

Report for Resolution

Report to Executive
30 September 2009

Report of Head of Planning and Regeneration Services

Subject Affordable Housing Supplementary Planning Document

Item

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Purpose

To inform members on consultation responses, findings of the viability study, and to adopt the revised affordable housing supplementary planning document.

Recommendation

- (1) That Executive adopts the revised affordable housing supplementary planning document attached as appendix 1, and carries out the required steps to complete formal adoption procedures;
- (2) The supplementary planning document (including the revised affordable housing target) will apply to all planning applications validated on or after 19 October 2009.

Financial Consequences

There are no direct financial consequences to the city council of this report. Applying a higher target for affordable homes which may rely on the availability of Homes and Communities Agency grant will require a higher level of investment by that agency to be available – there is no guarantee of the broad availability or level of grant, and it will be determined on a case by case basis following a granting funding bid to the HCA by a developer.

Where increased requirements for affordable housing lead, alongside other requirements, to development sites being insufficiently viable to be capable of delivering affordable housing the application of the Council's approach to prioritisation of planning obligations may result in reduced income via planning obligations affecting other Council service areas.

Corporate Objective/Service Plan Priority

The report helps to achieve the corporate objective to strive for sufficient, good-quality, affordable housing, providing choice and accessibility and promote the conditions for the sustainable economic development of the City, in which individual enterprise can flourish and the service plan priority to deliver the growth points initiative.

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Background Documents

Norwich City Council – Supplementary Planning Guidance on Affordable Housing. Adopted September 2002.

City of Norwich Replacement Local Plan. Adopted version. November 2004.

Affordable Housing. Draft Supplementary Planning Guidance. June 2008.

Greater Norwich Housing Needs Study. OSR. 2007.

Affordable Housing Viability Testing. Drivers Jonas for Norwich City Council. June 2009.

Report

Background

1. Supplementary planning documents (SPDs) provide more details about adopted policies, giving detailed guidance about how policy will be implemented, or giving more details about standards that policies require in new developments. The purpose of the proposed SPD was to expand policy HOU4 on affordable housing in the City of Norwich Replacement Local Plan 2004.
2. The city council has a fundamental objective to increase the supply of affordable housing, so people in housing need have homes they want at a price they can afford. The affordable housing SPD has an important role in setting the proportion of affordable housing that will be sought in new developments. It also provides other advice, such as types of accommodation that can be treated as affordable, and explains how the affordable housing requirement is calculated. The SPD helps to deliver the Greater Norwich Housing Strategy (2007) and is supported by an evidence base, including the housing need study (carried out by a company called ORS in 2007).
3. In 2008 the council started a process to review its planning guidance on affordable housing which was adopted in 2002. The draft SPD proposed that the city council seek a higher proportion of affordable housing from development before the joint core strategy is adopted at the end of 2010. The main changes proposed are:
 - To increase the target proportion of affordable housing in new housing developments from 30% to 40%; and
 - To introduce a requirement for open book financial appraisals.
4. A further change was originally consulted on to reduce the threshold when the affordable housing requirement applies from 25 dwellings to 15 dwellings (or an alternative of a graduated threshold for developments of 5 dwellings or more). Legal advice was taken, however, which made clear that planning policy cannot be changed by an SPD because a full policy review is needed.
5. In July 2008 the council was in the latter stages of producing the revised affordable housing SPD when the High Court made a landmark judgment affecting another council's plans to introduce a new affordable housing policy in Blyth Valley Borough Council. The council took its own legal advice to consider how this could affect Norwich and concluded that an independent economic viability study was first needed to examine the effects of increasing the affordable housing target. This study was needed before proceeding with the SPD to reduce the risk of challenge to any new planning guidance.

Public consultation

6. The public consultation ran from 7 June to 23 July 2008. Over 130 consultees were consulted directly. A copy of the SPD and the sustainability appraisal statement was sent to all relevant statutory bodies. The documents were also sent to other consultees with particular interests in affordable housing, such as developers and registered social landlords. The document was published on the City Council's website and a notice about the consultation was placed in the local press.
7. Responses were received from 19 organisations and individuals. The comments received and the council's proposed response to them are summarised in the revised SPD document which is attached to this report as Appendix 2. A draft of the revised document which includes the consultation responses was considered by the Local Development Framework Working Party on 24 August 2009 whose views will be reported to Executive.

The economic viability study

8. Drivers Jonas were commissioned to undertake this study. It tested the likely effects on economic viability of increasing the affordable housing target for planning from 30% to 40%. It also looked at whether a higher target would generate enough value in development proposals for sites to continue to come forward for residential development. Six schemes that already had planning permission were tested to see whether 40% was reasonable and viable under strong and weak market conditions. This involved comparing the economic viability of the sites using the values and sales rates during summer 2007 (a strong market) and spring 2009 (a weak market).
9. The study concluded that a higher affordable housing requirement would have a strong impact on land value. In a strong market this should not be so different as to undermine the viability and deliverability of sites. However, in a weak market the requirement would affect economic viability and without social housing grant from the Homes and Communities Agency a number of the development projects tested in a strong market and most of the sample schemes in a weak market would not have been viable at 40%.
10. Drivers Jonas pointed out that the level or availability of HCA social housing grant cannot be guaranteed and this would be critical for some schemes to meet the 40% target. However, the consultants also stressed the importance of making sure there is sufficient flexibility written into the affordable housing target to enable developers to make viability arguments and allow the council to take a more flexible approach to support development for less viable sites.
11. The consultant's report is attached as Appendix C.

Conclusions

12. Drivers Jonas concluded that delivering more than 30% affordable housing is very likely to be dependant on HCA grant aid. However, HCA have previously confirmed (in their representations on the joint core strategy 'technical

consultation', September 2008) that availability of social housing grant *cannot be guaranteed* so an affordable housing policy which relies on it might risk full implementation of the policy objectives.

13. At present however, HCA funding may be available on a site by site basis to fund the gap in affordable housing provision between the proportion in a section 106 agreement for a development and the council's normal planning requirements. Discussions with the council's strategic housing team indicate that the HCA will not give guarantee a broad funding commitment but will consider social housing grant.
 14. Drivers Jonas advises a number of councils on this matter and have pointed to very recent evidence about how the Planning Inspectorate is treating viability assessments for affordable housing. The inspector's report into Huntingdonshire District Council's core strategy (published on 29 July 2009) ¹ gives Norwich City Council confidence to promote the higher affordable housing target in new developments.
 15. Officers advise that meeting a 40% affordable housing target in some cases may rely on social housing grant also being available. If it is not, the economic viability of a development could be adversely affected, the council may need to consider accepting a lower level of affordable housing provision on a case by case basis. To guide decisions about flexibility in planning, Executive adopted a framework to help prioritise planning obligations (including affordable housing) in May 2009.
 16. The Local Development Framework Working Party considered the revised SPD, consultation responses and the economic viability study on 24 August 2009. It resolved to recommend to the Executive that it adopts the revised affordable housing supplementary planning document which emphasises:
 - Housing proposed in developments of 25 or more homes or on a site of 1 hectare or more should seek to achieve a target of 40% affordable housing;
 - The affordable housing provision should normally seek to achieve a target of 75% social rented accommodation with 25% as intermediate housing (to be advised on a site by site basis);
 - In determining the amount and mix of affordable housing to be delivered, specific site conditions and other material considerations including viability, will be taken into account;
 - There is implicit flexibility in the proportion of affordable housing the council will seek to achieve: it is a target and not a requirement.
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ITEM 8-APPENDIX A

Affordable housing supplementary planning document

Legal aspects

1. On 28 July 2008 the High Court upheld an appeal decision to remove a housing policy contained within Blyth Valley core strategy. It was held that a robust economic viability study was required as part of the evidence base to show that any increases in affordable housing would not have an adverse effect on the number of sites coming forward and the value of the land.
2. The High Court case clarified the evidence base needed to set a new affordable housing requirement which the planning system will seek. This evidence base includes economic viability requirements. In August 2008 Officers obtained counsel's advice on how the High Court ruling might affect the city council's proposed changes to the affordable housing threshold and percentage. Counsel advised that:
 - It cannot reasonably be said that the SPD "amplifies and interprets the relevant policies in the Replacement local plan for Norwich". The main problem is that policy HOU4 contains a specific threshold that would be abandoned and replaced in the SPD. In effect, the SPD seeks to amend this part of the statutory development plan without recourse to any formal review under the statutory procedures.
 - Another major concern must be the fact that PPS 3 permits planning authorities to set a lower minimum threshold than the 15 dwelling national indicative minimum "where viable and practicable" and, as the Court of Appeal observed in the Blyth case, it is a fundamental policy requirement of PPS 3 that authorities undertake "an informed assessment of the economic viability of any thresholds or proportions" The Council's SPD has been formulated in the absence of the viability assessment envisaged by PPS 3 and to that extent fails to meet the requirements of that guidance.

Paul Rao
Planning Policy and Projects Manager
17 September 2009



ITEM 8 – APPENDIX B

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Affordable housing

Supplementary planning document
Draft for consultation, December 2007



Summary

This *Supplementary planning document* provides the detailed approach of the city council to ensuring that new housing developments contribute to the provision of affordable housing.

It interprets policies in the *City of Norwich replacement local plan*, but also takes account of more recent government guidance in *Planning policy statement 3 (PPS3)* on the form of such policies.

It seeks contributions from developments of 25 or more dwellings to the provision needed. The proportion of affordable housing is set at a target of 40% of the total proposed dwelling units. The tenure split within the affordable housing element should be 3:1 in favour of social rented housing over intermediate forms of tenure (shared ownership).

The guidance also sets out how the city council expects developers to negotiate on this and what will be required if the overall financial viability of the proposed scheme is affected.

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Introduction and purpose

1. Norwich City Council is committed to tackling the housing needs of its resident population and reducing the deprivation which is apparent in many parts of the city. The draft *Sustainable community strategy* includes a key priority to “prevent homelessness and improve housing”.
2. The draft *Greater Norwich housing strategy (GNHS)*, which was published for consultation until October 2007, provides an overarching vision for housing in the sub-region. This is “to ensure there are sufficient decent homes which people can afford, in places they want to live, within sustainable and thriving communities”. The *GNHS* sets a clear policy direction to achieve this. It describes how and where affordable housing should be provided and the qualities and standards to which it should be built, in order to create vibrant, mixed and socially and environmentally sustainable communities.
3. This supplementary planning document (SPD) amplifies and interprets the relevant policies in the *Replacement local plan for Norwich*, taking account of changes in national guidance through *Planning policy statement 3 (PPS3) (housing)*. It provides advice and guidance to developers, site owners and the community to enable the provision of affordable housing on appropriate housing sites in Norwich.
4. In line with the government’s advice in PPS12 on local development frameworks, this SPD was subject to community consultation during June and July 2008 and all responses were taken into account. To comply with the requirements of PPS3 an independent viability assessment of the draft SPD was undertaken in 2009. This SPD takes account of that assessment.
5. This guidance replaces the previous *Supplementary planning guidance on affordable housing*, which was adopted in September 2002. As a supplementary planning document it is a material consideration in relation to the policies of the local plan and in planning decisions.
6. The document has the following aims:

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- To ensure that new development contributes effectively to meeting the needs of the community for affordable types of housing, taking account of people's ability to purchase their own property;
- to help to achieve a better balance between the supply of and demand for housing;
- to reflect the council's commitment to social inclusion for all its citizens; and
- to set out the basis on which the city council's policy should be interpreted and implemented through decisions on planning applications and other matters.

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National and regional policy background

7. Supplementary planning documents (SPDs) are required to be in conformity with national and regional planning policies as well as with the development plan documents (or saved local plan polices) for the area. In this case the *City of Norwich replacement local plan (2004)* is the relevant adopted local plan and this SPD interprets policies in that document.
8. *Planning policy statement 1 (PPS1) 'delivering sustainable communities'*, the overarching planning policy statement, requires planning to promote sustainable and inclusive patterns of development by “ensuring that development supports existing communities and contributes to the creation of safe, sustainable, liveable and mixed communities”.
9. *Planning policy statement 3 (PPS3) 'housing'* seeks:
 - “to achieve a wide choice of high quality homes, both affordable and market housing, to address the requirements of the community
 - to widen opportunities for home ownership and ensure high quality housing for those who cannot afford market housing, in particular those who are vulnerable or in need
 - to improve affordability across the housing market, including by increasing the supply of housing
 - to create sustainable, inclusive, mixed communities in all areas, both urban and rural”.
10. Regional planning policy is found in the *Regional spatial strategy for the East of England*, which was approved in May 2008. Policy H2 in this plan, relating specifically to affordable housing, states:

“Within the overall housing requirement in policy H1, development plan documents should set appropriate targets for affordable housing taking into account:

 - The objectives of the RSS;

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- local assessments of affordable housing need, as part of strategic housing market assessments;
- the need where appropriate to set specific, separate targets for social rented and intermediate housing;
- evidence of affordability pressures; and
- the *Regional housing strategy*.

At the regional level, delivery should be monitored against the target for some 35% of housing coming forward through planning permissions granted after the publication of the RSS to be affordable.”

11. That regional target cannot be translated directly into policy for this SPD. The requirement for Norwich is based on a sub regional study of need.
12. At the time of writing (August 2009), the *joint core strategy* for Broadland, Norwich and South Norfolk is in preparation and planned for publication under the plan-making procedures in November 2009, with submission to the Secretary of State planned for January 2010. The emerging draft joint core strategy contains a policy on affordable housing that, if adopted in its current form, will seek a proportion of affordable housing across the three local planning authority areas on sites proposed for developments of five dwellings or more. The Plan notes that 40% affordable housing will be sought on all sites of 5 units or more although the proposed policy allows for this proportion to be varied in accordance with up to date needs assessment.
13. On adoption, that Joint Core Strategy policy will supersede policy HOU4 of the City of Norwich Replacement Local Plan (2004). It is expected that much of the content of this SPD will remain relevant following the adoption of the joint core strategy as its content will remain relevant to provision of affordable on smaller sites assuming the threshold is lowered as part of the strategy.

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Need for affordable housing in Norwich

12. A *Study of housing need and stock condition* for the greater Norwich Sub-Region has been carried out by Opinion Research Services on behalf of the three constituent districts of Norwich city, Broadland and South Norfolk. This was published in May 2007 and is referred to in this document as *ORS, 2007*. It calculates the level of housing need within the city and shows how that need relates to the two adjoining districts. That calculation shows how much housing is required in the sub-region. This need includes provision of market housing for sale, social rented housing and intermediate housing for households unable to afford to enter the private market. Housing demand is defined as those people who are able to meet their needs in the market, whilst housing need refers to those households which cannot do so.
13. The study showed that average property prices in Norwich had risen by 141% between 1999 and 2005 and in Broadland by 160% and in South Norfolk by 180% over the same period (*ORS, 2007, para 5.4*). The survey showed that 1,403 households in greater Norwich are living in unsuitable housing and cannot afford to rent or buy market housing. In addition to this backlog of need, newly arising need of 2,319 homes for social rent or intermediate tenure was estimated for the five year period between 2006 and 2011 giving an annual requirement of 561 affordable dwellings after allowing for anticipated provision.
14. The need for affordable housing was defined in the *ORS* survey using a primary income multiplier and a test for the number of people of different age groups in the household. The results showed that for households with incomes below £15,000 gross per annum, the affordability threshold should be no more than 25% of gross income, increasing to a maximum of 30% of gross income from households with incomes above £40,000. This represents a maximum contribution of 31.5% of net income (i.e. after tax and benefit) at the lower level and of 45% at the upper level. This amends the definition of affordable housing need in the local plan.

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15. The district breakdown of housing needs showed that statistically Norwich has the highest need for affordable housing. It suggests that 55.4% of the net housing requirement would need to be in different forms of affordable housing. This is not a realistic target to be achieved within the city boundary alone (see Appendix 4 for calculations). The study also demonstrates a strong degree of interrelationship within the wider Norwich housing market area and the scale of migration between the three districts involved, which indicates the need to look more widely across the whole greater Norwich housing market area.
16. Because national guidance seeks to integrate communities and the greater Norwich housing market operates across council boundaries, housing needs and the level of affordable housing also need to be considered on a cross-boundary basis. Appendix 4 shows that this results in a more equitable sharing of the provision of affordable housing with a lower proportion of affordable housing than suggested by the study in Norwich city and a higher proportion of intermediate housing there, giving a better balance of communities across the three districts.
17. Housing for key workers is aimed at those in housing need who work in key public sector occupations (primarily in London and South East England). Such key worker housing will not necessarily satisfy the requirements of affordable housing policy, but in some cases affordable housing will be included. In general terms key worker housing has not so far been found to be necessary in Norwich and the ORS study confirmed that this was still the case. The city council does not, therefore, include key worker housing in its current definition of affordable housing.

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Forms of affordable housing

18. Affordable housing is defined in PPS3 as being:

- Social rented housing – rented at an affordable cost within Housing Corporation guidelines on rental levels;
- shared ownership housing – where the occupant part owns the property and the remainder of it is let to the occupant by a registered social landlord, with the potential for the occupant to ‘staircase’ the proportion of their ownership up to 100% over a number of years;
- community land trusts – community based organisations that enable local communities to own and manage local land assets.
- transit sites and permanent pitches for Gypsies and Travellers; and
- pitches for travelling showpeople.

The Homes and communities agency also identifies other forms of intermediate housing which are eligible for social housing grant. These include:

- Intermediate rented housing – rented at 80% of rate of market rented housing.
- Rent to Homebuy – An occupant can rent at an intermediate level for a period of 3/5 years before purchasing as in shared ownership housing.

19 Hostels and institutional housing will not normally be considered as affordable housing, since the local plan only takes account of housing need in relation to normal household units, not institutional populations.

20 For all types of affordable housing, the city council will need to ensure through a legal agreement that the housing:

- (i) will remain available at affordable rents (or prices) to those in housing need in perpetuity (or that any shared ownership element sold to an owner will be used to fund additional new affordable units in the local community)
- (ii) will be available for occupation by people who have been nominated through the council’s ‘choice based lettings system’.

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22. The city council does not recognise other forms of ‘subsidised’ or ‘low cost market’ housing as meeting affordable housing need. These are no longer supported by the government as affordable housing and in the housing market in Norwich there are generally sufficient older terraced houses to meet the needs for this kind of market housing.

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Affordable housing target

23. Policy HOU4 of the *City of Norwich local plan*, policy H3 of the *Draft regional spatial strategy* and PPS3 set the policy context for this SPD.
24. The adopted local plan policy sets the threshold for its application at '25 dwellings or more or if the number of dwellings is not specified where the site is at least 1 hectare in size'. This followed national guidance at the time of its adoption. Since then PPS3 has been published, which provides for a national indicative threshold of 15 dwellings, or 0.5 hectare. The guidance states that this will be a material consideration from 1 April 2007 for planning decisions on housing schemes
25. The adopted Local Plan policy cannot be amended by this supplementary planning document and the City Council, as part of the Greater Norwich Development Partnership, will promote a lower qualifying site threshold of five dwellings through the Joint Core Strategy for Broadland, Norwich and South Norfolk. Until that joint core strategy policy is adopted (expected late 2010) the current threshold in the local plan will remain. The intended JCS policy is subject to an assessment of financial viability as required by PPS3.
26. Norwich City Council is setting the target requirement to 40% of new dwelling provision as affordable housing. The 40% affordable housing target is adopted on the basis that this may rely on social housing grant being available. If grant is not available and this would lead to the economic viability of a development being affected, then there will be site-specific exceptions to this target.
27. Even a 40% target will not meet all housing need in Norwich and the remaining need is redistributed across the sub-region. The basis of this redistribution is outlined in Appendix 4, which has been agreed with the adjoining authorities in the sub-region. This calculation takes account of the provision of sites through the Greater Norwich Housing Partnership containing 100% affordable housing, benefiting from social housing grant, as well as the numbers of dwellings likely to be completed on allocated or committed sites in the period 2006-2011.

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28. In addition the sub-regional strategy group (Greater Norwich Housing Partnership) has agreed that the mix of intermediate housing should also apply across the whole area. Therefore Norwich's target for intermediate housing will be higher than might otherwise have been the case within the affordable housing percentage. Again this is compensated by a reduction in the proportion of intermediate housing accepted in Broadland and South Norfolk.
29. The local plan policy did not include a specific percentage target to be applied across the board. The policy was deliberately flexible to adapt to changed circumstances based on updated evidence of housing need. The percentage was set at 30% by the previous affordable housing SPG (2002). This is now increased to 40% and will continue to be subject to the test of site size, suitability and economics of provision specified in the policy. This figure is calculated as set out in Appendix 4, to ensure provision for the housing needs to be met across the sub-region by 2011.

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Implementation and design

30. Developers should take the requirement for affordable housing into account from the earliest stages of scheme design. This is essential in order that new affordable housing units will be integrated into the overall design of the scheme, appropriately located within it and will meet the Homes and communities agency standards. It will also ensure that grant availability can be assessed at an early stage, where sites fit the grant criteria.
31. The process **for negotiating affordable housing** is being developed further and it is vital that affordable housing is recognised from the start of the design process. The local planning authority will expect developers to allow this process to go forward and to support it with appropriate information. In the absence of such information, applications may be refused permission.

Artificial subdivision of sites

32. The city council will ensure that artificial subdivision of a site will not circumvent the operation of this affordable housing guidance. A site proposed for housing development, which is in the same ownership as an adjoining site at the time of initial discussions (or later in the process), or has been allocated through the local plan (or subsequently through the *Local development framework*) as one site incorporating an adjacent site, will be treated as one phase of the larger development site for this purpose. It will thus be liable for the appropriate proportion of the affordable housing contribution, relating to the whole site.
33. If owners do seek to subdivide sites in this way, then the second (or later) application will be liable for the full proportion of affordable housing on the whole of the subdivided site, if none has been included in the first (or earlier) applications for parts of that site.

Reduced density

34. If developers seek to reduce the density of development to circumvent the application of policy HOU4, the application may be refused as failing to provide for efficient use of the site in accordance with the guidance of PPS3. This would apply to density levels indicated in policy

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HOU13 and/or the scale of development indicated in an allocation policy in the local plan (policies HOU8, HOU9, HOU11 or HOU12).

Conversions

35. Policy HOU4 applies to conversions of dwellings to flats or of other buildings to residential use. The council will calculate the net increase in the number of dwellings on the site, in order to assess whether the policy HOU4 applies. Hence, the conversion of a building to a number of flats, where the threshold is triggered (see previous section), will require an element of affordable housing under this revised supplementary planning document.

Non-viability of development

36. Brownfield sites are not necessarily more expensive to develop than greenfield sites and many will yield the full proportion of affordable housing.
37. However, it is accepted in policy HOU4 that certain constraints on development will increase the costs of developing some sites and may render the provision of the full percentage of affordable housing non-viable. Applicants citing non-viability as a reason for not complying fully with the policy will need to support that case with financial evidence, which they should submit with the planning application. This evidence will be treated in confidence.
38. Appendix 5 sets out the factors which should be covered in the submitted financial calculations, so that viability may be properly assessed and tested. It also sets out how registered social landlords (RSLs) set costs in relation to viability for their development, so that comparable data can be considered for the private sector schemes. The city council accepts that developers will seek to achieve a reasonable rate of return on their capital (normally at least 12% on gross development value). However, the affordable housing element is expected to be considered as a factor that will reduce the price paid for the land in the first instance. Hence quoted land values should be proportionately below the appropriate **rate** for the area to allow for the application of the affordable housing policy (HOU4).
39. Sites allocated in the local plan were in some cases identified as having a lower indicative target rate than the 30% previously applied (in Appendix 5 of the local plan). The revised basis for affordable housing calculations in this SPD does not affect that indicative target, provided that the developer can justify the viability considerations that led to the reduction in the target. The city council will therefore expect such sites to be justified by supporting financial information.

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40. If the council is satisfied that a proposal is not viable, the council will look at a cascade of the following actions to achieve viability with the maximum contribution to affordable housing possible:

1. consider alterations to the mix and design of the scheme in order to overcome significant cost burdens, without detriment to design or heritage considerations
2. pursue the potential for contributions from social housing grant, while recognising that this may lead to delays in delivering the housing
3. alter the tenure split within the development
4. reduce the proportion of affordable units within the site
5. consider whether an off-site contribution would achieve an improved number or range of affordable housing.

41. This cascade approach can be applied to a planning obligation, if the outcome of aspects of the development process is uncertain, for example grant negotiations, at the time of granting the permission. This will primarily apply to outline applications.

Specialist residential accommodation

42. The requirement for affordable housing does not distinguish between the types of housing. It is particularly important that needs for affordable retirement housing and young people's housing are recognised, but any specialist accommodation may need to include affordable housing. Retirement homes, sheltered housing schemes, student accommodation should all provide for an element of affordable housing in accordance with the policy. However, where the provision is in the form of shared rooms in an institutional setting, then the affordable housing policy does not apply.

Site design considerations

43. Provision of the affordable housing on-site is the city council's preferred method, and is also the preference set out in government guidance. This promotes social inclusion and the design of individual sites should also take account of that objective.

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44. An off-site contribution may be accepted in certain exceptional instances where there is a valid planning reason why on-site provision is not suitable and where another suitable site can be found nearby. If accepted, the contribution will need to be sufficient to provide for new affordable housing on a new site. A greater contribution will be expected to allow for the land costs of an alternative site (or benefits foregone) and to reflect the fact that the developer then has no requirement to provide affordable housing on the site. Therefore the commuted sum should be calculated as the cost of the open market value of the land needed to accommodate those dwellings plus the average social housing grant available for the area, as advised by the council's strategic housing team.
45. The Head of Service¹ will advise on the mix of affordable units that should be provided, to reflect the needs identified through the choice based lettings system for that area of the city. The mix will normally respect the type of units proposed on the rest of the site (i.e. flats or houses) but may be in different proportions.
46. The affordable housing units should not be distinguishable from the general market housing on a site in its design, materials used or its form, unless it is agreed that the units be a different type and format from the rest of the site development. This would only be sought in exceptional cases. The council accepts that groups of affordable units may be the most effective design solution, but such groups of affordable units should normally be in groups of about 10 units.
47. In siting the affordable units, the developer should take account of accessibility and social needs of lower income households. Affordable units should therefore be generally found at the more accessible parts of the site and it will not be acceptable to tuck them away in the least accessible part of the site. In particular for this purpose accessibility means walking distance to a bus route and to local shops and services.
48. In addition affordable units should share any on-site parking provision proportionately with the private sector housing. For clarification it must not be assumed that parking is only available for the private sector housing.
49. The design of affordable housing units should comply with the *Design and quality standards (DQS)* of the Homes and communities agency (or any subsequent replacement of these). If the design and quality standards are not met, then the RSL would not receive funding from the Homes and communities agency and may not be able to accept the units. Affordable housing

¹ Head of Neighbourhood and Strategic housing – see paragraph 55)

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50. should also meet the 'lifetime homes' standard. Applicants will therefore need to consider these standards before designing their scheme, as they will have implications for the overall layout and size of units or blocks. Applicants should confirm in the planning and design statement that the design conforms to DQS.
51. Other policies in the local plan and supplementary planning documents apply to affordable housing, as they do to the remainder of the scheme. The attention of developers is particularly drawn to the *Energy efficiency and renewable energy SPD* (adopted December 2006), which sets out the need for an energy statement for developments of 10 dwellings or more. The requirements for energy efficiency should be consistent with the requirements of the Homes and communities agency, which also specify high energy efficiency – e.g. Level 3 of the Code for sustainable homes. Developers are encouraged to seek to achieve higher standards for affordable housing than those required by the Homes and communities agency. These are currently set at *Code for sustainable homes Level 3*, therefore at present developers should attempt to achieve at least level 4. These standards will be raised over time, with the aim of achieving zero carbon new housing prior to the government's target date of 2016.
52. The element of affordable housing within a scheme will be secured through a planning obligation attached to the permission granted for the scheme. A standard form of agreement has been developed by the city council. Outline permissions will need a slightly different form of agreement postponing the details to the reserved matters stage. The agreement will be a local land charge and will normally stipulate that the developer will transfer the affordable units to a RSL at a value which ensures that that body can let (or part let/part sell) the dwelling at an affordable rent/price.
53. The council would normally prefer that a RSL is identified and participates in the submitted scheme negotiations. RSLs are the recommended method for delivery and management of affordable housing, as they are regulated to ensure that the benefits of affordability are passed on when any unit is sold and to manage the housing in a way that provides for tenant participation.
54. The council has produced a set of partnership principles setting out certain expectations of affordable housing providers. All RSLs or housing organisations that will own or manage housing through a planning obligation should be a signatory to these principles. The list of RSLs is attached at Appendix 3.

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Monitoring and review

55. This supplementary planning document will be monitored as part of the overall monitoring of progress through the *Annual monitoring report*. In particular that report will note the completion and approval of numbers of affordable dwellings under this SPD and through RSL developments on other public sector sites.
54. A review of the SPD will be triggered if the targets for meeting the housing needs totals are not being achieved, or when a revised assessment of housing need comes forward to demonstrate a need for a revised basis for operation of the policy.

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Contacts

55. Further information can be obtained from the following contacts at Norwich City Council ,or from RSL listed in Appendix 3.

Paul Rao
Planning Policy and Projects Manager
T: 01603 212526

Ian Whittaker
Planning Development Manager
T: 01602 212528

Andrew Turnbull
Senior Housing Development Officer
T: 01603 212778

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Appendix 1

Relevant local plan policies

HOU4

An element of affordable housing will be sought by negotiation on all housing development sites of 25 dwellings or more or, if the number of dwellings is not specified, where the site is at least 1 hectare in size (including those sites where a mix of uses is proposed).

In negotiating for this element, the council will take account of the site size, suitability and economics of provision.

The affordable dwellings will be made available by means which ensure that they meet the needs of households lacking their own housing or living in housing which is inadequate or unsuitable and who are unlikely to be able to meet their needs in the housing market without substantial assistance to be able to afford the minimum market priced housing. The council will seek to be satisfied that the benefit of affordability will enable successive occupiers to enjoy secure low cost accommodation in perpetuity, or for that benefit to be transferred to another property (or household) within the city, in the event of the sale of the dwelling.

The affordable housing element will include a range of size and type of dwelling. Distribution of affordable units within the site will depend upon the layout of the development and the scale of affordable housing to be included. The overall target for the city is 1,580 affordable dwellings to be provided in the period 2001-2008 (or such extended period as is

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necessary). Targets for individual sites for the amount of affordable housing are included in Appendix 5 and will provide the basis for negotiations.

HOU3

The development of affordable housing on suitable sites and as part of a suitable mix of housing types will be promoted and permitted through:

- (i) appropriate schemes on sites sold to registered social landlords
- (ii) replacement of outdated dwellings or those which cannot be economically repaired or refurbished
- (iii) direct provision by social housing providers, supported where appropriate by grants and, where possible by cross-subsidy arrangements from other developments
- (iv) support for schemes to provide for the special needs of elderly people, disabled people, and others with particular requirements.

HOU6

Housing developments within the city will be expected to contribute to meeting the following needs for community, recreational and other local facilities, as specified by the relevant policies and subject to the scale of contribution being fairly and reasonably related in scale and kind to the proposed development and negotiations taking account of any exceptional costs associated with the particular site:

- (i) affordable housing as sought by policy HOU4
- (ii) accessible dwellings as sought by policy HOU5
- (iii) children's equipped play space as sought by policy SR7
- (iv) public recreational open space (on larger sites) as specified by policy SR4
- (v) enhanced public transport accessibility and pedestrian

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- and cycle access routes (policies TRA11, TRA14, TRA15 and TRA16)
- (vi) education provision for the area (depending on the availability of vacant places at existing schools)
 - (vii) childcare facilities and early years provision as sought by policy AEC7
 - (viii) enhanced library service (outside the city centre)
 - (ix) a community centre or provision for community facilities, if these are lacking in the area
 - (x) highway or footway works to enhance road and pedestrian safety (including safe routes to schools)
 - (xi) archaeological requirements (as specified in policies HBE2 to HBE5)
 - (xii) landscaping of the site, including enhanced landscaping where any green links adjoin or are within the site and appropriate tree planting (in accordance with policies NE4, NE9 and SR12).

HOU13

Proposals for new housing on other sites will be assessed against the following criteria:

- (i) appropriate arrangements must be made for suitable vehicular access, layout and design
- (ii) a density equivalent to or higher than the density of bedspaces in the surrounding area should be achieved and normally at least 40 dwellings (net density) per hectare
- (iii) provision of private garden or public amenity space around the dwellings
- (iv) good accessibility for pedestrians and for people with disabilities to local shops, employment areas, a district centre or convenience store, a bus route serving the city

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- centre, or a contribution to an appropriate enhancement of these facilities
- (v) no detrimental impact on the character and amenity of the surrounding area, including particularly retaining the amenity benefits of any urban greenspace or publicly accessible open space (under policy SR3)
 - (vi) providing a range of types and sizes of housing including affordable housing (where policy HOU4 applies) with a mix of types throughout the site
 - (vii) any benefits associated with the development in enabling regeneration of historic or other buildings in the vicinity.

In relation to proposals for greenfield sites on the edge of Norwich's built-up area, sites will only be accepted when other development in the urban area cannot meet the overall requirements of Norwich. The release of any land will be phased in accordance with policy HOU7.

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Appendix 2

Consultation comments and city council responses

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| Consultee | Comments | Responses |
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| Greenhouse Trust | <ul style="list-style-type: none">• Support graduated threshold.• Clarify wording on paragraph 31. • No reflection of current housing market • Paragraph 17 - Possibility of including key worker housing? | <p>Noted and adopted.</p> <p>Agree. Clarification made to what is now paragraph 32.</p> <p>Not accepted. Local plan policy HOU4 explicitly states that the application of the target will “take account of the site size, suitability and economics of provision”. If a site cannot provide the full target percentage the cascade in paragraph 42 will apply. No change.</p> <p>Not accepted. Our research shows there is no need for key worker housing. Clarifications made to paragraph 18 and paragraphs 19-22. Accepted that this will sometimes be necessary. Changes made to paragraph 38.</p> |

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| | <ul style="list-style-type: none">• Viability test should be independently verified.• If viability in question could allow affordable housing at higher than otherwise permitted densities.• How will policy cope with future market changes? | <p>Not accepted. Affordable housing must be high quality and sustainable, such a suggestion would not be conducive to sustainable communities. No change.</p> <p>The policy has a limited shelf life and will be reviewed upon adoption of the Greater Norwich Joint Core Strategy which is due in 2010. After that it will be regularly updated based upon new housing market research.</p> |
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| | <ul style="list-style-type: none">• Questions policy of spreading the need arising for new affordable housing in Norwich into neighbouring districts as climate change will make these areas uninhabitable and environmental refugees will need housing in Norwich. • Need for greater support to Community Land Trusts including updating organisations that have signed up to the 'Partnership Principles' to include organisations with experience of Community Land Trusts. | <p>Not accepted. There is no evidence of such assertions. Stronger and more sustainable communities will be built by spreading the affordable housing requirement throughout the three authorities.</p> <p>Not accepted. Community Land Trusts are not mentioned in PPS3 so have been removed from this document. The list of partnership principles is designed to achieve this and is open to any organisation to sign up to. Changes made to paragraph 19.</p> |
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| | <ul style="list-style-type: none">• The term “zero carbon” is ambiguous. • Should include option for developer to refurbish existing property and make affordable. | <p>Zero carbon is currently defined as meeting level 6 of the Code for Sustainable Homes. The government have committed to producing a final definition of zero carbon by the end of 2009. This SPD will use the accepted definition. No change.</p> <p>Partially accept. The City Council will aim wherever possible for the affordable housing to be provided on-site so as to create a mixed tenure community. However this proposal could be an alternative to a commuted sum payment provided the location, quality and standards of the properties were suitable. In practice it is thought unlikely many developers would wish to pursue this option. Changes made to paragraph 42.</p> |
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| | <ul style="list-style-type: none">• The City Council should explore the gifting of land for affordable homes. | <p>The City Council already does this. The document does not make sufficient reference to sites of 100% affordable housing and the work that the City Council does to support this. New paragraphs 57 and 58 added.</p> |
| Planning and Transportation – Norfolk County Council | <ul style="list-style-type: none">• Prefers flat threshold as it provides certainty and graduated threshold may cause delays on small schemes.• Need to reference other planning contributions applicants are required to make in appendix 5.• Appendix 5 is very useful but needs to be future proofed so costs are not historic. | <p>Noted but not accepted. These are problems to be addressed in the implementation of the policy but the City Council believes they are worth doing to provide an increased spread of new affordable housing. No change.</p> <p>Accepted. Changes made to appendix 5.</p> <p>Agree, however partners are reluctant to set base or future financial costs, especially in the</p> |

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| | | current housing market. |
| Norfolk Geodiversity Partnership | <ul style="list-style-type: none">• Comment upon geodiversity in the sustainability appraisal. | This policy is assessed as having no impact upon geodiversity. Geodiversity will be covered by the Local Development Framework as it is required to do by Planning Policy Statement 9. No change. |
| Savills (L&P) Limited | <ul style="list-style-type: none">• In the current housing market a target of 40% will make development non-viable and prevent development from taking place.• The fall in house prices means that market housing is now more affordable, reducing the need for affordable housing. | <p>Not accepted. See response to the Greenhouse Trust. No changes made.</p> <p>Not accepted. The figures of housing need are based upon house prices in 2006 which are still considerably lower than those at the present time. Even if prices continue to fall the vast majority of households in housing need require social rented housing. Many of these households will be unable to obtain mortgage funding and even if they could it would require</p> |

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| | | <p>a drop in house prices of approximately 75% from today's prices to make home ownership a genuinely affordable option for them. No change.</p> |
| David M Potter (FRICS) | <ul style="list-style-type: none">• Need up-to-date house price figures. • Questions lack of demand for key-worker housing. | <p>The house price figures shown are those contained in the research document upon which this policy is updated. We are aware that despite the current market slowdown average prices remain significantly higher than they were in 2005. The Greater Norwich Housing Market Assessment contains more up-to-date information and is due to be refreshed in January 2009. Change made to paragraph 48 to reflect role of Greater Norwich Housing Market Assessment.</p> <p>Not accepted. See response to the Greenhouse Trust. No changes made.</p> |

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| | <ul style="list-style-type: none">• Paragraph 22 – terrace housing not always affordable• Support for the graduated scale.• No consideration of current housing downturn• Market cannot meet need on its own. Need for increased public sector investment. | <p>Accept that clarification is needed. Changes made to paragraph 22.</p> <p>Noted and to be adopted.</p> <p>Not accepted. See response to the Greenhouse Trust. No changes made.</p> <p>Noted. See response to the Greenhouse Trust for changes made.</p> |
| Mills & Reeve LLP | <ul style="list-style-type: none">• Paragraphs 31 & 32 need to be tightened up to avoid site-splitting. | Agree. Changes made to what are now paragraphs 32 and 33. |

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| <p>East Of England Development Agency</p> | <ul style="list-style-type: none"> • Support a policy that will increase the supply of affordable housing. • Urge Norwich City Council to be sure that 40% target will not harm viability. | <p>Noted. No change made.</p> <p>We are sure that it will not. See response to the Greenhouse Trust. No changes made.</p> |
| <p>Shelter</p> | <ul style="list-style-type: none"> • Supports the graduated threshold. | <p>Noted. This will be adopted.</p> |
| <p>The Planning Bureau Limited <i>on behalf of McCarthy and Stone</i></p> | <ul style="list-style-type: none"> • Supports the graduated threshold. • Suggest additional statement for paragraph 41 recognising how housing for older people can meet affordable housing needs and how the funding of this needs to be taken into account of. | <p>Noted. This will be adopted.</p> <p>The whole suggested paragraph is not necessary but availability of revenue funding has been added to factors to be taken into account of in appendix 5.</p> |
| <p>South Norfolk Council</p> | <ul style="list-style-type: none"> • Greater Norwich Housing Strategy is now adopted and published. • Paragraphs 7-11 should reflect that the East of England plan is now published. • ORS report is dated 2006. • Paragraph 13 final sentence annual housing need should be 841. • Paragraph 18 PPS3 misquoted. • Paragraph 24 clarify basis for site area threshold. | <p>Noted. Changes made throughout document.</p> <p>Noted. Changes made throughout document.</p> <p>Noted. Changes made throughout document.</p> <p>Noted. Changes made to what is now paragraph 14.</p> <p>Noted. Changes made to what is now paragraph 19.</p> <p>Noted. This comes from policy HOU13 which</p> |

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| | <ul style="list-style-type: none">• Paragraph 25 need a site size threshold for graduated threshold. • Why does flat threshold ask for 40% from 15units but only at 25 units from graduated threshold? • Support for inclusion of Housing Corporation Design and Quality Standards. | <p>specifies a minimum density of 40 dwellings per hectare not PPS3. Changes made to what is now paragraph 24.</p> <p>Noted. Have placed site size thresholds at each level based upon the minimum density of 40 dwellings per hectare set out in policy HOU13. New paragraph 26 inserted and changes made to table on page 15.</p> <p>The graduated threshold makes a trade-off by requiring affordable housing at a lower threshold the target rises slower so as not to harm overall viability. Explanation made at paragraph 27.</p> <p>Noted.</p> |
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| | <ul style="list-style-type: none">• Is paragraph 32 needed given that paragraph 31 prevents sub-division?• Paragraph 36 applicants should pay for the costs of independent economic appraisal if it is necessary.• Paragraph 39 should the Council look for Housing Corporation funding before altering the mix or design?• Appendix 5 should not use average grant as it is changeable. Suggest use of (land cost + construction cost) – RSL purchase price. | <p>This is a fall back position for any site that may avoid the provisions in what is now paragraph 33. No change.</p> <p>Agree. New paragraph 38 added.</p> <p>Clarification made to what is now paragraph 43 to make clear it is minor changes to mix or design that will be considered and Housing Corporation funding will be considered at all times to increase affordable housing provision.</p> <p>There are some merits in the suggested approach but it is felt it contains too many variables. As a target for commuted sum</p> |
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| | <ul style="list-style-type: none">• Paragraph 44 information on housing need also comes from housing market research.• Paragraph 49 should include reference to new policies that have superseded local plan ie RSS.• Paragraph 50-52 should not restrict delivery method to RSL, reference to CLG guidance. | <p>calculations we will use a fixed grant rate figure plus a site specific land value. Changes made to what is now paragraph 47 and appendix 5.</p> <p>Agree. Change made to what is now paragraph 48.</p> <p>Agree. Changes made throughout.</p> <p>Noted. Our preferred method is through an RSL with local management capacity but changes have been made to what are now paragraphs 55 & 56 to state when affordable housing delivery by non-registered bodies will be acceptable.</p> |
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| <p>Hopkins Homes</p> | <ul style="list-style-type: none">• Affordable housing provided in this way comes at a cost to the developer or land-owner. • It is procedurally incorrect to attempt to alter affordable housing contributions through a supplementary planning document this can only be done through a Local Development Document. • Many other financial contributions are now also sought from developers. | <p>Agree. We understand this comes at a cost. The figures provided in appendix 5 are intended to provide some certainty as to exactly what these are. No changes.</p> <p>Not accepted. Policy HOU4 of the City of Norwich adopted local plan states that an element of affordable housing will be sought on relevant sites. The target percentage was amended by Supplementary Planning Guidance in 2002 and this document updates that. In any case a Supplementary Planning Document is a Local Development Document. No changes.</p> <p>Noted. Changes made to appendix 5 to reflect</p> |
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| | <ul style="list-style-type: none">• Brownfield sites in reality generally more difficult to develop, extra costs rarely deducted by landowner from sale price.• In current market conditions such demands will severely limit supply of housing.• Paragraph 38 can the Council update their own research on likely site contributions. | <p>this.</p> <p>Agree that brownfield sites are generally more expensive. Until the dwellings are constructed and sold there will always be an element of speculation. This SPD seeks to give greater certainty to landowners and developers by including the likely costs involved in providing affordable housing at appendix 5. No changes.</p> <p>Not accepted. See response to the Greenhouse Trust. No changes made.</p> <p>No detailed research went into these previous assumptions and the site list was by no</p> |
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| | <ul style="list-style-type: none">• Paragraph 43 object to wording “free ride” and in any case the proposed commuted would prevent this. • Paragraphs 46 & 47 are too prescriptive and will result in additional costs. | <p>means exhaustive. Most of the sites now have planning permissions in place so previous research is not relevant. In future the viability of the site will depend upon the exact costs involved in development and the market conditions at the time. Norwich City Council feels it is more appropriate to assess this at the time of application. No changes.</p> <p>Noted. Changes made to what is now paragraph 47 to show this figure is the starting point for negotiation and to remove objected to wording.</p> <p>It is important that affordable housing is high quality and shares in the facilities enjoyed by private housing. Some of these requirements</p> |
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| | <ul style="list-style-type: none">• Paragraphs 50-52 should not restrict delivery to RSL. See government guidance contained in “Delivering Affordable Housing”.• Appendix 5 graphically illustrates high cost of affordable housing. The price RSLs can pay is below the cost of physically producing the dwelling. | <p>(ie car-parking) will have cost implications but others can be overcome by good design. No change.</p> <p>Noted. Changes made see response to South Norfolk Council.</p> <p>Agree. Appendix 5 is designed to give a strong guide to applicants as to the likely costs involved. Given current build costs and market values social rented units will need to be sold for considerably less than the cost of construction and low cost home ownership units at marginally higher than construction cost. This is now made explicitly clear in new paragraph 40.</p> |
| Lanpro | <ul style="list-style-type: none">• There has been a “stitch-up” between the authorities in the Greater Norwich area over sharing their affordable housing need and neither is this nor its | There has been no “stitch-up”. Housing markets do not observe administrative |

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| | <p>impacts properly explained.</p> <ul style="list-style-type: none">• The issue of inward and outward migration of affordable housing need is not addressed. Was this covered in ORS research?• How does the Council justify the increase in need for affordable housing?• Paragraph 7 says that this interprets local plan policies but in fact it changes them. | <p>boundaries so it is entirely proper to address affordable housing sub-regionally. This is fully explained in appendix four. Clarifications made to paragraphs 12-18 and appendix 4.</p> <p>Yes it was. ORS used a dynamic modelling tool to assess housing requirement and need. Clarification made to paragraphs 12 & 15 on the methodology employed by ORS.</p> <p>Partly through not enough having been built in the past, hence the backlog that needs to be addressed and partly because rising house prices and cost of living have priced many people out of the market. No changes.</p> <p>This SPD interprets HOU4 in applying a new</p> |
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| | <ul style="list-style-type: none">• Affordable housing should be set out clearly, negotiations should not come into the reckoning.• Paragraph 31 the Council cannot force someone to apply for planning permission.• Paragraph 35 there is no supporting evidence to suggest brownfield sites are not always more expensive to develop than Greenfield sites. | <p>affordable housing target percentage. It applies changes to the threshold in line with guidance from PPS3 which supersedes the Local Plan. No changes.</p> <p>Not accepted. Due to individual viability issues on individual sites there will always be the need for flexibility and negotiation. No changes.</p> <p>This is not the intention of the wording. What is now paragraph 33 should be clear.</p> <p>No supporting evidence is needed. Some brownfield sites (ie those with no demolition or abnormal costs) will be cheaper to develop than some Greenfield sites (ie those with</p> |
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| | <ul style="list-style-type: none">• Paragraph 37 suggest a figure of 20% profit is what a developer will actually look for. <ul style="list-style-type: none">• Paragraph 43 the level of offsite contributions asked | <p>significant infrastructure burdens. No change.</p> <p>Accept that the 12% figure is too low. After consulting with a number of professionals in the construction industry and looking at the available published evidence the City Council has determined that 15% profit is a reasonable figure and changes have been made to what is now paragraph 39.</p> <p>Accepted that clarification was needed. See response to Hopkins Homes.</p> <p>If let at housing corporation target rents such</p> |
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| | <ul style="list-style-type: none">• Paragraph 41 student housing should not have to provide affordable housing as it may be affordable itself.• Paragraph 44 what is meant by choice based lettings system.• Paragraph 45 & 48 These high quality standards will affect viability and prevent sites from being developed. | <p>units could be social rented housing and if let or sold at less than market value they could be a form of intermediate housing. As stated in paragraph 21 Norwich City Council will retain nomination rights to all properties, this may prevent student specific affordable housing. Paragraph 21 clarified.</p> <p>Accept that this is unclear and clarifications to the sources for this advice have been made to what is now paragraph 48*****</p> <p>Not accepted. Affordable housing must be provided to appropriate standards. No change.</p> <p>Not accepted. See response to the Greenhouse trust.</p> |
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| | <ul style="list-style-type: none"> • Paragraph 49 should define “zero carbon new housing” | |
| <p>Norwich City Council, Housing Development Team</p> | <ul style="list-style-type: none"> • Header – states June 2007 – should be 2008 • Paragraph 10 RSS is now adopted • Paragraph 18 should include mention of intermediate rented properties. • Paragraph 21 is missing or there is a number error. • Paragraph 25 there should be a site area threshold. • Paragraph 32 runs the risk that affordable housing will be concentrated in subsequent phases. • Paragraph 36 the applicant should pay the cost of an independent economic assessment if it is required. | <p>Noted. Changes made throughout.</p> <p>Noted. Changes made throughout. Noted.</p> <p>Noted. See response to South Norfolk Council for changes made.</p> <p>Noted. See response to South Norfolk Council for changes made.</p> <p>This is a risk but the operation of paragraph 31 should mean that paragraph 32 rarely needs to be used. No change.</p> <p>Noted. See response to South Norfolk Council for changes made.</p> |

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| | <ul style="list-style-type: none">• Paragraph 39 Continuous Market Engagement should mean that delays are minimised.• Paragraph 43 average grant rates aren't in appendix 5 as stated. | <p>Noted. New paragraph 43 added.</p> <p>Noted. Change made to appendix 5.</p> |
| University of East Anglia | <ul style="list-style-type: none">• Paragraph 19 there is a need for affordable graduate student housing. This policy should recognise this and include them within the definition of affordable housing.• Paragraph 30 if UEA negotiated affordable housing it would be for post-graduate international students and would reference this accordingly. | <p>See response to Lanpro.</p> <p>See above. This could be a problem with</p> |

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| | <ul style="list-style-type: none">• Paragraph 39 with regards to tenure split a typical 4 postgraduate student would occupy a property for four years.• UEA expects all student housing it develops on campus to be classed as affordable. • Paragraph 43 if UEA develops affordable housing as above could it be used as provision for other nearby sites? | <p>regard to the Council's nomination rights. Applicants who have a local connection to Norwich receive preference and international applicants may not be eligible for social housing if they are subject to immigration control. No change.</p> <p>Noted.</p> <p>See above. No change.</p> <p>This will depend upon it falling into categories of affordable housing as defined in paragraph 19 and guaranteed in perpetuity and for nomination by Norwich City Council as per paragraph 21. No changes.</p> <p>It would be highly unlikely. Firstly any site over the threshold that UEA developed would</p> |
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| | <ul style="list-style-type: none">• Housing development on UEA's campus fits with policies HOU6 and HOU13. | <p>be required to provide affordable housing and this could not be double-counted for another site. Secondly as stated in paragraph 46 the City Council will endeavour to provide on-site contributions of affordable housing in order to contribute to mixed tenure communities. Clarification made to paragraph 46.</p> <p>The suitability of this or any other site to provide housing should be discussed with Development Control. UEA may wish to promote part of their site through the Local Development Framework process. No change.</p> |
| Norwich City Council Green Councillors | <ul style="list-style-type: none">• Supports the graduated threshold as it spreads affordable housing and avoids concentrations of deprivation.• Policy should introduce a requirement for higher energy efficiency in affordable housing. | <p>Noted and adopted.</p> <p>This document does not present the opportunity to prescribe such moves. It does</p> |

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| | <ul style="list-style-type: none">• A requirement could be introduced to have a certain amount of family sized homes to reduce the over saturation of 1 bed properties. | <p>tie affordable housing to current Housing Corporation and future Homes and Communities Agency standards which will rise in time ahead of building regulations.</p> <p>Agree that mix of housing required should be clarified but no target is set. Changes made to paragraph 48.</p> |
| Norwich City Council Regeneration Funding Manager | <ul style="list-style-type: none">• Other s106 requirements also affect viability. Process for determining priority needs to be made clear.• If an independent viability assessment is needed it should be funded by the applicant. | <p>Accepted. Other s106 requirements added to appendix 5. Paragraph 42 now makes clear that reducing or waiving other planning obligations is an option when viability is in question and paragraph 58 makes it clear that this could also apply to sites of 100% affordable housing.</p> <p>Noted. See response to South Norfolk</p> |

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| | | |
|---|---|---|
| | | Council. |
| Ingleton Wood LLP | <ul style="list-style-type: none"> Clarification needed on date that this policy comes into force. | Accepted. This policy will apply to all applications validated after the date of approval by Norwich City Council's Executive Committee. This was 17 th September 2008. Clarification made to paragraph 4. |
| Norwich City Council Development Control | <ul style="list-style-type: none"> Viability assessments should be time limited i.e. not to span the entire life of the pp If an independent viability assessment is needed it should be funded by the applicant. | <p>NOT SURE HOW THIS CAN BE ACHIEVED?*****</p> <p>Noted. See response to South Norfolk.</p> |
| Gerald Brown – Building Services Professional. | <ul style="list-style-type: none"> This is a 'stealth tax'. In the current housing conditions there is a risk that | Not accepted. It is reasonable to capture some of the benefit of the grant of planning permission for the identified needs of the community of which affordable housing is one. No changes. |

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| | | |
|--|--|---|
| | this could make development non-viable. Forty percent of nothing is nothing. | Not accepted. See response to the Greenhouse Trust. |
|--|--|---|



Appendix 3

Partner RSLs, signatories of development partnership principles

Cotman Housing Association
Iceni Homes Ltd
Broadland Housing Association
Circle Anglia
Cotman Housing Association
Flagship Housing Group
Granta Housing Society
Hastoe Housing Association
Orbit Housing Group
Orwell Housing Association
Places for People
Saffron Housing Trust



Appendix 4

Calculation of affordable housing target for Norwich

The basis for the calculation of affordable housing need and provision is the *Study of housing need and stock condition* for greater Norwich, carried out by Opinion Research Services Ltd (ORS). This was carried out for the housing market area and demonstrated the different types and levels of need across the area.

It has been agreed between the authorities to pool their needs and seek to address them across the area, since otherwise it would have been impossible for the city to meet its needs, while Broadland and South Norfolk would have significant reductions in their housing needs.

The table below shows how the need for affordable housing has been calculated.

It follows a logical sequence of steps to project need from the ORS research; then to identify the city's element of need and its future provision; then to look at how much of this provision is on small sites (below the national threshold); then at what element will be Housing Corporation funded or RSL delivered housing, outside the scope of s106.

The conclusion from this sequence is that the policy now proposed (40% requirement) plus additional sites will produce 25% of affordable housing from a supply of 8820 dwellings (lines 7 and 8) (NB this takes account of known constraints on sites). Additional policy adjustments can be made to bring supply more in line with need estimates (line 13 below). At the end of this process the city is

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estimated to achieve 4049 affordable units over the period out of a total provision of 12,412 (or approx 35%).

The residual need will be for Broadland and South Norfolk to provide in their LDF documents – although it suggests that at approx 45% of total requirement this will not be feasible (line 15). The calculation suggests that, realistically, the policy changes will not actually meet the total need over the period, without significant further measures to improve the supply of intermediate and social rented housing across the sub-region.

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| | | Market Housing | Intermediate | Social Rented | Total |
|----|---|----------------|--------------|---------------|-------|
| 1 | Sub-Region Housing Requirement 2006-11 (ORS including backlog of need) | 5485 | 528 | 3679 | 9691 |
| 2 | Extrapolate to 2021 (without backlog) | 16457 | 1438 | 9780 | 27674 |
| 3 | Sub-Region total need controlled to RSS numbers | 17873 | 1563 | 10621 | 30054 |
| 4 | Norwich city requirement (out of line 3 – controlled to RSS) | 4717 | 1292 | 4605 | 10614 |
| 5. | Norwich city total supply from | | | | |
| | a) planning permissions at 03/06 | | | | 3401 |
| | b) Allocated sites at 03/06 | | | | 3795 |
| | c) Forecast new sites at 06 | | | | 535 |
| | d) forecast new sites to 2021 | | | | 2883 |
| 6 | Norwich city – yield from | | | | |
| | a) sites under 15 units | | | | 429 |
| | b) Other sites = no affordable units | | | | 571 |
| | c) Housing Corporation funded | | | | 699 |
| | d) Other sites = affordable (e.g. replacement) | | | | 95 |
| 7 | Line5 – line 6 Source of future s106 contributions | | | | 8820 |
| 8 | Potential yield of s106 from existing sites | | 152 | 1918 | 2070 |
| 9 | Add line 6c) and 6d) to line 8 = total affordable housing anticipated now | | 152 | 2712 | 2864 |

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| | | | | |
|----|---|-------|------|--|
| 10 | Line 5 – line 9 = total market supply in Norwich | 7750 | | |
| 11 | Line 4 – line 9 + surplus (-) or shortfall of affordable housing in Norwich | | 1139 | |
| 12 | Line 4 – Line 10 + surplus or shortfall of market housing in Norwich | -3033 | | |
| 13 | Adjustment for policy effect to meet need in Norwich | -385 | +535 | |
| 14 | Policy based provision in Norwich city (2006-21) | 7365 | 687 | |
| 15 | Remaining need to be found in Broadland and South Norfolk | 10508 | 876 | |



Appendix 5

Financial information

The following information will be expected to be covered in an 'open book' financial appraisal.

- Construction costs.
- Contingency allowance.
- Off-site works.
- Planning contributions (s106).
- Financing Costs (and basis of these).
- Site preparation costs (including decontamination, archaeological measures, flood risk measures, earth movement, foundation costs etc).
- Legal and professional fees (including stamp duty, acquisition costs, architect and surveyors' fees, planning fees).
- Revenue estimates (by size and type of unit) and basis for those estimates (comparators). To include any revenue income by way of fees for parking/management charges etc over a period of at least 10 years.
- Alternative use site value (comparable for redevelopment in previous use or assumed alternative site use).
- Site purchase valuation (and date). Allowance for different policy elements and contributions should be shown.
- Housing Corporation grant assumption (if any) – please consult strategic housing about this.

Design and Quality Standards for Affordable Housing

Norwich City Council will require affordable housing within a development to meet design and quality standards as laid down by the Homes and Communities Agency.

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These include but are not exclusive:-

Space Standards

The required space standards for affordable properties are currently:-

- 1 bed 2 person dwelling @ 45-50m²
- 2 bed 3 person dwelling @ 57-67m²
- 2 bed 4 person dwelling @ 67-75m²
- 3 bed 5 person dwelling @ 75-85m²
- 4 bed 6 person dwelling @ 85-105m².
- For larger dwellings add 10m² for each additional bed space

The above sizes may need to be increased to accord with lifetime homes requirements if a traditional construction approach is adopted.

Code for Sustainable Homes

The current standard for meeting the Code for Sustainable Homes is level 3. The requirement for affordable housing will increase to level 4 from April 2010.

Building for Life

It is a requirement to achieve a score of 12 out of 20 on the building for life assessment for affordable housing.

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Cost of meeting Homes and Communities Agency design and quality standards

[These costings have been prepared by Oxbury & Company.]

Internal environment

Unlikely to incur additional costs compared with Housing Corporation design and quality standards April 2003 unless incorporating lifetime homes which is estimated to increase costs by approximately £3,800 per dwelling.

Sustainability

Code for sustainable homes level three is estimated to cost an additional £3,600 per dwelling compared with Eco-Homes 'very good'.

Code for sustainable homes level four is estimated to cost an additional £7,600 per dwelling compared with Eco-Homes 'very good'.

External environment

It is estimated that the costs of meeting building for life will be an additional £1,000 per dwelling.

NB: it is anticipated that the ongoing construction of buildings that are compliant to the *Design and quality standards* will result in the additional costs being mitigated as the industry finds economic and compliant solutions.

Norwich City Council

Affordable Housing Viability Testing

June 2009

Norwich City Council

Affordable Housing Viability Testing

| | | |
|----|----------------------------------|----|
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1. Introduction

- 1.1 Drivers Jonas LLP have been instructed by Norwich City Council (“the Council”) to undertake viability testing of the Council’s emerging affordable housing policy, detailed within their ‘Affordable housing supplementary planning document – draft for consultation, June 2008’.
- 1.2 This instruction arises from paragraph 29 of PPS3 which requires the Council to undertake a viability assessment of the plan-led target. This issue was further highlighted by the Blyth Valley judgement.
- 1.3 As part of this viability test, we have undertaken appraisals of six schemes, identified with assistance from the Council, which are currently within the development pipeline, or recently developed, and are located across the City of Norwich. These appraisals have been tested on two bases to reflect weak market conditions and also the potential for values to improve over the plan period.
- 1.4 The information contained within this report should not be relied upon for any other purpose without Drivers Jonas’ prior consent. We have not inspected the sites referred to in the report for the purposes of this exercise but are aware of a number of them through our work with the Council in the preparation of the Local Infrastructure Framework.
- 1.5 The inputs and variables used within our appraisals are based on evidential information where possible, i.e. sales values and also our commercial knowledge derived from working on similar projects and schemes elsewhere.
- 1.6 It is important to note that our report is not intended to state that 40% affordable housing will be deliverable on every site but that the proposed target is reasonable and ensures the Council achieves the maximum level of affordable housing that is viable as a rule in the district.
- 1.7 The Council will need to take a reasoned approach on a site by site basis where specific viability considerations are required.
- 1.8 It should be noted that when considering the appraisals in the weak market conditions we have had to assume that normal lending conditions have resumed and that both land and residential units are being transacted. Much of the current market crisis has resulted directly from a lack of finance which has stalled the development market. For the purpose of the appraisals we have assumed therefore that developers are able to purchase sites and also private buyers are able to purchase completed units, although, in the weak market, at a much slower rate to reflect weak demand.
- 1.9 This report is confidential to the Council and the information contained within this report should not be relied upon by any other party without Drivers Jonas’ prior consent. Should the Council wish to rely upon the information within as evidence at a Planning Examination in Public, the report would be amended to reflect the nature of that process.
- 1.10 This instruction has been led by Chris Baldwin BSc (Hons) MRICS a partner in DJ’s residential consultancy team assisted by Steve Billington Bsc (Hons), a partner and Paul Telfer MA (Hons) MRICS, a senior surveyor in the same team. The residential consultancy team have been assisted by Mark Crane MRICS, an associate, and Peter Davidson BSc (Hons) MSc MRICS, a surveyor, within the Local Authority development team.
- 1.11 The date of the report is 30 June 2009.

2. Site Details

- 2.1 To test the viability of the policy requirement for 40% affordable housing across the whole district we have appraised six schemes. These are all currently within the development pipeline, or have recently been developed, and range from between 25 and 151 units.
- 2.2 The schemes provide a cross section of the different locations within the City of Norwich.
- 2.3 All of the S.106's for the sites appraised were signed on the basis of a lower requirement of affordable housing, ranging from 20% to 32%.
- 2.4 The sites are as follows:
- n Site A
 - n 0.6 hectares (1.48 acres)
 - n Previous use – Industrial
 - n 54 units (30% affordable requirement) and 418 sq.m of office space
 - n Under construction and units on market
 - n Acquired in February 2007 for £726,000
 - n S.106 contribution of £1,336 per unit

 - n Site B
 - n 2.25 hectares (5.57 acres)
 - n Previous use – Industrial
 - n 151 units (29.8% affordable requirement)
 - n Not yet implemented
 - n Acquired in August 2005 for £2,500,000
 - n S.106 contribution of £1,602 per unit

 - n Site C
 - n 0.22 hectares (0.54 acres)
 - n Previous use - car parking/light industrial
 - n 25 units (20% affordable requirement)
 - n Pre-construction
 - n Acquisition details unknown
 - n S.106 contribution £2,500 per unit*

 - n Site D
 - n 1.56 hectares (3.85 acres)
 - n Previous use - Allotments
 - n 41 units (29.2% affordable requirement)
 - n Part constructed and some units have been sold

- n Acquired in May 2005 for £3,005,500
- n S.106 contribution of £1,152 per unit

- n **Site E**
 - n 0.38 hectares (0.938 acres)
 - n Previous use – Warehousing and Public House
 - n 57 units (32% affordable requirement)
 - n Not yet implemented
 - n Acquisition details unknown
 - n S.106 contribution of £3,646 per unit

- n **Site F**
 - n 4.27 hectares (10.55 acres)
 - n Previous use – Private Sports Pitches
 - n 78 units (32% affordable requirement)
 - n Not yet implemented – awaiting final planning consent
 - n Acquisition details unknown
 - n S.106 contribution of £3,063 per unit

** The Section 106 for Site C does not include quantifiable contributions for highways, public open space and heritage works. In the absence of the contribution details we have made an assumption that the s.106 would be £3,000 per unit, a figure that approximately equates to an average of the more recent s.106 agreements Sites E & F.*

2.5 We have been unable to find information on either the purchase price and /or deal structure of the following sites:

- n Site A;
- n Site C;
- n Site E; and
- n Site F.

2.6 We are however continuing our enquiries into the structure of these deals.

3. Appraisal Inputs and Assumptions

Overview

- 3.1 In order to assess the viability of each scheme, the residual land value calculated in our appraisals is compared against the previous use or alternative use value. If the residual value is lower than the previous use value then it is considered that the scheme would be unviable.
- 3.2 We have remodelled each of the six sites to reflect the change in affordable housing requirement to 40%, which is higher than initially granted for every scheme.
- 3.3 We have tested the impact of two different market conditions on each of these sites to ensure as robust a test as possible. Following research into market conditions in Norwich we have concluded that the following are representative of strong and weak markets:
 - n Strong market – mid/end 2007
 - n Weak Market – the current market, mid 2009.
- 3.4 We have appraised each site using the values and sales rates being achieved in both a strong market and a weak market.
- 3.5 We have researched the price paid for each site and at what point in time the land was transacted.
- 3.6 It is accepted that affordable housing units are less valuable to developers than private therefore an increase in affordable obligations is likely to reduce the amount developers are able to pay for sites. However, this drop will not always have the effect of making a site unviable. As long as the site value remains positive and shows the landowner a reasonable uplift in value from the property's previous use or alternative use value, to reflect the landowners risk, plus all costs incurred then the landowner should still be incentivised to dispose of the property and the site can be considered viable.

Market Conditions and their Impact on Viability

- 3.7 The changes in the property market have been well publicised in recent times with significant falls being experienced in the period between mid/end 2007 and the present day. Although there are no clear signs of market improvements at present, it is recognised however, that the property market is cyclical and that market conditions will continue to change throughout the policy period.

Affordable Housing Provision

- 3.8 In all of the sites that have been tested the current permissions allowed for less than 40% affordable housing provision. To bring these schemes in line with the proposed 40% requirement we have therefore remodelled the sites and, whilst we have retained the same overall mix of consented units, we have created a scheme which would deliver a total of 40% affordable housing (by unit), split 75% / 25% between social rent and intermediate tenures.
- 3.9 In doing this, we have mirrored, as closely as possible, the affordable unit mix that was set out in the consented schemes.

Market Impact on Affordable Housing Delivery

- 3.10 When appraising both a weak and strong market, we have considered the impact market conditions have on the delivery of affordable housing,

particularly intermediate products. Whilst the demand for social rented units will remain strong, or even increase, in weak market conditions shared ownership tenures closely mirror the fortunes of the private market.

- 3.11 The problems faced by private purchasers in accessing mortgage finance in the weak market, has been felt more acutely by potential shared ownership purchasers for whom competitive mortgages have almost completely dried up. This results in less people being able to purchase shared ownership units, meaning that Registered Social Landlords (“RSLs”) will want to deliver less of this product in the weak market.
- 3.12 To take account of this in our weak market appraisals we have assumed that an RSL would no longer be considering providing intermediate units as shared ownership and would instead move to the provision of intermediate rent. RSLs are increasingly proposing this product with arrangements in place for the occupants to buy the properties on a shared ownership basis when the market improves or mortgages are more readily available.
- 3.13 Intermediate rent units are more easily accessed by prospective tenants in the weak market conditions. However, they do not produce as much revenue as shared ownership units, resulting in a lower overall affordable offer to a developer. Our models take account of this.

Impact of Affordability Criteria on Intermediate Value

- 3.14 This is one of the key factors affecting the intermediate value in each of our appraisals. The affordability criteria set by the local authority dictate the maximum weekly amount that a shared ownership purchaser or intermediate renter can pay. The *Greater Norwich Sub-region: Evidence Base for a Housing Market Assessment (June 2006)* document, which we have used to determine affordability, sets out three bands of intermediate housing costs.
- 3.15 The maximum amounts payable are relatively low. For shared ownership this means that the equity share sold, or the rent on the unsold equity, must be set at a low level to ensure that income limits are not breached.
- 3.16 The affordability criteria also determines the amount that an occupier can pay for intermediate rent, which means that the relatively low amounts payable impact negatively upon the total revenue stream receivable and therefore value payable for the intermediate element of the affordable.

Affordable Housing Grant Support

- 3.17 We have appraised sites on a with and without grant basis, using recent Homes and Communities Agency (“HCA”) investment as a benchmark for our with grant position.
- 3.18 The availability of grant support from the HCA is important for the viability of schemes. To ensure that our appraisals are as informed as possible we would recommend that the HCA is consulted in relation to the levels of investment assumed over the plan period.
- 3.19 At this stage it is unlikely for there to be absolute certainty over grant support from the HCA. We understand however that in general Norwich have been successful in attracting HCA funding into schemes. This is evidenced by the average grant allocated in Norwich exceeding the eastern region average for the HCA’s 2008-11 funding period.
- 3.20 Despite the current success that Norwich have had in attracting grant funding into schemes, there is still a risk that no or reduced grant funding may be forthcoming in the future. This could be due to shortfalls in government funding budgets or changes in funding priorities.

3.21 In our with grant appraisals we have used the average grant allocated in Norwich in the HCA's National Affordable Housing Programmes in 2006/08 (strong market 2007) and 2008/11 (weak market 2009), as follows:

| | Social Rent (per person) | Intermediate (per unit) |
|----------------------|--------------------------|-------------------------|
| Strong Market - 2007 | £12,663 | £15,759 |
| Weak Market - 2009 | £12,240 | £17,766 |

Standard Development Inputs

3.22 There are a number of inputs which are common to all of our appraisals. We have set out these inputs below detailing where they have been changed to allow for different market conditions:

| | |
|---|---|
| n Purchasing Agent fee | 1% |
| n Legal Fees | 0.5% |
| n Stamp Duty | As per standard rates |
| n Construction costs (includes landscaping) (see note ¹ below) | £861 per sq.m – £1,076 per sq.m £80 per sq.ft – £100 per sq.ft |
| n Demolition Costs (where applicable) | £2 per sq.ft for existing buildings |
| n Construction contingency | 5% |
| n Affordable Housing | 40% |
| n Affordable housing split | 75% social rent/ 25% intermediate |
| n Professional fees | 10% |
| n Marketing cost | 2% |
| n Sales agent fee | 1.5% |
| n Sales legal fee | 0.5% |
| n Finance rates | 6.75% |
| n Profit on Cost private sales | 20% |
| n Profit on Cost affordable sales | 5% |
| n Section 106 costs | As per the individual signed agreements |

Construction Costs

3.23 A number of the schemes involve the redevelopment of former commercial buildings to residential accommodation. It is more difficult to estimate the potential build costs for refurbishment of office space as we have not inspected the property and are unaware of any site specific construction issues.

3.24 We have therefore adopted build costs based upon our experience of similar projects that we have been involved with elsewhere.

¹ Build costs vary from between £861 per sq.m to £1,076 per sq.m. We have factored in a variation to reflect the construction of different unit types. The construction of houses and two storey flats can be achieved at a significantly lower level than of 3/4/5 storey blocks of flats and therefore a differential in the build costs is required.

Phasing

Private

- 3.25 In terms of phasing, we have adopted standard build and sales periods on all of the sites apart from Site B. This site is treated as an exception due to the size of the development.
- 3.26 For all other sites, assuming a strong market, we have adopted a three month pre construction period and a sales period calculated at four units per month. We have assumed that the units are built to demand. The sales period begins three months into the construction phase.
- 3.27 Assuming a weak market, we have made the assumption that a developer would not start construction until January 2010 for a scheme with a majority of houses and until July 2010 for a predominantly flatted scheme. This is to account for the likelihood of the market for houses recovering sooner than for flats for which there appears to be somewhat of an oversupply in Norwich at present.
- 3.28 These time lags are due to the prevailing market conditions. Again we have assumed that units are built to demand. Following a six month construction lead in we adopt sales at two per month for the remainder of 2010, and four per month thereafter until all units are sold.

Affordable

- 3.29 The phasing for the affordable is similar for all of the sites in both the strong and weak market approaches. It assumes a three month pre-construction period, a build rate of 9 units per month (with a minimum build period of 9 months) and the income is triggered at an assumed “golden brick” date and spread evenly until completion.
- 3.30 In the strong market appraisals the construction of the affordable units runs alongside the development of the private units. In a weak market, where the construction of private units is delayed till 2010, we have assumed that the affordable housing element of these schemes is built out first in 2009, before the private units are constructed and sold. This is done in order to bring in some capital to the scheme and reduce risk and is currently being seen in number of developments nationwide.
- 3.31 In a strong market the affordable income in the cashflow is appraised as a 40% upfront payment on the “golden brick” date with the remainder of the income distributed, using an s-curve, across the remainder of the build period. In the weak market the affordable income is distributed, using an s-curve, across the entire build period with no lump sum at the golden brick date.

Finance

- 3.32 We have worked on the assumption that developers are able to secure finance to pay for land and finance the proposed scheme.
- 3.33 Whilst this is not an issue in a strong market, in our weak market appraisals we have had to assume that finance will be secured for the development at competitive rates. However we are aware, that in reality, in a weak market developers may find it hard to secure finance at a competitive rate.

Accommodation Schedules

- 3.34 We have obtained the majority of the unit sizes from the planning information and conversations with the relevant agents or architects. Where it has not been possible to obtain this information we have based

the unit areas on the guidelines set out in the Housing Corporation's (now the HCA) Design and Quality Standards (2nd Edition, 2007).

Demolition

- 3.35 Where the sites had an industrial existing use, we have factored in a demolition cost to reflect the need to level the site as part of the preliminary works.

S.106 Obligations

- 3.36 In terms of the s.106 costs we have modelled these in our appraisals based on the information set out in the individual s.106 agreements.
- 3.37 At Site F we have assumed that the draft s.106 will be finalised in its current form. We have been informed by the council that this is likely to be the case.
- 3.38 In our appraisals we have assumed that the s.106 contributions remain at the same level in both strong and weak market conditions and that the developer would not seek to renegotiate the contributions in weak market conditions.

Specific assumptions – Site B

Sales Phasing

- 3.39 Due to the size of the development at Site B (151 units in total), we have adopted specific phasing assumptions.
- 3.40 In a strong market we have adopted a sales rate of 6 units per month compared to the 4 at the other developments. A scheme of this size is likely to be marketed on a regional basis and draw significant attention from house buyers.
- 3.41 Elsewhere we have assumed a 3 month period before unit construction begins on site. At Site B we have assumed this period would be 6 months to account for the greater infrastructure requirements and site preparation.
- 3.42 We have included significant marketing costs to account for the necessary marketing requirements for a site of this nature.
- 3.43 In the weak market scenario we have assumed that the developer would delay the start of construction until January 2010 as a result of the prevailing housing market. Once construction starts it is at a much slower rate to match the residential sales profile to ensure that the developer is not left with a significant number of built but unsold units. From six months into the private unit construction stage we adopt sales at two per month for 2010, four per month in 2011 and 6 per month thereafter until all of the units are sold.
- 3.44 Again, in a weak market, we have assumed that the affordable housing element is built out first.

£1 Affordable Land Payment

- 3.45 The s.106 agreement for Site B contains a provision that the price payable by an RSL for the affordable housing land shall be £1.
- 3.46 This is designed to set the price that an RSL would pay for a package of s.106 affordable units as being equal to the cost of constructing the units.
- 3.47 The intention of the policy is to ensure the RSL pays a discounted price and to prevent competition amongst RSLs.

- 3.48 In our opinion the only impact it has is to skew the cashflow of an RSL's offer, but they would still offer a market value.
- 3.49 Conventionally an RSL would pay a certain percentage of their package price upfront, against the "land" element of the deal (40% in our strong market scenario), with the balance paid on a month by month basis as works progress. Therefore we feel that the clause would stop this upfront payment being made. That said an RSL would just roll this into their month by month payments instead.
- 3.50 We have therefore adopted this approach in the strong market scenario for Site B, with the affordable revenue being paid on a month by month basis rather than as an upfront payment for the "land" element as assumed at our other schemes.
- 3.51 In a weak market we have s-curved the affordable payment over the duration of the build period.
- Site Specific Abnormal Costs / Exceptional Costs*
- 3.52 We have not accounted for any abnormal development costs, such as contamination and flood risk mitigation within our appraisals.
- Previous Use / Alternative Use Value*
- 3.53 Viable development relates, to a certain extent, to the value of a property's previous use or alternative use. When considering the viability of the identified sites we have therefore had regard to their previous or alternative use values.
- 3.54 Two of the sites identified were previously allotments or sports fields and four of the sites were previously in commercial / industrial use.
- 3.55 To estimate the potential previous use values we have carried out desktop estimates of values using information available to us. Where possible we have used the Valuation Office Agency Rating List 2005 to determine the size of the properties. Where this is not possible we have used the Ordnance Survey online mapping tool Promap, in conjunction with photographs and aerial imaging to estimate the areas of the properties.
- 3.56 It must be noted that these assessments of value are for indicative use only and we have not carried out any site inspections.
- 3.57 Our assessments of value are based on the assumption that all of the sites are vacant and there is no knowledge of any existing tenancies in place.
- 3.58 We have valued the four previously commercial properties on the basis of a rent and yield approach and compared these findings against the residual appraisals for the residential schemes to assess the impact on viability. We have also considered the commercial development value of these sites, however initial tests showed that commercial development value was some way off the value of the remodelled schemes and that the previous use value based on a rent and yield were higher than the commercial development values.
- Market Commentary*
- 3.59 We have undertaken a review of market conditions based on the strong market experienced in 2007 and the weak market, focusing particularly on residential sales values and the rate of sale of the units.
- 3.60 Market evidence was obtained from discussions with local agents and from contacting the marketing suites of currently marketed developments in Norwich City.

3.61 It is worth noting that June 2009 research from Savills details that the value of development land has fallen 59% in the eastern region from its September 2007 peak.

Strong Market Conditions

3.62 In order to assess the strong market conditions we used historic comparable data from the peak of the market, which was found to be mid/end 2007. The historic evidence was predominantly obtained from those developments that have been on the market since this date and supported by Land registry evidence.

3.63 Our research included sales information from 2007 for the following developments Appleyard's Mill (Hopkins Homes), Riverside Heights (Bryant Homes) and Read Mills (PJ Livesey).

3.64 These are shown in the table below;

| 2007 Private Residential Sales Values | | |
|--|-------------------------------|------------------------------|
| Scheme Name | Houses £ per sq.ft | Flats £ per sq.ft |
| Read Mills (PJ Livesey) | n/a | £300 |
| Riverside Heights (Bryant Homes) | n/a | £280 |
| Appleyard's Mill (Hopkins Homes) | £230 | n/a |

3.65 In terms of average sales rates across the district, we have assumed in a strong market at mid/end 2007 the sales rates would be 1 unit per week for smaller developments and greater sales rates on any larger developments.

Weak Market Conditions

3.66 The research for the weak market conditions has been carried out in Spring / Summer 2009.

3.67 As mentioned previously in this report, the market conditions at this time are very uncertain and as such the general economic conditions, coupled with the lack of available finance to home buyers, have dramatically impacted on the residential market. This impact has been two-fold; first residential developers have been forced into reconsidering the pricing on their units, with some significant decreases/incentives required to sell properties and secondly the units have been selling at a much slower rate.

3.68 Our research at Spring/Summer 2009 showed residential sales values as follows:

| 2009 Private Residential Sales Values | | |
|--|-------------------------------|------------------------------|
| Scheme Name | Houses £ per sq.ft | Flats £ per sq.ft |
| Read Mills (PJ Livesey) | n/a | £242- £262 |
| Paper Mill Yard (City Living) | n/a | £230 |
| Riverside Heights (Bryant Homes) | n/a | £189 - £197 |
| Fellowes Plains (Charles Church) | n/a | £213 - £253 |

| | | |
|---|-------------|-------------|
| Appleyard's Mill (Hopkins Homes) | £136 - £179 | n/a |
| Prospect Place (Hopkins Homes) | £178 - £222 | n/a |
| The Rise (Bryant Homes) | £150 - £155 | £150 - £155 |
| The Walnuts (Persimmon) | £174 - £215 | n/a |

3.69 In terms of unit sales rates our research has shown that, with the developers re-pricing their units there have been continued sales but at a much lower level when compared to the strong market. Unit sales rates are currently in the region of 1-2 per month.

Sales Value Inputs

3.70 The table below indicates the private residential sales values that we have adopted in our appraisals at each location. These are based on assumptions of strong and weak markets:

| Adopted Private Residential Sales Values | | | |
|---|--------|--------------------------------------|------------------------------------|
| Private Sales Values | | Strong Market £ per sq.ft | Weak Market £ per sq.ft |
| Site A | Houses | n/a | n/a |
| | Flats | £240 | £190 |
| Site B | Houses | £190 | £150 |
| | Flats | £210 | £170 |
| Site C | Houses | n/a | n/a |
| | Flats | £280 | £190 |
| Site D | Houses | £250 | £200 |
| | Flats | n/a | n/a |
| Site E | Houses | £210 | £160 |
| | Flats | £220 | £170 |
| Site F | Houses | £230 | £185 |
| | Flats | £240 | £195 |

Affordable Value Inputs

3.71 We are aware that the draft affordable housing SPD contains an indicative pricing mechanism designed to provide guidelines for the price a developer should expect to receive from an RSL for a s.106 package of affordable units.

3.72 Whilst this may be helpful initial guidance to a developer, in our experience the majority of RSLs would appraise and price their offer for the affordable units adopting a “market value” approach. Therefore we have calculated the affordable values using market assumptions.

3.73 The affordable values have been calculated using an affordable residual appraisal software package used by RSLs in formulating offers for s.106 packages of affordable housing. This value is built up through a combination of:

- the annual income from the affordable units (which is a combination of the capitalised rent for the social rent and intermediate rent units and a mixture of initial equity sale and capitalised rent on the retained equity for the shared ownership units);
- amount of grant funding allocated to the RSL by the HCA;
- internal subsidy from an RSL.

3.74 The table below indicates the affordable sales values (with grant) at each location based on assumptions of 75% social rent and 25% intermediate;

| | Strong Market | Weak Market |
|---------------|----------------------|--------------------|
| | £ per sq.ft | £ per sq.ft |
| Site A | £152 | £144 |
| Site B | £148 | £143 |
| Site C | £161 | £151 |
| Site D | £136 | £129 |
| Site E | £151 | £144 |
| Site F | £137 | £131 |

3.75 We have also run appraisals on a “without grant” basis on the assumption of a 75% social rent and 25% intermediate tenure split. The affordable sales values are listed below:

| | Strong Market | Weak Market |
|---------------|----------------------|--------------------|
| | £ per sq.ft | £ per sq.ft |
| Site A | £107 | £98 |
| Site B | £101 | £96 |
| Site C | £109 | £99 |
| Site D | £86 | £81 |
| Site E | £101 | £94 |
| Site F | £92 | £87 |

4. Findings

- 4.1 The tables below detail the viability of providing 40% affordable housing when the results of our appraisals are compared against the previous use or alternative use values of the site:

With Grant

| | Strong Market | Weak Market |
|---------------|----------------------|--------------------|
| Site A | Viable | Marginal* |
| Site B | Viable | Viable |
| Site C | Viable | Viable |
| Site D | Viable | Viable |
| Site E | Viable | Unviable |
| Site F | Viable | Viable |

Without Grant

| | Strong Market | Weak Market |
|---------------|----------------------|--------------------|
| Site A | Marginal | Unviable |
| Site B | Unviable | Unviable |
| Site C | Viable | Marginal |
| Site D | Viable | Viable |
| Site E | Unviable | Unviable |
| Site F | Viable | Viable |

* *Marginal schemes are those where the residual value in our appraisal is within £100,000 of the previous/alternative use value.*

With Grant Findings

- 4.2 All of the remodelled schemes show viability in the strong market conditions as the residual land value of the scheme (with a 40% affordable housing requirement) is higher than our calculation of the previous use values.
- 4.3 In a weak market, however, not all sites show viability over and above the previous use values. The combination of lower residential sales values, longer project phasing and the change in the flow of income received from the affordable housing all lead to significantly reduced residual land values. Four of the sites still show viability, although the gap between the residual land value and the previous use value falls.
- 4.4 However, Site E is not viable and Site A is marginal based on a remodelled scheme (with a 40% affordable housing requirement) in the weak market.
- 4.5 In both instances the residual value is lower than our assessment of the previous use / alternative use value. It is worth noting that both of these schemes are 100% flatted schemes and we believe the market for flats in Norwich will recover slower than that for houses. This demonstrates that unit type and mix is an important when considering the viable amount of affordable housing that can be provided at a scheme.
- 4.6 Where schemes are unviable or marginal, it is likely that the developer/landowner would not take the risk on residential development and, as such, these residential schemes would not be delivered into the market.

Without Grant Findings

- 4.7 Our appraisals without grant demonstrate the importance of grant funding in underpinning the proposed affordable housing provision.
- 4.8 All but one of the four previously commercial sites are not viable without grant funding in both the strong and weak market scenarios.
- 4.9 Site D is a relatively small mixed use scheme with two commercial units, the value of which may help to ensure the scheme remains viable in a good market. However it is unviable in a weak market when the value of the commercial units is considerably reduced.
- 4.10 Sites D and F have not been previously developed and are both viable without grant in both strong and weak markets which is to be expected as they both have low previous use values.
- 4.11 If grant funding was not achieved this would have an impact on viability in which case the Council may need to respond flexibly when negotiating the affordable housing.

Comment

- 4.12 Where the sites have a previous commercial use they are, on the whole, more susceptible to viability issues.
- 4.13 Where sites have previously been undeveloped they are, on the whole, less susceptible to viability issues.
- 4.14 It is recognised that flexibility in these extreme conditions will be needed if housing growth is to be supported. From the viability tests that we have undertaken it is clear that the Council may need a more flexible approach to be taken if development is to be achieved.

5. Conclusions

- 5.1 PPS3 requires the Council to have undertaken a viability assessment of the plan-led target of affordable housing. This issue was highlighted by the Blyth Valley judgement.
- 5.2 In response to this Drivers Jonas have undertaken viability testing of six schemes within Norwich City on the basis of a 40% affordable provision, assuming a 75/25 social rent to intermediate tenure split and the s.106 obligations agreed at the time.
- 5.3 In order to ensure our approach is robust as possible we considered their viability in two different market conditions – strong (mid/end 2007) and weak (mid 2009).
- 5.4 The increase in requirement has an impact on land value, which in a strong market should not be so significant as to undermine the viability and therefore deliverability of sites. In a weak market the requirement does affect the viability of some schemes.
- 5.5 However, HCA funding is critical to viability. If HCA funding is unavailable then a number of sites are unviable at 40% affordable housing even in a strong market, and the majority would not come forward in a weak market.
- 5.6 The potential for future changes in the amount of grant funding need to be carefully considered when formulating the council's affordable housing policy. Therefore we recommend that the council engages with the HCA at an early stage to assess whether grant funding will continue to be allocated on s.106 affordable schemes at the levels consistent with those seen previously within Norwich. If this is not the case, then the viability of the 40% affordable housing target in the majority of previously developed sites may be affected and this target in Norwich's policy should be reconsidered.
- 5.7 For these reasons, we consider the 40% affordable housing requirement a robust policy only if grant funding is available at the levels detailed in this report.
- 5.8 In addition, is important to ensure that there is sufficient flexibility written into the policy to enable developers to make viability arguments where applicable and enable the Authority to take a more flexible approach to support development for the less viable sites.