

Adult Social Service & Housing
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Date: 14th October 2010
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Memorandum

From: Gary Ward Housing Development Officer.

To: Sarah James. Senior Planning officer.

Re: Cautletts Close. MSN Planning application no: 10/04015/FUL .

1. INTRODUCTION

1.1 This report provides a consultation response in regard to planning application 10/04015/FUL on behalf of Strategic Housing Services. The report is set out as a summary and full report. The summary contains the Housing Development Officer's recommendations on the affordable housing output requirement in respect of the planning obligation, whilst the full report explains the affordable housing output requirements in detail and offers clarification in support of the required outputs. This report replaces all previous responses made by Strategic Housing Development.

2. SUMMARY

2.1 Key Issues

Local plan

Policy HG.8 requires 35% affordable housing contribution without public subsidy. The application is for 112 dwellings therefore the Council requires a total of 39 affordable units based on a 75% rented and 25% Intermediate home ownership (New Build Homebuy – previously referred to as shared ownership).

Unit Mix and size.

The proposed affordable housing mix as set out within the Design and Access statement is appropriate.

Social rent 75% (29 units)

8 x 1 bed apartment

14 x 2 bed houses

5 x 3 bed houses

2 x 4 bed houses

Intermediate Housing or New Built Homebuy 25% (10 units)

4 x 1 bed apartments

4 x 2 bed houses

2 x 3 bed houses

Locations of affordable housing.

The proposed locations of the affordable housing as set out within the Design and Access statement are appropriate.

Design of affordable housing.

1. size

The applicant has not provided dimensions for the affordable dwellings however their Design & Access statement, states the affordable dwellings will be fully compliant with the Housing & Communities Agency - Scheme Design & Quality standards,(D&QS`s).

The applicant should note that Housing Quality Indicators (HQI`s) form part of the D&QS`s and require minimum size standards to be achieved.

For the purposes of the assessment, size is the internal floor area, measured from wall finish to wall finish of the unit and should not include the following:

- Perimeter wall thicknesses and external projections
- Central lobby areas, passageways and other communal areas shared with other units.
- Any space where the height to the ceiling is less than 1.5m (e.g. rooms with sloping ceilings,
- external dustbin enclosures)
- Porches, covered ways etc
- Balconies (private, escape and access) and decks
- Voids and air wells
- Non-habitable basements, attics, thermal buffer zones or sheds.
- External storage space (see unit layout for this requirement)
- All space for purposes other than housing (e.g. garages, commercial premises etc.
- Conservatories not forming an integral part of the habitable space
- Chimney breasts, bay windows or other features, which, when included, would result in a unit size unrepresentative of the true unit size.

2. Joseph Rowntree Lifetime Homes & Wheelchair standards:

The applicant states within the Design & Access statement that 60% of the affordable housing will meet Joseph Rowntree Lifetime Homes standards and that 10% of these units will also met Wheelchair user specifications.

The applicant has not indicated how & which affordable units will meet these standards.

3. Code for Sustainable Homes. (CSH):

The Design & Access statement contains the following wording; `35% of new homes will be designed to achieve level 3 of the Code for Sustainable Homes`. As the CSH forms part of the D&QS`s it is assumed this statement directly relates to the affordable housing only.

The applicant should note that to successfully achieve the CSH standards requires a two stage assessment, at design stage and post completion.

Both stages must be successfully certified by an accredited CSH assessor and the Council will need to see evidence the code level has been achieved.

It is unfortunate that the applicant has missed the opportunity to include the benefits of the CSH to the market housing.

4. Housing mix overall

It is unfortunate that the market housing is heavily weighted in favour of 3 & 4+ bed accommodation. The applicant has missed the opportunity to provide smaller one & two bed market housing to reflect the needs of the local area and promote social inclusion and sustainability.

There are a number of key affordable housing outputs required in order to satisfy the local plan and other affordable housing policies which need to be secured through the planning system. The output requirements have been set out as recommendations below and are detailed in the Housing Development Officer's full report. These outputs define the true developer contribution by clarifying the total housing costs. It therefore removes any ambiguity that may lead to misinterpretation on the Affordable Housing Planning Obligation and the expected developer contribution in the event that landownership may change in the future. Strategic Housing Services support the application in principle but ask that the Development Control Officer includes the following recommendations in her report to Development Control Committee (DCC) and that she asks that DCC considers the Housing Development Officer's recommendations and resolves that these should be included as Heads of Terms in the Section 106 Agreement.

2.2 Recommendations

- 1 35% of the overall residential provision is affordable and grant free, with a 75/25 percent split between Social Rent and Intermediate Market housing. (Affordability, including service charges and size mix as set out in the Housing Development Officer's report).
- 2 The affordable housing obligation is secured in perpetuity through a section 106 Agreement as set out in the Development Officer's report.
- 3 Lift the stair casing restrictions for New Build Homebuy Lessees and instead ring fence the released equity.
- 4 The Council has full nomination rights as set out in the section 106 Agreement.
- 5 All the affordable housing units must fully comply with the current Homes & Communities Agency (HCA) 'Design and Quality Standards' and that the Code for Sustainable Homes (CSH) 3 will be achieved. It is the Developers responsibility to take on board future improvements to the HCA and CSH standards.
- 6 60% of the affordable housing must reach Joseph Rowntree lifetime home standards including 10% meeting Wheelchair user specifications.
- 7 To transfer the units to an approved partnering Registered Housing Provider (HP) (formally called RSL) or other Affordable Housing Provider (AHP) as approved by the Council.
- 8 The affordable housing land is transferred to a RHP or AHP at nil cost.
- 9 Public subsidy (grant) will only be made available in the event that the RHP's or AHP's supportable deficit is insufficient to pay for the build costs. Grant will be subject to a comprehensive financial viability assessment.
- 10 A 'pepper potting' strategy is included in the Section 106 Agreement and that the development is tenure blind.
- 11 Phasing conditions on affordable housing triggers to be set out in the Section 106 Agreement

3. FULL REPORT

3.1 Affordable Housing Units

- 3.1.1 The Applicant must ensure that 35% of the total residential provision shall be affordable homes based on a split of tenure of 75 / 25 social rent to intermediate housing.
- 3.1.2 Social rent 75% (29 units)
8 x 1 bed apartment
14 x 2 bed houses
5 x 3 bed houses
2 x 4 bed houses
- 3.1.3 Intermediate Housing or New Built Homebuy 25% (10 units)
4 x 1 bed apartments
4 x 2 bed houses
2 x 3 bed houses
- 3.1.5 All the affordable housing units will be benchmarked against Housing Corporation's 'Design and Quality Standards'. The 'Code for Sustainable Homes level 3' will be achieved with up to 60% of all affordable housing to meet Joseph Rowntree 'Lifetime Homes' standards; of which 10% will meet wheelchair user standards.
- 3.1.6 The affordable housing provision will house people who are on the Council's Housing Register and have been assessed as being in housing need. The Council has a statutory duty to ensure that those people who are in greatest need are adequately housed. The Council will have 100% nomination rights to the affordable homes in the first instance, followed by 75% in future years

3.2 Housing Need

The West of England Housing Need Assessment (Prof Glen Bramley 2005) states that the net need for affordable housing in the Norton Radstock area is an average of 210 units per year, this is second only to the City of Bath and considerably higher than the need in Keynsham or the rural parts of the district. This position is further supported by the Council's housing waiting list, which states that a total of 1430 households are currently on the waiting list as in need of affordable housing in Norton Radstock (area 8). In addition, 486 approved households have been registered for New Built Homebuy with 'South West Homes', who administer the Intermediate Housing Register on behalf of the Council.

3.3 Tenure Split

3.3.1 Social Rent

It is required that 75% of the overall affordable housing contribution shall be for social rent. These homes shall be provided through a RHP or other AHP who will charge target rents which are regulated by the Housing Corporation to ensure affordability for the end user. All social rented units shall be secured in perpetuity through a Section 106 Agreement with the exception of tenants wishing to exercise their 'right to acquire' either through 'social home buy' - or outright sale. In this case any capital released including any net capital gain made by the RHP or approved AHP on its share of the equity or through outright sale, shall be ring fenced for the re-investment into new affordable housing within Bath & North East Somerset. In the event of re-sales the RHP or AHP shall be given first option to purchase the property for the purpose of social rented housing. In this case previously ring fenced capital receipts or other public subsidy could be used to fund the purchase of the property.

3.3.2 Intermediate Housing

- i) It is proposed 25% of the affordable housing homes shall be provided as New Build Homebuy and must be for those households who are in housing need - often they are first time buyers in regular employment and have a regular income - but do not earn enough to compete on the open market. In order to create a balanced and sustainable community it is recommended that a range of shares is offered to ensure the product is attractive and affordable to a range of household circumstances and incomes, starting at for example 30% share with rents at 1% of the unsold equity. This will enable those on lower incomes to get onto the property ladder with the option to buy additional shares in the future.
- ii) Within a Section 106 affordable housing contribution, individual affordable housing units are usually secured in perpetuity. This approach presents a number of difficulties with regard to the New Build Homebuy products for the following reasons:
 - Registered Housing providers (RHP) or other approved affordable housing provider who will hold a share in the property, experience difficulty in securing private funding from lenders where the property, upon which the lender secures the loan, is subject to restrictions which prevent the New Build Homebuy Lessee from stair casing to a 100% equitable share in the affordable housing property.
 - New Build Homebuy Lessees experience difficulties securing comparable mortgages from lenders as such lenders will impose a higher interest rate in the event of the property being subject to stair casing restrictions.
 - Central Government is encouraging residents to become owner occupiers and ultimately share in increasing asset wealth and that includes the right to staircase. Any homebuy product that receives public funding has the right for residents to staircase to 100% equity. Although restrictions could be enforced on non funded schemes this would no doubt disadvantage potential buyers who may consider a restricted product unequal to the non restricted homes and with this an unviable option.
- iii) It is normal practice to ensure, through the Section 106 Agreement, that the RHP or approved AHP has first refusal when a New Build Homebuy property is offered for resale. In addition, any capital released through stair casing on the New Build Homebuy units, including any capital gain made by the RHP or approved AHP on its share of the equity, should be ring fenced for the re-investment into new affordable housing within Bath & North East Somerset. This approach will ensure perpetuity in the affordable housing provision rather than perpetuity of the individual units.
- iv) To ensure the Council is notified of any stair casing activity, it is proposed that a charge is placed on the property which will alert the Local Authority to the impending sale of the property. The purpose of this is to advise the RHP/AHP how the receipts should be re-invested.
- v) A mortgagee in possession will inserted into the S106 Agreement in favour of the named RSL or AHP after the developer and the RHP / AHP have entered into contract.

4. Affordability

- 4.4.1 The Local Plan defines affordable housing as:
being available for those whose income generally deny them the opportunity to purchase or rent houses on the open market as a result of the local partnership between income and market price.
- 4.4.2 Planning Policy Statement 3 (Housing) defines that affordable housing should:
meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.

- 4.4.3 All intermediate housing (New Build Homebuy) shall be affordable to people in need of affordable housing. The units must be affordable to households with relatively low incomes and must reflect the Strategic Housing Market Assessment Guidance Version 2, issued by the CLG in August 2007.
- 4.4.4 The guidance considers that to be affordable to those in need of intermediate housing (New Build Homebuy) total housing costs should not exceed 25% of a household's gross income.
- 4.4.5 The Council will determine the affordability of any intermediate Homebuy (shared ownership) product against the recommendations contained in the Ark report `Opening Doors`. The guidance considers that to be affordable to those in need of intermediate housing (New Build Homebuy) total housing costs should not exceed 25% of a household's gross income
- 4.4.6 In order to establish whether an intermediate housing (New Build Homebuy) product provided through planning policy is affordable, it has been necessary to identify the cost of renting an equivalent sized property in the private market in the locality and compare this with the cost of the intermediate housing product, both on the basis of spending no more than 25% of gross income.
- 4.4.7 The following example sets out what share a household with an income of £20,000 can afford to buy.

Household income	£20,000
25% of household income	£ 5000
<u>Outgoings</u>	
Annual mortgage repayment (Borrowing of £51,900 at 6.5 % over 25 Years)	£ 4200
Rent to cover RSL loan of £14,000 on costs	£ 800
Total housing costs	£ 5000

This means that a household with an income of £20,000 will be able to buy a maximum share of £51,900 with a rent charge at £800 per year.

- 4.4.8 Therefore the Intermediate Housing units (New Build Homebuy) shall be made available for a range of household incomes as set out in the table below:

Norton Radstock	Lower threshold of intermediate market – Indicative social rent levels £ pw	Lower threshold of intermediate market – Household income required £ pa	Upper threshold of intermediate market – Typical market rent levels £ pcm	Upper threshold of intermediate market - Household income required £ pa	Median point of intermediate market – Household income required £ pa
1bed flat	63	13,136	435	20,880	17,008
2bed house	76	15,846	580	27,840	21,843
3bed house	92	19,182	665	31,920	25,551
4bed house	108	22,518	795	38,160	30,339

The matrix will be reviewed annually to reflect current market trends.

- 4.4.9 The above is an important factor which impacts on the price the Developer can expect a Registered Housing provider to pay for the New Build Homebuy unit. This removes any ambiguity that could potentially lead to any misinterpretation on affordability.

5. Sustainable Mixed Development

- 5.5.1 A successful mixed community will bring together the economic, social and physical aspects of renewal and development in a holistic manner and will result in:
- High quality homes, services and opportunities for all.
 - Narrowing the gap between the most disadvantaged areas and the rest.
 - De-concentration of deprivation, and prevention of social and economic segregation in new areas of development.
- 5.5.2 The development must be tenure blind with small clusters of affordable housing spread throughout the development to ensure a mixed community.
- 5.5.3 Where there are significant numbers of flats a 'grouped pepper potting' approach is applied when integrating affordable housing. This can be achieved by creating separate access areas within a block or separate floor areas within a block. This way, service charges can be controlled by the RHP / AHP to ensure they are kept at affordable levels.
- 5.5.4 A 'Pepper Potting Strategy' that is linked to the Section 106 Agreement is required to ensure an inclusive mixed development.

6. Service Charges

- 6.6.1 Service charges should be limited to a reasonable level (not for profit, not for loss) that will maintain affordability for local households in need of affordable housing. The level of service charges are yet to be agreed and should therefore be covered in the S.106 Agreement. Service Charges must be completely transparent as directed by the Housing Corporation and CLG and must be affordable for the end user.
- 6.6.2 Traditionally service charges would be levied for direct services received. It is more common nowadays that an additional service or a management charge is levied to maintain shared open spaces - like public realm - which are not subject to Council adoption. This means that the service charge could reach such levels that it could be regarded as no longer being affordable to the client group that needs to access affordable housing.
- 6.6.2 As this is planning application in which the adoption of open spaces or private roads have not yet been identified, an 'Adoption / Service Charge Strategy' that is linked to the affordability matrix and the Section 106 Agreement is required.

7. Financial Implications

- 7.7.1 All affordable housing land shall be transferred to the RHP / AHP at nil costs.
- 7.7.2 The social rented unit cost payable will be based on the mortgage the RHP / AHP can raise and is linked to target rents.
- 7.7.2 The Intermediate Market (New Build Homebuy) unit cost payable must have consideration for the affordability factors as set out in this report.

7.7.3 In the event that the RHP / AHP supportable deficit is insufficient to support the build costs of the affordable housing units, gap funding (grant) may be considered. Any grant request must be supported by a full financial viability assessment which will be rigorously tested by Strategic Housing Development or an expert Consultant. Costs will be re-charged to the Developer.

8. Registered Housing Provider (RHP) or other Affordable Housing Provider (AHP)

8.8.1 Units shall be transferred to one of the Council's preferred RHP development partners, but, consistent with the guidance in Delivering Affordable Housing (CLG 2006) the Council can not insist.

8.8.2 Where it is intended that the affordable housing units will be transferred upon completion to a RHP or AHP who is not a partner of the Council, the Council will require evidence of acceptable management standards. Any RHP not on the Council's approved list or other AHP must demonstrate their ability to deliver affordable housing in line with Council's policy and standards.

9. Phasing of Affordable Housing

9.9.1 It is important that the timing of the affordable housing delivery is phased at intervals throughout the construction period. The triggers will therefore be set out in the Section 106 Agreement.