

Homes for Londoners

Affordable Housing and Viability – Supplementary Planning Guidance 2017

Briefing Note

17/08/2017

Ref No : 277



Introduction

The Mayor's Supplementary Planning Guidance, Homes for Londoners: Affordable Housing and Viability was published on the 16 August 2017.

This sets out the Mayor's *“preferred approach to supplementary London Plan Policies 3.11 (Affordable Housing Targets), 3.12 (Negotiating Affordable Housing on individual private and residential mixed-use schemes) and 3.13 (Affordable Housing Thresholds).”* It supersedes section 3.3 (Build to Rent) and Part 5 (Viability) of the March 2016 Housing SPG, the remainder of which remains current.

It is also made clear that the SPG does not introduce new policy, which will be delivered through the London Plan Review (anticipated late 2017).

The SPG is set out in four parts as outlined below.

Part One: Background and Approach

The Mayor is committed to the long-term goal of **50% of all new homes in London being affordable**. The approach to the delivery however, will be a key consideration of the London Plan review, which is anticipated to be published in draft towards the end of this year.

The purpose of the SPG is to provide guidance in the context of the extant policies of the London Plan. Its approach is integrated with the approach to using public funding to secure the delivery of affordable homes, as set out in the Affordable Homes Programme 2016-21, and it supersedes section 3.3 (Build to Rent) and Part 5 (Viability) of the March 2016 SPG, whilst the rest of the SPG remains current.

Part Two: 'Threshold Approach' to Viability

The requirement to deliver affordable housing applies only to sites that are capable of delivering 10 or more homes. Where in the past policy and guidance has sought to set a fixed affordable housing requirement, the SPG “provides a framework for delivering the maximum reasonable amount of affordable housing in the context of current London Plan Policies”.

The SPG introduces a **‘threshold approach’ whereby schemes meeting the prescribed thresholds are not required to submit viability information at the application stage.**

The 'Fast Track' Route applies where:

- **Schemes meet or exceed 35% affordable housing without public subsidy; or**
- **Schemes meet 50% affordable housing where on public land or without grant.**

The Fast Track Route requires developers to **determine whether grant or other forms of subsidy are available working with the LPA and GLA and Registered Providers** to ensure affordable housing from all sources is maximized.

Fast Track applications will only be subject to review mechanisms **where an agreed level of progress on implementation has not been met within 2 years of consent being granted or as agreed with the Local Planning Authority.**

Where schemes are approved under this route any applications for amendments (S73) will not require the submission of viability information if the changes to the development are such that the development continues to meet the 35% threshold at the required tenure split and does not result in a reduction of affordable housing or housing affordability.

Contact us:

The Green House, 41-42 Clerkenwell Green, London, EC1R 0DU

t 020 3761 5390 e london@dlpconsultants.co.uk

www.dlpconsultants.co.uk



The Viability Tested Route applies where:

- Schemes propose affordable housing off-site;
- Schemes propose a cash in lieu contribution;
- Schemes involve the demolition of existing affordable housing (estate regeneration schemes); or
- Applications where the applicant claims that vacant building credit applies.

Schemes following this route will be subject to a:

- **Early Stage Review** – triggered when implementation or agreed level of progress is not made in 2 years; and
- **Late Stage Review** – triggered when 75% of the units are sold or let.

Where schemes are approved under this route any applications under S73 of the Town and Country Planning Act 1990 (as amended) will required the submission of additional viability information to assess whether more affordable housing can be provided.

Paragraph 2.8 confirms that **the percentage of affordable housing delivered by a scheme will be measured by habitable rooms** and that habitable rooms in affordable and market elements of the scheme should be of comparable size when averaged across the whole development. At the planning application stage, the guidance recommends that applicants should **present affordable housing figures as a percentage of total residential provision by habitable rooms, by units, and by floorspace to enable comparison.**

Part Three: Guidance on Viability Assessments

The guidance as set out in Part 3 of the SPG has been developed to be consistent with the London Borough Development Viability Protocol, London Borough Viability Group (2016). The SPG confirms that where schemes are tested under the Viability Tested Route the Mayor will review the information submitted by the applicant and any review or assessment carried out by or on behalf of the LPA. The Mayor’s assessment will inform referral Stage1 and decision at referral Stage 2.

Where the Mayor isn’t satisfied with the viability information provided or considers that a higher level of affordable can be achieved **he will consider ‘Calling In’ an application for his own determination or directing refusal.**

Paragraph 3.4 confirms that **the Mayor will use residual land value methodology** to determine the underlying land value once the costs of the development (including developer’s profit) are deducted from the gross development value.

Applicants will be required to the provide LPAs and the Mayor with a full working model in order that information may be tested and interrogated.

Detailed guidance is set out in paragraphs 3.7 – 3.66 with regard to the approach to be taken in appraisals regarding:

- **Scheme Delivery;**
- **Development Values;**
- **Affordable Housing Values;**
- **Build Costs;**
- **Professional Fees, Marketing and Finance Costs;**
- **Planning Obligations and CIL;**
- **Developer Profit;**
- **Benchmark Land Value;**
- **Existing Use Value Premiums; and**
- **Review mechanisms.**

The Mayor **will treat information as submitted as part of an application trans unless exceptional circumstances can be demonstratparentlyed for limited elements of viability information to remain confidential.**

Part Four: Build to Rent

Acknowledging the importance of the Private Rented Sector (PRS) in the London Market Part 4 sets out specific guidance for the delivery of **Build to Rent**. To assist the delivery of such accommodation the SPG advises that such schemes should be assessed under a “Build to Rent” pathway.

The SPG defines Build to Rent as:

- **A development or block / phase within a development of at least 50 units;**
- **Hold its constituent homes as Build to Rent under a covenant for at least 15 years;**
- **Provide units that are all self-contained and let separately;**
- **Operate under a unified ownership and management;**
- **Offer longer tenancies (three years or more) with break clauses to allow the tenant to break the tenancy with a month's notice after the first 6 months;**
- **Offer rent certainty for the period of the tenancy (annual increases to be formula linked);**
- **Include on site management;**
- **Be operated by providers who have a complaints procedure in place and membership of a recognised ombudsman scheme; and**
- **Not charge any up-front fees other than deposits and rents in advance.**

Applicants will be **required to submit a Build to Rent Viability assessment and planning permission should only be granted subject to a clawback agreement** which will deter operators from breaking the proposed 15-year covenant. Review mechanisms also apply to this tenure.

In Build to Rent schemes that accord with the definition as set out above the SPG sets out at paragraph 4.20 that the affordable housing offer can be entirely Discount Market Rent (DMR), managed by the provider and delivered without grant.

Where schemes do not meet the tests as set out above they will be treated as build for sale developments in the consideration of affordable housing requirements.

With regard to the design of such schemes the SPG advises that local policies requiring a range of unit sizes should be applied flexibly and LPAs are guided to acknowledge the impact of large units on viability when considering a scheme. Paragraph 4.33 also states that standards such as number of units per core and number of single aspect units may be applied more flexibly.