

CORE STRATEGY

TOPIC PAPER

AFFORDABLE HOUSING

Revised and Updated March 2017



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AFFORDABLE HOUSING

1.0 INTRODUCTION

- 1.1 Chapter 3 – Affordable Housing is the discrete policy within the Core Strategy that deals with affordable housing in the District.
- 1.2 The Chapter contains three policies which aim to deliver affordable housing across the District.
 - SP7 – Affordable and Low Cost Housing
 - SP8 – Rural Exceptions
 - SP9 – Single Plot Exceptions
- 1.3 This topic paper will consider affordable housing needs in the District in general and then each policy within the Core Strategy. The final section analyses the delivery of affordable housing.

2.0 BACKGROUND TO THE AFFORDABLE HOUSING POLICY

2.1 Two key pieces of evidence underpin the Affordable Housing Policies in the Core Strategy they are;

- Strategic Housing Market Area Assessment - 2016
- Economic Viability Assessment - 2015

2.2 Strategic Housing Market Area Assessment

The Council`s first Strategic Housing Market Area Assessment (SHMAA) was undertaken in 2011. This was a joint piece of work carried out by consultants on behalf of East Lindsey District Council, Boston Borough Council and the Councils which made up the Central Lincolnshire Joint Planning Unit, (North Kesteven, West Lindsey and the City of Lincoln Councils).

The Council had an update of the work carried out in 2014 and then a further update in 2016 and it is this updated 2016 version that this Topic Paper will refer to. The work prior to 2016 was carried out based on the 2007 SHMAA practise guidance and the 2011 SHMAA was directly linked to the now abolished East Midlands Regional Plan. The 2016 Update adheres to the requirements of the NPPF and its accompanying guidance from March 2014.

In summary the SHMAA found that based on the chosen scenario and the household projections that the balance between market housing and the need for affordable housing in the District would be an average of 188 dwellings per year or 2825 homes over the plan period to 2031. This would provide for the current unmet needs of affordable housing in addition to the projected future growth in affordable housing need.

2.3 Economic Viability Assessment

The Council has had two Economic Viability Assessments (EVA) carried out, the first one being in 2013 with an update in 2015. It is the update that this Topic Paper will refer to.

In summary the EVA put forward two options both based on the evidence that differential rates could be applied across the District reflecting viability within specific value areas. The Council chose a combination of the two options;

- 30% - Everywhere inland excepting Woodhall Spa which would be 40%
- 0% in the Coastal Flood Hazard Zone.

The EVA recommended that the affordable housing threshold should be set at between 10 and 15 units. The Council chose 15 units because the housing market in East Lindsey is still recovering from the recession and it was felt that whilst affordable housing is a priority for the Council this must be balanced against trying to bring forward housing in a difficult market situation.

The Local Plan is being reviewed within 5 years and during this period a further EVA will be undertaken and the matter of both the % rate and threshold will be re-evaluated. If the market has improved then consideration will be given to lowering the threshold.

3.0 POLICY SP7 – AFFORDABLE AND LOW COST HOUSING

- 3.1 In June 2016, there were 2029 households on the Council`s Housing Register. The number has significantly reduced from the 7160 households it stood at in 2012. This is mainly due to changes to the way the register is managed removing those households with no local connection to Lincolnshire and those with minimal housing need.
- 3.2 The Council sees housing as a priority and still maintains a team who positively manage housing need, seeking to proactively assist or signpost those in need to appropriate services. This manages risk and means that vulnerable households are helped before a situation becomes critical. This has also helped reduce the numbers of homelessness cases.
- 3.3 The SHMAA calculates that the social rented sector should provide a minimum of 43% of the total housing provision in the District. It is therefore apparent from both the Housing Register and the SHMAA that the level of need is still such that the Council does need to address this issue through policy.
- 3.4 What was apparent from past consultations on this issue is that developers wanted the Council to be flexible in its approach to the delivery of affordable housing. The Council concurs with this approach. Affordable housing has to compete with other social needs such as health and education provision and the housing market of the District is still in a recovery situation from the recession. The Council wants to bring forward housing and needs to be in a position whereby those developing housing can come and have a serious flexible discussion about the social requirements of housing growth and know that the Council both understands and is willing to listen. The way to demonstrate this is to build flexibility into the policy.

- 3.5 In this way the policy devotes much effort in encouraging flexibility and sets both the % of affordable housing required and the threshold as starting points for negotiation.
- 3.6 The contribution for affordable housing at 30% is only a starting point and the policy makes this clear in paragraph 5 that “the Council will positively engage with those wishing to bring forward development to ensure that contributions meet housing needs without making development unviable” this final wording is strengthened from previous versions of the policy at the behest of consultees to reflect a strong desire from the Council to be flexible around this issue.
- 3.7 There was some comments during consultation around the comparison with new and second hand house prices in the EVA. With regard to the price of new build versus the price of second hand housing. It does appear from examination of the houses for sale in February 2017, postcode in the District LN11 that the price does depend on the quality of the new build just as it depends on the quality of the second hand house. Overall new builds of good quality appear to be markedly more expensive than second hand houses. At the price range of under £500k second hand houses for 4 bed detached range from £400k to £475k and the one new build was set at £475k. It would be very difficult to pin down an exact premium amount and 15% in some cases appears to be an under estimate and in others a large over estimate. However taking it in the round 15% would appear to be a reasonable estimate. The EVA did an assessment of the existing property values achieved across the District at the time The EVA states that “It is generally accepted that new build properties typically sell for a premium over existing homes, which reflects its ‘newness’, much as you do when purchasing a car. Through our analysis it was established that new build properties currently sell at a premium of between 8% and 35% over existing properties. The average premium was 16.67%. In order to establish what the likely new build values would be across this District we applied a premium of 15% to the existing sales values” The 15% was lower than the average premium.
- 3.8 Though the preference for the Council is always on site provision, the policy also offers developers other choices of provision;
- A combination of built plots on site and a financial contribution;
 - Off site, provision of land made available by the developer
 - A financial contribution equivalent to 50% of market value for rented accommodation or 30% of market value for shared ownership. Market values will be taken from a 12 month

assessment of sold land registry prices looking at the settlement and district and taking the mean of the two values.

- 3.9 Developers have in the past have occasionally for various reasons provided off site provision in the form of land or money and the Council use the above formula to work out how much funds they should provide. The Council has been running a Housing Capital Programme with the Districts main affordable housing provider Waterloo Housing since 2004, and whilst this programme is now coming to an end, the experience of 12 years of delivering 910 affordable homes in partnership means that the Council is in a position to bring forward and use any monies or land provided by developers in lieu of onsite provision.
- 3.10 The Policy also sets out what will happen if there is a dispute between a developer and the Council over the amount of affordable housing provision required. It is considered important that the Local Plan is clear about this matter. The Council will refer the matter to the services of an independent valuer, such as the District Valuer. In this way developers know that engagement with the Council will be fair and transparent.
- 3.11 The Council will support the Government provision for starter homes in conformity with regulations or national guidance. Though the Council is concerned that this provision will undermine the ability of sites to bring forward socially rented affordable housing. The SHMAA clearly states that weekly costs associated with Starter Homes are notably higher (excepting for 1 bed properties) than low cost home ownership and also much higher than median private sector rents and they are therefore unlikely to be affordable to those households identified as being unable to afford market housing. Below is a table taken from the SHMAA setting these difference in costs out;

	Starter Home	Shared Ownership 40% equity	Median private rent	Maximum local housing allowance	Affordable rent 80% median
1 bed	69.28	54.33	84.40	75	67.52

2 bed	122.64	94.22	105.33	93.23	84.26
3 bed	152.28	116.38	125.34	110.72	100.27
4 bed+	282.70	213.90	159.61	128.47	127.67

Given that the majority of those seeking affordable housing in the District are seeking more than 1 bedroom, starter homes look to be an option that will not be available to them to meet their need.

- 3.12 The Council will consider the impact of the starter homes regulations when it is provided by the Government and may need to readjust its policy during the 5 year review of the Local Plan.
- 3.13 The focus of the policy is the inland towns and large villages. These provide the close proximity to jobs, services and facilities. Though the Coastal Zone has a 0% of affordable housing attached to it because of viability, both Policy SP7 and the SP18 (Coastal East Lindsey) encourage the provision of affordable housing in the Coastal Zone. It is however important to recognise that because of flood risk this provision must be linked to those already in residence in the Zone. It would be inappropriate to develop affordable housing for residents to move into from outside the Zone where there was less risk of harm from flooding. To assist this the Local Plan provides a local connection criteria for the Coastal Flood Hazard Zone.
- 3.14 Whilst on the surface the 0% affordable housing requirement for the Coastal Zone would appear to offer no opportunity for this type of housing to come forward. The reality is that some developers have been bringing affordable housing forward and the Council itself has developed a number of sites in the coast for 100% affordable housing. At the present time there are 348 affordable houses in the 1308 Coastal Housing Commitments. This will be monitored through the Council`s Monitoring Framework.

4.0 POLICY SP8 – RURAL EXCEPTIONS

- 4.1 This policy covers affordable housing in exceptional circumstances, on sites where normally housing would not be permitted. This policy covers these exceptions in the medium and small villages.
- 4.2 To draw upon this policy for the delivery of housing there has to be a proven local need for the housing and this can be drawn from the Council`s Housing Register or a local housing needs assessment.
- 4.3 The medium and small villages are by their very nature quite small in character and size and have very few services and facilities, in terms of sustainability they have not the capacity to do this for

residents on a day to day level; so open market housing is not development the Council is wanting to support. This is set out in more detail in the Housing Topic Paper. This would add to the rural isolation of many of these communities and it was the reason that the Council dismissed the idea of cross subsidy for affordable housing in these communities.

- 4.4 Because of the rural nature of the District and the high level of agricultural holdings, the policy covers the development of housing for agricultural and forestry worker. Once again these types of dwellings should be seen as an exception and only developed where there is clear evidence of need. The policy sets out the criteria for the development of these types of dwellings and also for their loss back to the open market.

6.0 POLICY SP8 – SINGLE PLOT EXCEPTIONS

- 6.1 This policy brings in a different form of exception policy for affordable housing. This policy provides a self-help solution for those wishing to access the open market and for whatever reason find that they cannot. It also provides a lower cost option for future open market resale, which is particularly important in the smaller settlements of the District where house prices are higher than the larger towns and for those in housing need in those settlement it provides a possibility of access to housing.
- 6.2 The policy idea originally came from North Shropshire District Council where they were effectively bringing forward a version of the Single Plot Exceptions Policy for their rural residents. The area was very similar in nature to East Lindsey and the Council believed that a self-help policy of this nature could benefit its residents in the same way. The Council therefore adopted the approach in 2012 as an extension of Policy H12 of the Adopted 1995 Local Plan bringing forward an accompanying Supplementary Planning Document for the policy.
- 6.3 In line with the preceding policy the aim is also to ensure that any house built as an exception remains affordable in the long term but it differs because the occupier is the owner rather than a registered social landlord. Although the policy does not preclude re-sale at a future date, through conditions attached to the planning permission it seeks to ensure that it remains affordable in the long term to the benefit of the community.
- 6.4 In essence it means that the applicant accepts that they make a contribution – not only of the land and/or labour and associated savings from self-build, but also to the community as a condition of

planning permission. The benefit to the community is an affordable house in the village with a resale value of 80% of full market value.

- 6.5 It is therefore important to establish that a prime objective of the policy is that permission is granted on the understanding that the home remains affordable in the long term. It is for this reason that the 'in perpetuity' clause is used in the policy.
- 6.6 In the first instance the policy was meant to be like SP7 – Rural Exceptions, an exceptions policy, which in effect means affordable housing in exceptional circumstances where normal open market housing would not apply. Originally it applied to the medium and small villages across the District because it was felt that in these settlements residents would want to try and stay and live if they could provide evidence of a local connection and could not access the open market.
- 6.7 The policy was originally aimed at sons and daughters of existing residents, but after consultation and application through planning and pre planning applications, it became obvious that this policy was more than that and that the main beneficiary appears to be those in matrimonial dispute who wish to realise their assets and through doing so provide a suitable home. This it is believed reflects the older demographic of the District; couples split up but one doesn't wish to leave the area, and cannot access the open market with the finances they have available, cannot access a mortgage because of their age but have a large asset which can be realised. Given this the policy has now been extended to cover all the towns, large, medium and small settlements.
- 6.8 The policy has a threshold on floor space for the single dwellings proposed; the limit of up to 100sqm and 110sqm for dwellings in areas where flood mitigation is required did raise objections at the time of public consultation. The aim of this policy is to bring forward affordable housing as an exception, where the open market cannot be accessed and it is considered essential that the size of the property is not such as to in the future exclude those in need from purchasing a lower priced property in an area they wish to stay in.

The threshold of 100sqm was chosen as the appropriate level based on minimum government standards drawn from the Technical Housing Standards – nationally described space standard published in 2015 (Appendix A). It also exceeds the typical floorspace of equivalent, 3 bed 5/6 person homes being built by the national builders in the East Midlands, by up to 16sqm - recorded in 'A Case for Space' a study paper produced by the Royal Institute of British Architects (RIBA). It should also be noted that Waterloo Homes, the

District`s main affordable housing provider accept a dwelling size of 82 to 85sqm.

- 6.9 Appendix A shows a building of 98sqm exclusive of garaging, - also taken from the RIBA paper. Based on this the typical 100sqm floorspace should meet the policy objective and provide acceptable living standards for a low income family; and, as over 88% of households have 3 or fewer occupants in the District it is considered that this threshold is set at an appropriate level. (Table QS406 Office for National Statistics). The amount of floor space is increased in terms of dwellings in areas of flood risk because more ground floor space could be taken up with garaging and utility space to leave living areas on the first floor and above.
- 6.10 The other matter which many consultees objected to was the % resale value of the property. Originally this was set at 60%, many believed that this value was not viable and felt that this was the reason for the low take up of the policy by residents. Actually the reason for low take up has mainly been that on examination of those applying to use the policy it was found that they could in fact access the open market in the settlement they just wished to build in, unfortunately it was usually a settlement that the Council considered unsustainable and therefore permission for open market housing would be problematic.
- 6.11 After consideration of consultation responses in June/July/August 2016 the Council determined that the resale value should be raised to 80%. This brings the policy in line with the Governments Starter Home policy, which the Government have already gathered evidence that properties would be viable for resale at this rate.

7.0 DELIVERY OF AFFORDABLE HOUSING

- 7.1 Taken from the Planning Advisory Services (PAS) Advice July 2015 - Paragraph 029 of the PPG38 advises on how housing needs assessments should take account of affordable housing need:

‘The total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.’

7.2 The PAS goes on to say “This paragraph is difficult to follow. But it seems to confirm that the amount of affordable housing to be included in the OAN should reflect what can be delivered in practice, as a function of market delivery. Based on this, Inspectors’ advice and existing good practice, we would suggest the following approach:

i Assess total housing need or demand (the OAN), following paragraphs 15-21 of the PPG.

ii Estimate how much of that total need could be delivered as new affordable housing, given the affordable housing contribution that can be viably generated from market housing developments.

iii Assess affordable housing need, as shown in paras 022-029 of the PPG.

iv Compare this affordable need with the potential affordable supply at stage ii

v Consider if the resulting scenario would meet a reasonable proportion of the affordable need.

vi If not, consider raising the total need figure so it includes more affordable housing.

7.3 Following the stages set out above;

(i) The amount of housing required to deliver the need across the District for the Plan period to 2031 is set out in the Housing Topic Paper and is 7768 (including undersupply).

(ii) The amount of affordable housing which could be generated from that existing commitments and site allocations set out in the Local Plan is 2040 dwellings. On top of that the Council believes that a further 349 affordable dwellings could come forward from windfall sites over the plan period and there are a further 117 dwellings in the Councils Housing Capital Programme waiting to be brought forward. This is a total of 2506 affordable dwellings. In addition there is the possibility of a further amount of affordable housing coming forward on the large allocation in Spilsby, site SPY310.

The Council believes that the figure in Table A in Policy SP7 concerning the amount of affordable housing to come forward from windfall developments over the Plan period is a very conservative estimate. To evidence this statement, in the

period from the start of the Plan period February 2016 to 31st January 2017 the Council approved windfall housing permissions with approval to deliver 317 affordable houses. This nearly makes up the whole amount of estimated delivery and the Council can therefore be confident that the 349 affordable houses plus more will be approved and come forward.

- (iii) The affordable housing need as assessed in the 2016 SHMAA and discussed above in section two is 2825.
- (iv) Comparing the need with the potential supply means that, without the Spilsby site the 89% of the affordable housing supply could be met over the plan period.
- (v) It is considered that meeting 89% of a District`s affordable housing supply is meeting a reasonable proportion of the need.
- (vi) The Council has a five year review built into the Local Plan and the delivery of affordable housing will be monitored over the next five years and if delivery is not coming forward as the Council has set out then consideration will be given to bringing forward more land to meet the identified need. During this period a review of the SHMAA will also be undertaken.