is set out. EUV Plus is the preferred option. However, Camden will also consider AUV and Market Value (as set out in RICS Viability in Planning) provided the latter provides clear evidence of compliance with planning policy in comparable sites.

5.0 Method of Financial Viability Assessment

- 5.1 The application scheme will be appraised employing the Argus development Appraisal. We understand that this model is acceptable to Camden Council for the purposes of determining the maximum viable quantum of affordable housing in fully residential or mixed use projects containing an element of residential use and is, therefore, appropriate for the purpose in relation to the Proposed Scheme.
- 5.2 In addition, we will provide an easily understandable and detailed review of the cost and revenue implications of the development which drive the Toolkit model. Our intention is to offer full transparency as regards the ability of the Proposed Scheme to subsidise affordable housing production, CIL, and S106 contributions generally.
- 5.3 AHS will follow the initial guidance set out by the GLA in its guidance notes that accompany its DCTM, (2011), namely that
- “Local authorities, as a measure of good practice should take a number of factors when deciding whether what they are asking for in terms of an affordable housing contribution is viable or not. These factors can be summarised as.... the existing use value of the site... [or] any alternative uses”.*
- 5.4 The Appraisal is founded on the calculation of a residual land value for the proposed development. Residual valuation is a frequently used method for appraising the financial viability of development schemes, whether new developments, or refurbishment of existing buildings. This method is set out in Camden’s CPG2.

The Residual Land Value can be expressed as follows:



- 5.5 The residual land value (RV) is then compared with a benchmark against which the viability of the scheme can be appraised. In this regard, the Toolkit Guidance notes state that the comparator should be the Existing Use Value of the site (EUV) plus an appropriate premium and/or the Alternative Use Values, (AUV). In addition, the market value, as set out by the RICS Viability in Planning can be used. It is noted that the Mayor's recent Affordable housing and Viability Supplementary Planning Guidance prefers the use of EUV+, however, it is not the only acceptable basis for a site benchmark.
- 5.6 An 'Alternative Use Value' (AUV), benchmark is, of course, an established and legitimate way of assessing the viability of a scheme to support affordable housing obligations. Both the Harman report and the Government's draft Planning Practice Guidance acknowledge AUV as an appropriate comparator. Planning Practice Guidance (Revised 6.3.14)-:
- "A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy" (our underline)*
- 5.7 The RICS Viability in Planning sets out a market value approach. This approach requires adjustments to comparables to meet planning policy in full; this ensures that account is not taken of higher land values which include an affordable component lower than policy.
- 5.8 On a project specific basis, the Appraisal will demonstrate what level of affordable housing and other s106 contributions can be supported while

remaining financially viable. The Viability Assessment will take due regard of the Homes and Communities Agency's Framework document, published on 14th February 2011 and, therefore, will be based upon the assumption that no capital grant will be made available.

6.0 Conclusion

- 6.1 The proposed development provides the London Borough of Camden with an opportunity to promote the delivery of a high quality residential project designed to meet the needs of the area.
- 6.2 The Applicant will separately submit a confidential financial viability assessment in the form of an Argus development appraisal, in order to demonstrate what level of affordable housing and other s106 contributions the project can support while remaining financially viable.
- 6.3 In addition the review of the cost and revenue data, which will be submitted with the Appraisal, will provide the Council with a transparent overview of the economics of the scheme. This approach fully supports the view outlined in the London Plan that Councils have regard to the need to encourage rather than restrain residential development, and to the individual circumstances of the site and that targets for affordable housing should be *'applied flexibly, taking into account the individual site costs, the availability of public subsidy and other scheme requirements.'* It is important to note that there is no mention in the London Plan of a scheme failing to comply with policy if it provides less than the agreed Borough target.
- 6.4 This affordable housing outcome will be entirely in accord with National, Regional and Local policies and best practice. Moreover, the Proposed Scheme provides a benchmark of housing design excellence and is in line with recent Government direction requiring projects to be deliverable and financially sustainable within site specific constraints.
