

## 6 Affordable housing and housing in mixed-use development

- 6.1 The Council will use planning obligations to secure the provision of:
- an appropriate proportion of housing in mixed-use developments; and
  - an appropriate proportion of affordable housing in residential and mixed-use developments.
- 6.2 Contributions to housing and affordable housing may be required under Development Policy DP1 – *Mixed-use development* and Development Policy DP3 – *Contributions to the supply of affordable housing*. Policies DP1 and DP3 indicate that the contributions should normally be made on the development site that generates the policy requirement, but the policies provide for off-site contributions in a limited set of circumstances, and these contributions may exceptionally take the form of a payment in lieu.
- 6.3 CPG2 Housing sets out all the Council's usual arrangements for the provision of housing and affordable housing through policies DP1 and DP3, and housing in mixed-use, particularly section 1 Affordable housing and housing in mixed-use development. CPG2 gives guidance on providing housing and affordable housing on-site and off-site, including the use of planning obligations. Paragraphs 2.68 to 2.88 set out the limited circumstances where on off-site contribution may be accepted and the exceptional circumstances where this may take the form of a payment in lieu.
- 6.4 This section of the guidance provides guidance on how payments in lieu of housing/ affordable housing are calculated, but does not provide guidance on any other aspects of policy DP1 and policy DP3. To find out whether a payment in lieu might be acceptable, please also refer to paragraphs 2.68 to 2.88 of CPG2 Housing.



- 6.5 In summary:
- payments-in-lieu will only be accepted under exceptional circumstances where provision cannot practically be made on site

and the applicant demonstrates that no alternative site is available in the area;

- payments-in-lieu of housing and payments-in-lieu of affordable housing will be pooled into an affordable housing fund and used to assist provision of affordable housing
- where a payment-in-lieu at the level anticipated by this guidance would not be viable, arrangements for financial viability appraisal apply, as set out in paragraphs 2.59 to 2.67 of CPG 2 Housing; and
- 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.

### **How the payment levels have been set**

- 6.6 The Council has commissioned research on standard payment-in-lieu figures for housing and affordable housing based on the Camden Affordable Housing Viability Study 2009. The first part of this research (published as the Payments in Lieu Working Paper 2010 – see the evidence base and monitoring section of our Local Development Framework pages at [www.camden.gov.uk/ldf](http://www.camden.gov.uk/ldf)) compared the residual value of a range of market housing development types with and without the affordable housing element sought by Development Policy DP3. These comparisons show the additional value created by omitting affordable housing from the development. This has been converted to a payment per square metre of on-site affordable housing sought.
- 6.7 The second part of the research (published as the Mixed Use PIL Working Paper 2011 – see the evidence base and monitoring section of our Local Development Framework pages at [www.camden.gov.uk/ldf](http://www.camden.gov.uk/ldf)) compared the residual value of a range of Central London office developments with and without the housing element sought by mixed-use Development Policy DP1. These comparisons show the additional value created by omitting housing from the development. This has been converted to two figures for payment per square metre of on-site housing sought, one for small floorspace additions and one for larger floorspace additions (for these larger schemes the housing sought would include affordable housing).

### **The payment levels**

- 6.8 The three discrete payment levels are set out in the table below. One level applies to residential schemes where a contribution to affordable housing is sought under Development Policy DP3. Two payment levels apply to non-residential schemes where a contribution to housing is sought under mixed use Policy DP1. The higher level applies to larger non-residential schemes which would also trigger an affordable housing requirement under Policy DP3. The higher figure takes account of the impact of affordable housing on viability, so it is not necessary to combine the different payment levels.

- 6.9 All figures are expressed as £ per square metre (gross external area). The figures are applied to the **on-site** target for housing/ affordable housing. They should not be applied to the total or additional floorspace of the proposed development, or to the off-site target for affordable housing.

**Figure 3. Housing/ affordable housing payment levels**

| Development type/ policy requirement  | Level of payment in lieu                                   |
|---|--|
| Market residential scheme/ affordable housing policy DP3  | £2,650 per sq m<br>x on-site target for affordable housing |
| Non-residential with less than 2,000 sq m additional floorspace (gross external area)/ mixed-use policy DP1 | £700 per sq m<br>x on-site target for housing              |
| Non-residential with 2,000 sq m additional floorspace or more (gross external area)/ policies DP1 and DP3   | £1,350 per sq m<br>x on-site target for housing            |

- 6.10 The payment levels in Figure 3 for non-residential schemes have been derived on the basis of developments that omit *all* types of housing requirement (under DP1 and DP3), and are based on costs and values for office developments. These figures may not be appropriate for a large non-residential scheme that only omits affordable housing, or where the primary use is a non-office use such as retail or a hotel. Where the type of development proposed is substantially different from the developments used to set the payment levels, or the payment levels indicated in Figure 3 would not be viable, the Council will:
- apply the arrangements for financial viability appraisal set out in paragraphs 2.59 to 2.67 of CPG2 Housing; and
  - negotiate a payment on the basis of the financial viability of the particular development.
- 6.11 For a primarily residential scheme with a non-residential element of less than 1,000 sq m gross, if the Council agrees that a payment in lieu of affordable housing is appropriate, the level of payment will be guided by policy DP3 and the figure of £2,650 per sq m of on-site target for affordable housing.

**GROSS EXTERNAL AREA**

Calculations in this guidance are based on Gross External Area (GEA). This is generally the total area of every floor in the building including common areas and external walls. Payment-in-lieu figures have been calculated on that basis.

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.

A fuller explanation of the terms Gross External Area and Gross Internal Area is given in paragraph 2.25 of CPG2 Housing.

**How to calculate affordable housing payments under policy DP3**

- 6.12 Where the payment is in lieu of affordable housing under Development Policy DP3, calculations of the payment will proceed in accordance with CPG2 Figure 2 and paragraphs 2.31-2.32 and 2.35, as follows:

- the capacity of the site will be assessed and be converted into a percentage target for on-site affordable housing;
- the percentage target for on-site affordable housing will in turn be assessed and converted into a floorspace figure (GEA);
- the target for off-site affordable housing floorspace will be multiplied by the payment per square metre figure of £2,650.

- 6.13 Please refer to CPG2 for full details of the factors which influence capacity and on-site affordable housing target. In summary:

- assessment of capacity is based on the number of additional homes proposed and the gross floorspace addition including common areas;
- capacity is assessed as the number of additional homes proposed or 1 home per additional 100 sq m (gross), whichever is the greater;
- capacity is rounded to the nearest whole number;
- the on-site affordable housing target is assessed as 10% where capacity is 10 additional homes plus 1% for every further increase of capacity by 1 home, up to a target of 50% where capacity is 50 additional homes.

**Figure 4. Example calculations:  
payments in lieu of affordable housing under policy DP3**

|   |                                       |
|---|---------------------------------------|
| <b>Example 1</b><br>21 additional homes with a built floorspace of 1,750 sq m gross | Site capacity = 21 homes              |
| Percentage target for on-site affordable housing                                    | = 21%                                 |
| Floorspace target for on-site affordable housing                                    | = 1,750 x 21%<br>= 367.5 sq m         |
| Payment-in-lieu of affordable housing   | = 367.5 sq m x £2,650<br>= £973,875   |
| <b>Example 2</b><br>22 additional homes with a built floorspace of 2,360 sq m gross | Site capacity = 24 homes              |
| Percentage target for on-site affordable housing                                    | = 24%                                 |
| Floorspace target for on-site affordable housing                                    | = 2,360 x 24%<br>= 566.4 sq m         |
| Payment-in-lieu of affordable housing   | = 566.4 sq m x £2,650<br>= £1,500,960 |

#### **How to calculate housing payments under policy DP1**

6.14 Where the payment is in lieu of housing under Development Policy DP1, calculations of the payment will proceed as follows:

- the additional floorspace proposed will be multiplied by the 50% target for on-site housing to produce a floorspace target (GEA);
- where the additional floorspace proposed is less than 2,000 sq m (GEA)
  - the on-site housing floorspace target is less than 1,000 sq m (GEA)
  - consequently no contribution to affordable housing would be sought under policy DP3
  - the target for on-site housing floorspace will be multiplied by the payment per square metre figure of £700;
- where the additional floorspace proposed is 2,000 sq m (GEA) or more
  - the on-site housing floorspace target is 1,000 sq m (GEA) or more
  - consequently an on-site contribution to affordable housing would be also be expected under policy DP3
  - the target for all on-site housing floorspace will be multiplied by the higher payment per square metre figure of £1,350.

**Figure 5. Example calculations:  
payments in lieu of housing under policy DP1**

|  |                                       |
|--|---------------------------------------|
| <b>Example 1</b>   |                                       |
| Total floorspace addition  | = 800 sq m                            |
| Target for on-site housing   | = 800 x 50%<br>= 400 sq m             |
| Affordable housing sought?   | No                                    |
| Payment level  | £700 psm                              |
| Payment-in-lieu of market housing  | = 400 sq m x £700<br>= £280,000       |
| <b>Example 2</b>   |                                       |
| Total floorspace addition<br>(NB an on-site housing contribution would be required unless there is clear evidence that off-site provision is more appropriate) | = 2,400 sq m                          |
| Target for on-site housing   | = 2,400 x 50%<br>= 1,200 sq m         |
| Affordable housing sought?   | Yes                                   |
| Payment level  | £1,350 psm                            |
| Payment-in-lieu of all housing   | = 1,200 sq m x £1,350<br>= £1,620,000 |