

STRATEGIC PLANNING, SUSTAINABILITY AND TRANSPORT COMMITTEE

ADJOURNED MEETING 23 JULY 2015

URGENT UPDATE REPORT: Item 8 AFFORDABLE HOUSING (DM24)

Background

1.1 During discussions on this item at SPS&T on 14 July a number of queries were raised by councillors in respect of the proposed affordable housing policy. Of particular concern was whether or not the higher proportion of affordable housing proposed for rural areas could lead to social isolation amongst new occupiers, and whether it might be appropriate to reduce the requirements in rural areas.

1.2 The National Planning Policy Framework (NPPF) sets out that Local Plans must meet the objectively assessed needs for market *and* affordable housing, and the provision of new affordable housing through the Local Plan is therefore a key strategic priority in Maidstone, as identified in the proposed Local Plan Policy ID1.

1.3 The Council's Strategic Housing Market Assessment (SHMA) establishes a need for some 5,800 affordable homes through the period of the new Local Plan, at an annual average of 322 units. In recognition of the affordability issues affecting the Borough, SPS&T agreed an objectively assessed need figure of 18,560 new dwellings at its meeting in June, which incorporates an uplift of an additional 900 dwellings as a supplementary measure to improve affordability within the Borough. Although these are challenging targets, the Local Plan's ability to meet the identified needs will be tested at its examination and the Council will need to defend its approach should any shortfall be apparent.

1.4 The spatial distribution of new affordable housing provision is intrinsically linked with the overall spatial strategy of the Local Plan. This is because the delivery of affordable housing is expensive, and the overwhelming majority of new affordable units will be provided through Section 106 Planning Obligations, associated with residential development identified through the Local Plan. The Plan distributes new residential development in accordance with the settlement hierarchy, and therefore makes provision for new affordable housing to be located in the most sustainable settlements in the Borough. Although the proportion of affordable housing sought through policy is higher in rural areas than in the urban area, the significant majority of new residential development, and therefore affordable housing, will be located in the Maidstone urban area, in accordance with the principles of sustainability.

1.5 Many of the sites identified for residential development in the emerging Local Plan have already gained planning consent, and have been approved with significant levels of affordable housing provision. In addition to policies in the adopted Local Plan, a number of these applications have taken account of the emerging affordable housing policy and its evidence base, and the level of affordable housing provision has either complied with or exceeded the

proportions set out in the proposed policy. This demonstrates that the proposed policy is deliverable, and is already being effective, by supporting the provision of new affordable housing in the Borough.

1.6 The Council's Housing Department has been actively involved in the development of the emerging Local Plan, and there has been considerable input from senior colleagues in Housing to shape and refine the proposed affordable housing policy. There is overall support from the Housing Department in respect of the distribution of new affordable housing provision through the Local Plan, and strong support for the policy of seeking to maximise the number of new affordable units. Taking account of the available evidence, the Housing Department has confirmed its support for the proposed policy DM24, including the rates of 30% within the urban area and 40% in the rural areas.

Outcomes of the Viability Study

2.1 The success of the Local Plan is dependent upon its deliverability, and the Viability Study was undertaken in order to demonstrate that the proposed allocations and policies were mutually deliverable. Affordable housing requirements are a key component of the viability assessments, given the associated costs, and it is essential that this policy requirement does not overburden new development, to the point that it becomes economically unviable.

2.2 The updated Viability Study demonstrates that viability on urban brownfield sites has improved significantly since 2013 and these sites can be considered viable whilst providing affordable housing at a rate of 30%. The urban greenfield typologies tested remain viable at a rate of 30% and the study recommends that these previously separated rates are combined to form a single affordable housing rate for the urban area. It should be noted that the urban area now includes what was formerly known as the urban periphery, and the boundary of the urban area will be redrawn to include the proposed site allocations which will form the new urban edge of Maidstone.

2.3 The study demonstrates that sales values in the rural areas are around £210 per sqm higher for houses than in the urban area, and around £275 per sqm for flats. This has significant implications for the viability calculations, and this additional revenue would feed into the overall profit which a developer receives, unless it is absorbed through policy requirements such as affordable housing. The study recommends that a rate of 40% affordable housing can be achieved in rural areas, whilst maintaining the widely accepted developer profit margin of 20%. These conclusions are borne out through recent planning applications which either comply with or exceed these requirements.

Implications of reducing the proportion of affordable housing required in the rural areas

3.1 During the course of the SPS&T meeting on 14 July there was some discussion in respect of whether the affordable housing requirements in rural areas may be reduced in line with the urban rate of 30%. It is important to note however that against an overall objectively assessed need of 928 dwellings per annum, a need of 322 affordable dwellings per annum represents some 34.7%

of the total annual need. It is clear therefore that a Borough wide target of 30% would not be sufficient to meet the Borough's objectively assessed need for affordable housing.

3.2 Given the significant level of need identified in the Council's SHMA, and the recommendation of the Viability Study to apply a rate of 40% in the rural areas, the Local Plan evidence base strongly supports the proposed policy. Departing from the evidence to apply a lower proportion would risk the policy being found unsound, unless robust and credible arguments can be made to demonstrate that the reduced proportion meets the four tests of soundness set out in the NPPF; positively prepared, justified, effective and consistent with national policy.

3.3 The simplification of the policy from three to two categories also takes account of the responses to the Regulation 18 Local Plan consultation, where a number of respondents commented that the policy was overcomplicated as previously structured. Simplifying the policy still further to apply a single Borough wide rate of 30% would however reduce the yield of affordable housing, which is unnecessary on viability grounds, and could conflict with Policy ID1 which identifies affordable housing as the foremost infrastructure priority for residential development.

Potential for affordable housing residents to be socially isolated in rural areas

4.1 One of the key concerns raised on 14 July was that residents in new affordable housing in the Borough's rural areas may suffer from some degree of social isolation, being potentially separated in distance terms from employment, key services and social networks. It should be noted however that new rural housing development is only proposed in settlements identified in the settlement hierarchy as either a "Rural Service Centre" or a "Larger Village", where some day to day needs can be met either within the settlement itself, or by using public transport networks to access larger settlements nearby.

4.2 The Rural Service Centres have been classified as the most sustainable settlements outside of Maidstone Town, and many of them provide opportunities for employment, as well as access to some key services and public transport connections to larger settlements. These Rural Service Centres have therefore been identified for a level of growth proportionate with their size and function, and which it is considered can be accommodated in a sustainable manner.

4.3 The Larger Villages generally offer a narrower range of services and public transport opportunities, and therefore the level of growth allocated to these settlements has been reduced accordingly. The Larger Villages are classified at the third tier of sustainability in the hierarchy and remain relatively sustainable in comparison to the many small villages and hamlets across the Borough, where there is no growth allocated.

4.4 There was concern at the meeting on 14 July that relatively few households in affordable housing have access to a car, which has the potential to restrict their ability to travel and to meet their day to day needs, were the public transport network not to meet their particular requirements. Data from the Census 2011 shows that although in general terms households in social rented properties are less likely to own a car than households in owner-occupied or

private rented accommodation, on average around 2/3rds of households in social rented properties in the Borough's rural areas do have access to at least one car.

4.5 In terms of intermediate housing, the Census data indicates that households in shared ownership housing are more likely to have access to a car, and there was a suggestion at the meeting on 14 July that the target tenure split could be varied for the rural areas to require a higher proportion of intermediate housing. Table 53 of the Viability Study shows the estimated level of housing need through the period of the Local Plan by tenure, broken down by the urban and rural areas. Although there is a degree of variation between parts of the borough, the table shows that the need for intermediate is actually greater in the urban area than in the rural areas. The evidence does not therefore support a higher proportion of intermediate housing in the rural areas. Indeed, by taking a borough average instead of making the distinction, the policy should effectively maximise the provision of intermediate housing in the rural areas.

4.6 It is important to note however that the proposed affordable housing policy would allow for the tenure split to be varied, subject to new evidence being available. If the need for different tenures changes through the plan period, developers may make a case for an upward revision in the proportion of intermediate housing. Additionally, the tenure split can be varied on the grounds of viability evidence. Intermediate housing is more profitable than affordable rent and so in cases where a developer can evidence that a scheme is not viable, a higher proportion of intermediate housing could improve the viability of a scheme through the applications process.

4.7 Since the introduction of the choice based lettings approach, the Council's Housing Allocation Scheme provides a greater element of choice for applicants than was the case under the previous scheme. Applicants may "bid" for properties which suit their needs, thereby minimising the potential for this type of social isolation to occur. Although the level of need is calculated on a Borough wide basis, and the Local Plan must take a complementary Borough wide approach to the delivery of affordable housing, the allocation and occupation of new affordable units now requires the majority of eligible households to themselves bid or apply for a specific property in a specific location.

4.8 Under the Council's Allocations Scheme, any household which is concerned that a property in a rural location could leave them socially isolated would simply not bid for that property. Households may therefore exercise the option to restrict their bidding to urban areas only, for instance due to the proximity to employment or key services, or because they are reliant upon a particular public transport connections. The Allocations Scheme does require applicants to bid on suitable properties however and where an applicant does not regularly place bids they will be asked to justify their reasons for not doing so.

4.9 Notwithstanding the above, applicants who have local rural employment, or can meet their day to day needs either locally or by using the public transport network or a private vehicle, may apply for affordable housing in a rural location and not experience any social isolation.

Size and type of new affordable housing

5.1 Although not covered through the proposed Policy DM24, it is essential that the size and type of new affordable units takes account of available evidence to meet the identified needs in the Borough. Policy DM23 was revised and approved for Regulation 19 consultation at the meeting of Cabinet on 14 January, and requires applicants to take account of both the SHMA and the Council's Housing Register in determining an appropriate mix of units. The SHMA indicates that around 2/3rds of the affordable housing required through the plan period will be 1 or 2 bed units, although there is some variation across the Borough with higher demand for larger units in the rural areas, compared to Maidstone Town.

5.2 It is anticipated that the two policies will work together to deliver an appropriate quantum of affordable housing, in the most sustainable locations in the Borough, and of a type, size and tenure to meet the needs identified through the evidence base to secure compliance with the NPPF requirements.