Strategic Planning, Sustainability and Transport Committee

14 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Affordable Housing Policy

Final Decision-Maker	Strategic Policy, Sustainability and Transport Committee
Lead Director or Head of Service	Rob Jarman, Head of Planning and Development
Lead Officer and Report Author	Sue Whiteside, Spatial Policy Team Leader
Classification	Non-exempt
Wards affected	All wards

This report makes the following recommendations to the final decision-maker:

- 1. That the officer responses to the representations submitted during public consultation on the draft Maidstone Borough Local Plan 2014 (Regulation 18¹ consultation) for policy DM24 Affordable Housing, as set out in Appendix A, be approved.
- 2. That draft policy DM24, as amended under Section 4 "Preferred Option" of the report, be approved for further public consultation (Regulation 18 consultation).

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

Timetable		
Meeting	Date	
Policy and Resources Committee	N/A	
Council	N/A	
Other Committee	N/A	

¹ The Town and Country Planning (Local Planning) (England) Regulations 2012

Affordable Housing Policy

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To consider and approve the officer responses to the representations made on the draft affordable housing policy (DM24) contained in the public consultation draft of the Maidstone Borough Local Plan 2014 (Regulation 18 consultation), set out in Appendix A.
- 1.2 To approve a revised draft local plan policy for affordable housing that has been amended as a result of public consultation and further viability testing, set out in Section 4 of the report. The revised policy is recommended for further public consultation (Regulation 18) before the Publication version of the local plan is published for consultation (Regulation 19).

2. INTRODUCTION AND BACKGROUND

- 2.1 In accordance with the National Planning Policy Framework (NPPF), local planning authorities have a duty to meet the full, objectively assessed needs for affordable housing; to plan for a mix of housing and identify the tenure and range of housing that is required; to prepare a plan which is based on adequate, up-to-date and relevant evidence; and to assess policies to ensure their cumulative impact does not put the implementation of the Plan at serious risk². The council has a net affordable housing need of 5,800 households from 2013 to 2031³, equivalent to 322 affordable homes each year (which is 35% of the council's objectively assessed need of 928 dwellings p.a.).
- 2.2 The council's adopted Affordable Housing Development Plan Document (2006) sets a threshold of 15 dwellings or 0.5ha as a trigger for sites to provide for affordable housing as part of development proposals. A minimum 40% affordable housing is sought, of which not less than 24% of the total number of dwellings should be for affordable rent, the balance providing for shared ownership, shared equity or discounted market rent.
- 2.3 Consultants, Peter Brett Associates (PBA), were appointed to undertake a Local Plan Viability Testing Study (April 2013) to update the council's evidence base. Consequently, policy DM24 of the public consultation draft of the Maidstone Borough Local Plan 2014 updated the council's affordable housing policy, and set a new threshold of 10 residential units and a different rate of provision across different types of geographical area. The policy sought 15% affordable housing provision for previously developed urban sites, 30% for greenfield sites and private residential gardens in the currently defined urban area and at the urban periphery, and 40% in the countryside, rural service centres and larger villages. The policy further sought a tenure split of not less than 65% affordable/social rented housing, and up to 35% intermediate affordable

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² NPPF Paragraph 47

³ Maidstone Štrategic Housing Market Assessment (January 2014)

housing (shared ownership and/or intermediate rent).

- 2.4 The representations that were received during public consultation on the local plan in respect of affordable housing policy DM24, together with officer responses and recommendations, are set out in Appendix A. The comments relate to the cost of providing affordable housing, tenure split, the proposed geographical split, and tenants who would live in the dwellings. The nature of the comments and their implications for the viability of the local plan were such that further work was required. PBA were therefore appointed to undertake a Revised Plan and CIL Viability Study (May 2015) at a strategic plan level to update the 2013 viability study and to provide the following outputs:
 - A plan viability assessment of the Maidstone Borough Local Plan 2011-2031;
 - To test the impact of affordable housing policy in the context of the plan viability assessment; and
 - Viability assessment of theoretical developments taking into account the Local Plan requirements and other costs, to inform the Community Infrastructure Levy (CIL) rates.
- 2.5 The council's CIL Charging Schedule is being prepared alongside the local plan programme. A report on the key issues arising from public consultation on the CIL Preliminary Draft Charging Schedule was considered by Planning, Transport and Development Overview & Scrutiny Committee on 16 September 2014. A further report seeking approval to undertake the next stage of consultation on the Draft Charging Schedule, taking account of the updated PBA viability study, will be presented to the Strategic Planning, Sustainability and Transport Committee early next year, following the Committee's approval of the local plan for publications and submission.
- 2.6 PBA tested a range of typologies, or hypothetical developments, that are likely to be brought forward in the plan period. These hypothetical developments were assigned to broad locations within the borough, and the typology sites were based on new and existing sites of known development within the plan period. Since the previous 2013 viability study, overall the general viability picture has not changed: rural areas are more viable than urban locations, and brownfield sites (previously developed land) within urban areas are less viable than greenfield sites. This picture is supported by decision making in the development management process.
- 2.7 One key difference in the viability results between 2013 and 2015 is the notable increase in residential sales values over the last two years. When looking at sales values it is not uncommon to consider sales values from the previous three to five years. It is likely that some of the transactional data used in the previous study may have overlapped with transactional data from the height of the recession, so viability would have been slightly more suppressed than in the previous three/five years from the present day. The approach to values has also changed: a blended rate of houses and flats was used in the 2013 viability model, whilst the 2015 model separately identifies houses and flats.
- 2.8 Since the previous viability study there have also been a number of changes in how costs are considered within the viability study. These changes are a result

of a number of factors, including PBA's experience gained at Independent Examination of other local planning authorities' local plans, peer review and improved market conditions:

- Externals (costs for internal access roads, car parking and hard and soft landscaping within the site) are reduced to 10% of build costs as opposed to 15%;
- 10% of build cost for professional fees, reduced from 12%;
- Profit that developers may gain from affordable housing has fallen from 8% to 6%: and
- There is evidence to suggest finance costs have fallen considerably since the previous study where 8% was used a figure of 6% is now used.

Vacant Building Credit

- 2.9 National policy provides for an incentive for brownfield development on sites containing vacant buildings. The National Planning Policy Guidance (NPPG, paragraph 21) explains that "where a vacant building is brought back into any lawful use, or is demolished to be replaced by a new building, the developer should be offered a financial credit equivalent to the existing gross floorspace of relevant vacant buildings when the local planning authority calculates any affordable housing contribution which will be sought." The existing floorspace of a vacant building is credited against the floorspace of the new development so affordable housing contributions may be required for any increase in floorspace, and if there is no additional floorspace from redevelopment then the local authority cannot seek affordable housing contributions. The financial credit applies to all vacant buildings that have not been abandoned.
- 2.10 The definition of "vacant" was initially unclear but recent amendments to the NPPG wording provide for local planning authorities to have regard to the intention of national policy when applying the credit. Thus it may be appropriate for local planning authorities to consider:
 - Whether the building has been vacant for the sole purpose of redevelopment; and
 - Whether the building is covered by an extant or recently expired planning permission for the same or substantially the same development.
- 2.11 It is unclear whether local planning authorities may consider that the vacant building credit is not appropriate for buildings that have become vacant solely to enable development to proceed. Uncertainty also remains as to how the vacant building credit will be applied in practice, for example, no time limit is specified for the period of time that has to elapse before the building is considered vacant.
- 2.12 The national policy is clear that vacant building credit has been introduced to incentivise brownfield redevelopment. Nevertheless, the vacant building credit is being challenged by a number of authorities, particularly in London where certain councils are seeking to introduce a local exemption policy against the credit. In Maidstone, the regeneration of brownfield sites in the town centre and the urban area is a local plan priority set out in its strategy. Officers will keep a

watching brief on vacant building credit and will report back on the implications for Maidstone Borough.

3. AVAILABLE OPTIONS

- 3.1 **A:** 'Do nothing' option do not progress with an affordable housing policy. The council has a net affordable housing need of 5,800 homes between 2013 and 2031⁴, equivalent to 322 households each year. There is a clear and significant need for new affordable homes in the borough, and there is therefore a clear justification for the council to seek affordable housing through new development schemes. Local plans are required to pay careful attention to viability and costs, and sites should not be subject to such a scale of obligation and policy burden that their ability to be developed is threatened⁵. The PBA study has tested a range of options to ensure the local plan and its policies are viable. All site typologies tested proved to be viable, and some level of affordable housing can be accommodated.
- 3.2 **B: Affordable Housing Threshold**. Paragraph 12 of the NPPG, which refers to circumstances where infrastructure contributions through planning obligations should not be sought from developers, was updated on 26 March 2015. As a consequence, developer contributions for affordable housing should not be sought from developments of 10 units or less, and which have a maximum combined floorspace of 1,000m². The PBA viability testing results assumed the national threshold of 11 dwellings for affordable housing.
- 3.3 The NPPG does set out some exceptions where a lower threshold may be applied: rural areas described under Section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty. So consideration can be given to introducing a lower threshold of somewhere between six and 10 units in the Kent Downs AONB where affordable housing or tariff-style contributions could be sought. The PBA viability study demonstrates that, whilst greenfield sites may be able to accommodate a lower threshold, brownfield developments would not be viable. The emerging local plan is not proposing to allocate any housing sites in the AONB. Windfall applications in this location on greenfield sites of between six and 10 dwellings would therefore normally be contrary to policy, an exception being the provision of local needs housing which is 100% affordable housing.
- 3.4 It is recommended that affordable housing should be sought from developments of 11 units or more, and which have a combined floorspace of greater than 1,000m².
- 3.5 **C:** Affordable Housing Target Rate and Geographical Differentiation. Draft policy DM24 currently seeks 15% affordable housing provision on urban brownfield sites, 30% on greenfield sites (and private residential gardens) in the currently defined urban area and at the urban periphery, and 40% in the countryside and villages. A range of alternative targets and geographical differentiations were proposed by respondents to the local plan consultation

⁴ Maidstone Strategic Housing Market Assessment (June 2015)

⁵ NPPF Paragraph 173

(Appendix A).

- 3.6 Further testing of options in the 2015 PBA viability study demonstrates that a 40% affordable housing rate can be achieved in the rural areas and a 30% rate can be achieved in and adjacent to the currently defined urban area. The key policy change relates to urban brownfield sites where there is an increase in provision from 15% to 30%. Two strategic urban brownfield sites that are important for the delivery of the local plan, Springfield (residential site allocation policy H1(11)) and Haynes (H1(12)), would be viable delivering 30% affordable housing, but there would be limited capacity to provide for necessary infrastructure at these sites because of site constraints. These sites can accommodate a rate of 20% affordable housing which would allow for an appropriate balance of affordable housing with the need to provide for infrastructure.
- 3.7 Alternatively, a 15% affordable housing rate, as set out in the current draft policy, could be retained for the urban area to incentivise brownfield redevelopment, but this must be balanced against the borough's need for affordable housing. A 30% affordable housing rate is viable, subject to the identified exception sites.
- 3.8 A 40% affordable housing requirement in the countryside, rural service centres and larger villages, and a 30% requirement in the urban area are recommended, with the exception of a 20% requirement for the Springfield and Haynes residential site allocations.
- 3.9 **D: Affordable Housing Tenure**. The draft 2014 local plan policy DM24 seeks a tenure split of a minimum 65% affordable/social rented housing and 35% intermediate housing. Some respondents to the consultation sought a more even tenure split in order to address local needs (Appendix A). The policy already states that specific site circumstances may influence the tenure split of each development, so introduces a degree of flexibility in accordance with NPPF requirements. The delivery of affordable housing in Maidstone must give greater priority to affordable rented homes due to the significant need for such accommodation (in excess of 1,400 applicants) on the council's housing register at the present time.
- 3.10 The Maidstone Strategic Housing Market Assessment (2014) identifies the need for different types of tenure of affordable housing through the period of the local plan. Across the borough as a whole, it is estimated that some 67% of need is for social or affordable rent tenures, whilst around 33% is for intermediate housing. A ratio of 70% affordable rent and 30% intermediate was tested in the PBA study and has been shown to be viable.
- 3.11 An indicative target of 70% affordable/social rent and 30% intermediate housing is recommended, but with modifications to the policy wording to ensure flexibility subject to viability and/or evidence of the needs for different tenures at the time of the application.
- 3.12 **E: Older Person Housing (retirement and extra care homes)**. Viability testing for retirement homes (also known as sheltered housing) and extra care

homes (also known as assisted living) suggests these uses are not as viable as other residential uses in Maidstone. There was very little difference between extra care and retirement properties, and the study recommends a single affordable rate for both. Whilst a rate of 30% affordable housing is viable, this could only be achieved with a zero CIL charge. Alternatively, a lower 20% affordable housing rate can be accommodated which would allow for an appropriate balance between affordable housing need and infrastructure provision.

- 3.13 An affordable housing requirement of 20% for older person housing (retirement and extra care homes) is recommended.
- 3.14 F: Care Homes. Care homes are residential or nursing homes where 24 hour personal care and/or nursing care are provided. Population projections predict that 18% of the borough's residents with be over 70 years of age by 2031, compared with 12% in 2011, resulting in a need for 960 additional care home places in the borough. A new policy for care homes was approved for public consultation (Regulation 18) by Cabinet on 14 January 2015. Despite significant investment in recent years, the care homes market shows weak prospects in terms of providing any affordable housing.
- 3.15 An affordable homes target for care homes is recommended at 0%.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The Committee is recommended to approve the following amendments to policy DM24 of the draft Maidstone Borough Local Plan 2014 in respect of affordable housing set out in paragraphs 4.2 to 4.10 below, and to approve the revised policy for further public consultation (Regulation 18). The amendments reflect options (B), (C), (D), (E) and (F) of Section 3 of this report. Additions to the policy are in **bold text** and deletions are in strike through text. Paragraphs 4.2 to 4.10 are the supporting text to the policy, whereas the policy itself is set out in the table following paragraph 4.10.

Policy DM24 - Affordable housing

- 4.2 Maidstone Borough has a clear affordable housing need. The Maidstone Strategic Housing Market Assessment (SHMA) supports the approach of seeking a proportion of dwellings to be provided on site for affordable housing needs. The council has a net affordable housing need of 5,800 homes from 2013 to 2031⁶, equivalent to 322 households each year. This is a significant need for the borough and a clear justification for the council to seek affordable dwellings through new development schemes. The on-site provision of dwellings is necessary to aide community integration.
- 4.3 Viability testing indicates that affordable housing is achievable with a one dwelling threshold. For practical purposes, the threshold will be set at 10 dwellings. The NPPG refers to circumstances where infrastructure

⁶ Maidstone Strategic Housing Market Assessment (June 2015)

contributions through planning obligations should not be sought from developers. Affordable housing should not be sought from developments of 10 units or less, and which have a maximum combined floorspace of 1,000m². The viability testing has assumed the national threshold of 11 dwellings for affordable housing. To support community integration, affordable housing will be provided on site, and alternative provision will not be accepted unless there are exceptional circumstances that justify it. Any proposals for off-site or financial provision must be made at the time of the application.

Targets by area

- 4.4 Affordable housing targets will differentiate across the borough by geographical area and existing land use, due to relative issues such as land price and policy considerations. Previously developed land, within the urban area, will be required to provide the lowest level of affordable housing contribution, primarily because of existing use values, meaning that it costs more to regenerate sites and areas that may otherwise remain unused or under used. On greenfield and private residential garden sites in the urban area and around the urban periphery, the council recognises that land may be relatively more expensive because of the expectation of policy coming forward to develop these sites, giving a hope value. Sites at urban periphery locations can also reasonably expect to contribute to a wide range of infrastructure requirements as well as affordable housing. Evidence has indicated that in rural locations and on the edge of rural settlements, although land values are higher, so are the values of the developments. In these areas development remains viable when factoring in higher affordable housing targets, still returning acceptable profits for landowners and developers. Further viability testing has confirmed that the rural areas in Maidstone are more viable than urban locations, and brownfield sites (previously developed land) within urban areas are less viable than greenfield sites. Viability testing demonstrates that a 40% affordable housing rate can be achieved in the rural areas and a 30% rate within the urban area. A 30% affordable housing requirement for two strategic urban brownfield site allocations that are important for the delivery of the local plan would result in limited capacity to provide for necessary supporting infrastructure because of site constraints. The Springfield (H1(11)) and Haynes (H1(12)) residential site allocations can accommodate a rate of 20% affordable housing which allows for an appropriate balance of affordable housing with the need to provide for infrastructure.
- 4.5 In order to respond to the identified need for affordable housing of different tenures through the period of the plan, the council will seek an indicative target of 70% affordable rented or social rented housing, or a mixture of the two, and 30% intermediate affordable housing (shared ownership and/or intermediate rent). This ratio was used for strategic viability testing purposes and has been shown to be viable. Specific site circumstances may affect the viability of individual proposals and the council recognises that the need for different tenures may also vary over time.

- 4.6 To ensure proper delivery of affordable housing, developers are required to discuss proposals with the council's housing department at the earliest stage of the application process, to ensure the size, type and tenure of new affordable housing is appropriate given the identified needs. Where economic viability affects the capacity of a scheme to meet the stated targets for affordable housing provision, the council will expect developers to examine the potential for variations to the tenure and mix of provision, prior to examining variations to the overall proportion of affordable housing.
- 4.7 Retirement homes (sheltered housing) and extra care homes (assisted living) are not as viable as other residential uses in Maidstone. A 20% affordable housing rate will be sought for such developments, which will allow for an appropriate balance between affordable housing need and supporting infrastructure provision.
- 4.8 Residential care homes or nursing homes, where 24 hour personal care and/or nursing care are provided, are shown to be even less viable than retirement homes. Population projections predict that 18% of the borough's residents with be over 70 years of age by 2031, compared with 12% in 2011, resulting in a need for 960 additional care home places in the borough. Despite significant investment in recent years, the care homes market shows weak prospects in terms of providing any affordable housing so a zero rate is set.
- 4.9 Developers will be required to pay for viability assessments and any cost of independent assessment. The council will only consider reducing planning obligations if fully justified through a financial appraisal model or other appropriate evidence.
- 4.10 The affordable and local needs housing supplementary planning document will contain further detail on how the policy will be implemented.

Previously developed land

- 4.11 In the urban area and on the urban periphery the definition of previously developed land that the council uses when applying this policy will determine which affordable housing target is applied to a given development. The resulting difference in requirement will be between 15% and 30% as per the proposed policy.
- 4.12 The NPPF definition clarifies what is considered previously developed land and [in most cases] what is commonly referred to as greenfield land. However, there are circumstances where land that demonstrably exhibits greenfield characteristics can technically be argued to be previously developed land.
- 4.13 The key consideration that the council will take into account in these circumstances is how the viability of the proposed development is likely to be affected. On sites where there is inherent viability, developers should make commensurate contributions. On sites where there is a question relating to how

much of the site actually is previously developed land (likely attracting higher costs to redevelop) and how much is more reflective of greenfield land (likely attracting lower costs to develop), at least half of the land area should have been developed i.e. buildings and ancillary features, if the 15% target rate is to apply.

Policy DM 24

Affordable housing

On housing sites or mixed use development sites of 40 11 residential units or more, and which have a combined floorspace of greater than 1,000m², the council will seek require the delivery of affordable housing.

- 1. The target rates for affordable housing provision within the following geographical areas, as defined on the policies map, are:
 - i. Previously developed land urban 15%;
 - ii. Greenfield and private residential gardens urban and urban periphery 30%; and
 - iii. Countryside, rural service centres and larger villages 40%.
 - i. Maidstone urban area 30%, with the exception of
 - a) Policy H1(11) Haynes, Ashford Road 20%, and
 - b) Policy H1(12) Springfield, Royal Engineers Road 20%; and
 - ii. Countryside, rural service centres and larger villages 40%.

This provision will consist of:

- 2. The integrated on site provision of dwellings or, where proven necessary in exceptional circumstances, off-site provision in the following order of preference: Affordable housing provision should be appropriately integrated within the site. In exceptional circumstances, and where proven to be necessary, off-site provision will be sought in the following order of preference:
 - i. An identified off site scheme; or
 - ii. The purchase of dwellings off-site; or
 - iii. A financial contribution towards off-site affordable housing.
- 3. The council will seek a tenure split in the borough of not less than 65% affordable rented housing, social rented housing or a mixture of the two. The balance of up to 35% of affordable dwellings delivered will be intermediate affordable housing (shared ownership and/or intermediate rent). Specific site circumstances may influence the tenure split of each development, so the council requires developers to enter negotiations with the council's Housing department in consultation with registered providers at the earliest stage of the application process, to be able to determine whether a variation of tenure split is acceptable/appropriate and what alternative proportions are achievable.

The indicative targets for tenure are:

- 70% affordable rented housing, social rented housing or a mixture of the two; and
- ii. 30% intermediate affordable housing (shared ownership and/or intermediate rent).

Developers are required to enter into negotiations with the council's Housing department, in consultation with registered providers, at the earliest stage of the application process to determine an appropriate tenure split, taking account of the evidence available at that time.

- 4. The council will seek provision of 20% affordable housing for schemes that provide for retirement housing and/or extra care homes.
- 5. In cases where the required provision cannot be achieved on the grounds of viability, the council will negotiate a reduced contribution. This will be subject to viability evidence. Where it can be demonstrated that the affordable housing targets cannot be achieved due to economic viability, the tenure and mix of affordable housing should be examined prior to any variation in the proportion of affordable housing.

An **The** affordable and local needs housing supplementary planning document will be produced to expand on how the proposals in this **contain further detail on how the** policy will be implemented.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 The draft Maidstone Borough Local Plan was subject to public consultation between March and May 2014. The key issues raised by respondents to the plan's affordable housing policy (DM24), together with officer responses and recommendations are set out in Appendix A of the report and have helped to refine the draft policy.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 The amended affordable housing policy will be subject to further public consultation (Regulation 18) before being included in the Publication version of the local plan (Regulation 19).

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The adoption of the local plan will assist in the delivery of the council's corporate priorities.	Rob Jarman, Head of Planning & Development
Risk Management	Risk management has included cross-departmental consultation with Housing Officers; the appointment of consultants to update viability testing to reflect current market conditions; a review of updated national policy and guidance; and an assessment of the key issues raised by respondents to policy DM24 during public consultation.	Rob Jarman, Head of Planning & Development
Financial	The receipts from CIL will be substantial and will need to be administered through the council's finance department. In the broader context, there are financial implications relating to the long term delivery of the local plan and the developments proposed within. The cost of viability consultants can be accommodated within the existing local plan budget.	Zena Cooke, S151 Officer & Ellie Dunnett, Finance
Staffing	The Regulation 18 consultation will require staff resources but, given this will be a focused consultation on key policy changes only, the consultation can be managed within existing staff resources.	Rob Jarman, Head of Planning & Development
Legal	There are no legal implications directly arising from this report, although Mid Kent Legal Services continue to provide advice and guidance on local plan matters, and to review any legal implications of reports.	Kate Jardine, Team Leader (Planning), Mid Kent Legal Services
Equality Impact Needs Assessment	N/A	Anna Collier, Policy & Information Manager
Environmental/Sustainable Development	N/A	Rob Jarman, Head of Planning & Development
Community Safety	N/A	Rob Jarman, Head of Planning & Development
Human Rights Act	N/A	Rob Jarman, Head of

Issue	Implications	Sign-off
		Planning & Development
Procurement	Peter Brett Associates who have prepared technical evidence to support the local plan have been appointed in accordance with the council's procurement procedures.	Rob Jarman, Head of Planning & Development, & Zena Cooke Section 151 Officer
Asset Management	None	Rob Jarman, Head of Planning & Development

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

Appendix A: Maidstone Borough Local Plan Regulation 18 Consultation 2014 - affordable housing policy DM24 consultation issues and responses

9. BACKGROUND PAPERS

Maidstone Borough Council: Revised Plan and CIL Viability Study (July 2015)