

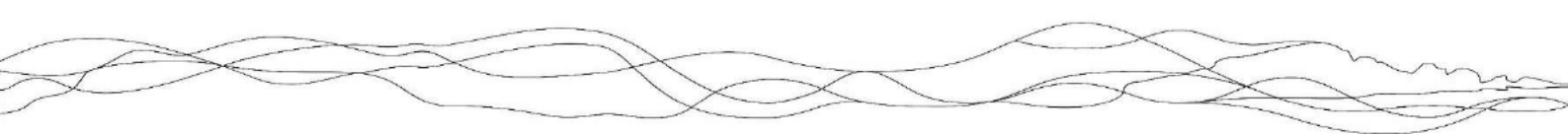
# Affordable Housing Supplementary Planning Document



## South Downs Local Plan

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Adoption Version July 2020



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# I. INTRODUCTION

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## Policies covered:

**Policy SD28:** Affordable Homes

**Policy SD29:** Rural Exception Sites

## Background

- 1.1** The South Downs Local Plan (SDLP) was adopted on 02 July 2019. The introduction to the SDLP sets out the context of the statutory purposes and duty that govern all national park activities. In carrying out its purposes, the South Downs National Park Authority (SDNPA) has a duty to seek to foster the economic and social well-being of the local communities within the National Park. The English National Parks Vision and Circular further sets out the Government's expectation that new housing will be focused on meeting affordable housing requirements, supporting local employment opportunities and key services. The National Planning Policy Framework (NPPF) further sets out that the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies, including those who require affordable housing.
- 1.2** There is substantial evidence which shows that most privately provided residential property in the National Park has become unaffordable to families and individuals on modest incomes. House prices within the National Park are significantly higher than in the wider sub-region, with the average house being sold costing some fourteen times the average salary (compared to around eight times average salary across England and Wales as a whole). The result is that more people and families are struggling to meet the cost of accommodation, and younger people in particular are discouraged from remaining or settling in the area.
- 1.3** To support the duty and help to address these issues, the SDLP includes two policies that require new residential development to provide affordable housing:

**Policy SD28: Affordable Homes** sets out a requirement for residential developments of 3 or more homes to provide for affordable housing. This provision should be on-site on sites with capacity for 4 or more homes. The level of provision is determined by the overall capacity of the site in terms of potential number of homes, with a minimum 50% of the total to be affordable on sites of 11 or more homes. The policy also sets out how many affordable homes should be provided as either social rented or affordable rented tenure (as opposed to shared ownership or other forms of low-cost ownership). **It should be noted that the provision of affordable homes in the South Downs National Park is a priority for the Authority. Planning proposals should start from the position that the provision of affordable homes is paramount. Given the recently examined and adopted Local Plan, which includes an assessment of its viability, any planning applications that do not comply with Policy SD28 will be refused and the decision will be defended at appeal.**

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<sup>1</sup> English National Parks and the Broads: UK government vision and circular 2010 (Defra, 2010), paragraph 78

<sup>2</sup> National Planning Policy Framework (MHCLG, Feb 2019), paragraph 61

**Policy SD29: Rural Exception Sites** sets a requirement that residential housing sites outside of settlement boundaries should provide 100% affordable housing. The precise mix of homes and tenures should be based on the local needs of the community, and provide specifically for local housing needs.

In addition, **Policy SD27: Mix of Homes** sets out a broad strategic mix of affordable dwelling sizes. **Policy SD25: Development Strategy**, and in particular paragraphs 7.15 and 7.16, outlines the SDNPA's approach with respect to Whole Estate Plans and affordable housing. Policies SD27, SD28 and SD29 are replicated in **Appendix I** to this SPD.

### Purpose of this SPD

- 1.4** The SPD provides further guidance to support the implementation of the Local Plan policies, in particular Policy SD28: Affordable Homes and Policy SD29: Rural Exception Sites. The SPD therefore supports Local Plan Objective 8: To protect and provide for the social and economic wellbeing of National Park communities supporting local jobs, affordable homes and local facilities. It covers a number of detailed matters which are set out in the Contents page of this document.

## 2.USING POLICY SD28: AFFORDABLE HOMES

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### Assessing 'gross capacity' and artificial subdivision of sites

- 2.1** The capacity of sites in the national park to accommodate development will depend on a number of factors. Most importantly, all developments must be 'landscape-led' and thereby enhance landscape character. But within this, it should also make appropriate and efficient use of the land.
- 2.2** Policy SD28 includes thresholds that refer to 'gross capacity'. This means that the development layout and design, and the sizes of houses and their plots, will be expected to reflect SDLP (and where relevant Neighbourhood Plan) policies.
- 2.3** In assessing site capacity, the SDNPA will consider carefully whether the number of homes proposed makes efficient and appropriate use of the site. Particular regard will be had to SDLP Strategic Policies SD4: Landscape Character, SD5: Design, and SD27: Mix of Homes. If the development does not make optimum use of the site (for example, by providing uncharacteristically large plot sizes, and/or failing to provide smaller dwellings to meet identified housing needs), the SDNPA may conclude that the use of the land is not appropriate, and also that not enough affordable housing is being provided. It should be emphasised however that a landscape-led approach, which takes account of site specific factors, will always be used when assessing site capacity.
- 2.4** Policy SD28 part 5 states that developers may not circumvent the policy by artificially subdividing sites. The development site itself (as identified by the 'red line') should include all existing elements of built development that are being materially modified (e.g. extended, reconfigured

or converted). As such, any existing dwelling or building on a plot proposed for development should only be excluded if there is no material alteration to that building proposed. If there are changes to the access, garden or parking to an existing dwelling or building that is necessary for the wider development to go ahead, the SDNPA may conclude that the land and building in question form part of the same development site.

- 2.5** Should two or more separate planning applications come forward within 5 years for adjacent sites within the same ownership and/or which have a clear functional link, the SDNPA may conclude that the developments should be considered as a single scheme. The SDNPA will, in such cases, consider evidence including land transaction data, the closeness in time of the applications being made, and appropriate evidence of ownership at the times the respective applications were made.

### **Types of uses to which policy applies**

- 2.6** Strategic Policy SD28 Affordable Homes is applicable to all development proposals falling within the Use Class C3. Developments falling into the Use Class C1 (hotels) and C2 (residential institutions) do not attract the requirement for affordable housing. Use Classes C3 and C2 as defined by the Town and Country Planning (Use Class) order 1987 as amended are as follows:

#### **Use Class C3**

Use as a dwelling house (whether or not as a sole or main residence) by

- a. a single person or by people to be regarded as forming a single household
- b. not more than six residents living together as a single household where care is provided for residents
- c. not more than six residents living together as a single household where no care is provided for residents (other than use within C4)

#### **Use Class C2**

Residential Institutions - Use for the provision of residential accommodation and care to people in need of care (other than a use within class C3 (dwelling houses))

There is a clearer distinction between Use Classes C1 and C3, as C1 applies to hotels and guesthouses that contain no capacity for use as a separate, independent unit of accommodation and provide no significant element of care (notwithstanding the ancillary provision of a manager's flat).

- 2.7** Historically Use Class C2 has been used for the more traditional forms of residential institutions providing care such as 'nursing homes' and 'care homes' provided by Local Authorities and some private companies. However, the provision of care has increasingly taken alternative forms consisting of 'assisted living', 'extra care', 'retirement village' and 'sheltered accommodation' which are different from a 'nursing home'. These alternative forms of care often take the form of self-contained dwellings (i.e. residents have their own front door where differing levels of care are provided to individuals living in those dwellings, which contain all the domestic facilities to enable independent living), as part of a wider housing complex or estate. Given this, the distinction between Use Class C2 and C3 has become less clear.
- 2.8** Where there is doubt over the use class, the SDNPA will presume in favour of Use Class C3, and the onus will be on the applicant to demonstrate otherwise. This bears in mind the identified



need for affordable specialist housing including for older people.<sup>3</sup> Each proposal will be assessed on its own merits to assess the level of care being provided to the individuals and the constituent parts that make up the wider care provision. The amount of care provided at a residential institution or accommodation must be significant, and the care provided must be the primary reason why residents seek to live in the residential institution or accommodation. To this end, the SDNPA will begin the case by case consideration for compliance with Use Class C2 where the units are restricted to those aged 65 years or over and requiring a minimum of 4 hours of care needs per week. Outside of this definition, and if the units are self-contained, they will be considered as Use Class C3.

**2.9** Elements to consider when making the judgement include:

Built form of the development (e.g. scale, facilities provided such as private kitchens), dwelling types, dwelling features, building standards);

Tenure (for sale, shared ownership, leasehold, mix);

Allocation and eligibility criteria (age restriction, individual assessment of and minimum level of care needs etc);

Level of service charge (whether these are well beyond those that might reasonably be expected in non-institutional accommodation);

Provision of meals (either within a communal dining area or provided to residents' rooms) and other services (is it linked to the needs of the individual's personal care),

Provision of communal facilities (kitchen, social areas, therapy rooms, offices and other areas for staff), and

Housing and other support provisions (care provider / agency on site, multiple care agencies providing care).

**2.10** These elements will be weighed up to determine whether a proposal falls within Use Class C2 or C3. For a proposed development to fall within Use Class C2, whether residents qualify as 'people in need of care' is key. Care can include medical care but extends to other forms of care needs due to age or disablement. In contrast, residents of extra-care housing, may be in receipt of care, but retain a degree of independence beyond that enjoyed by occupants of a care home and would therefore still be considered a C3 Use.

**2.11** The facilities of the dwelling will also be taken into consideration, for example whether they include a private front door and lounge / kitchen area, and the extent to which the dwelling can function as a separate unit. It is necessary to look at the interrelationship between the dwellings and the rest of the development, taking into account the primary purpose of the development as a whole.

### **Affordable housing tenures**

**2.12** 'Affordable housing' is an umbrella term that covers housing provided to eligible households whose needs are not met by the market, with eligibility based on local incomes and local house prices. This includes a number of different ownership and/or rental options, referred to in this

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<sup>3</sup> South Downs Local Plan (2014-33) paragraphs 7.42 to 7.44 and Figure 7.3

document as tenures. The main types of affordable housing are ‘social rented’, ‘affordable rented’ and ‘intermediate’ affordable housing.

Social rented housing is the SDNPA’s preferred form of rented affordable tenure, as they are the most affordable to those in greatest need. It is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime.<sup>4</sup> It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with Homes England / Regulator of Social Housing.

Affordable rented housing is housing that must be rented at no more than 80 per cent of the local market rent (including service charges, where applicable). It should also be provided at a level of rent (and any additional service charge) which does not exceed the Local Housing Allowance (LHA) for the relevant area.<sup>5</sup>

Shared Ownership housing describes housing where the occupier purchases with a mortgage part of a home and pays rent on the remainder. These are primarily provided by Registered Providers. Due to the high cost of housing in the National Park, shared ownership housing should offer buyers a maximum initial share of 25% of the open market value of the dwelling. The annual rental charges on the unsold equity (share) plus any service charges should be no more than 2.75% of this share. Shared ownership affordable housing should be available in perpetuity to those in housing need if the house is sold on in future, with the exception that occupants may increase (or ‘staircase’) their equity share towards outright ownership. Flexibility may be necessary to take account of affordable housing providers’ business models, provided the core objective of meeting the housing needs of those who cannot afford market prices are met. Nevertheless, Regulations<sup>6</sup> may apply in some areas which restrict the leaseholder’s equity share to a maximum of 80%.

Intermediate home ownership covers homes for sale at a cost below market levels provided to eligible households whose needs are not met by the market. They can include shared ownership, shared equity, equity loans and discounted market sales. Shared equity homes are where the occupier buys a home paid in part by a conventional mortgage and part through a short-term loan from the provider and/or Government. Discounted market sales housing is a form of intermediate home ownership and is defined in the NPPF. The NPPF states that this should be provided at a discount of **no less than 20%** below market value. Subject to evidence provided on a case-by-case basis, the SDNPA **will seek a discount of a minimum of 30% below local market value** to reflect the high cost of buying a home in the National Park and local income levels. The level of discount should ultimately reflect what is realistically affordable to a lower income household on a lower quartile salary. The discount should

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<sup>4</sup> Current guidance on setting a social rent formula is contained in ‘Guidance on Rents for Social Housing’ (DCLG, May 2014), which is published on gov.uk. It is likely that a new formula will be introduced from 1 April 2020 – see <https://www.gov.uk/housing-local-and-community/housing> for updates.

<sup>5</sup> Current Local Housing Allowance rates can be viewed on the Directgov website at <https://lha-direct.voa.gov.uk/>

<sup>6</sup> The Housing (Shared Ownership Leases) (Exclusion from Leasehold Reform Act 1967) (England) Regulations 2009, 2009 No. 2097 and The Housing (Right to Enfranchise) (Designated Protected Area) (England) Order 2009, 2009 No. 2098

‘run with the land’ such that if the house is sold on in future, the same level of discount will apply for future eligible buyers.

Where the site relates to an endorsed Whole Estate Plan (WEP) and the landowner is looking to retain the housing themselves to deliver as affordable, the affordable housing must be provided in perpetuity, the tenures on which they are provided should aim to reflect an appropriate tenure split in line with the requirements of Policy SD28 and shall be secured by S106 Agreement.

**2.13** The National Planning Policy Framework (NPPF) was revised in 2018 and again in 2019. The revised NPPF changed the definition of ‘affordable housing’ as applies to national policy, to include ‘starter homes’ and provide more detailed explanation of different forms of rented affordable housing and low-cost ownership. For avoidance of doubt, the definitions set out in the SDLP Glossary will apply in the National Park. Any additional definition contained in made NDPs will apply in the respective neighbourhood area. However it may be appropriate to refer to the national definitions, where these provide greater detail.

**2.14** A legal agreement (‘Section 106 Agreement’) will set out the precise tenure restrictions applicable to a particular scheme.

### **Mix of dwelling sizes and tenures**

**2.15** Policy SD28 seeks to maximise delivery of affordable housing to meet local need, whilst providing a tenure mix that reflects the needs of the National Park as a whole. Paragraph 7.59 of the SDLP confirms that an alternative tenure mix to that set out in Policy SD28 may be proposed to reflect needs specific to the local community, provided this is robustly evidenced and supported by the relevant housing provider.

**2.16** It is clear from evidence underpinning the SDLP that the overriding housing need in the National Park is for low-cost rented accommodation. Therefore any alternative tenure mix that reduces the rented element should be underpinned by an up-to-date local housing needs assessment. This should take account of evidence both from the Local Housing Register, and from a thorough analysis of locally expressed needs which has looked at future demographic change as well as the immediate existing need. This evidence should be based on recent data that is no more than 2 years old, and endorsed by the relevant local housing authority (generally this will be a local housing enabler employed by the relevant housing authority) or community led housing group. Consultation with the relevant parish council would be expected in the preparation of this evidence.

**2.17** Affordable dwelling sizes should also reflect Policy SD27: Mix of Homes (part I(a)). This reflects evidence of most affordable housing need being for smaller dwellings. The tenure mix across dwelling sizes should be proportionate, to achieve an even spread of unit sizes for the different tenures. Regard should be had to any local housing needs evidence in achieving the broad mix required whilst also rounding to whole numbers.

**2.18** **Figure I** provides a worked example to illustrate this.



**FIGURE 1: WORKED EXAMPLE OF HOUSING MIX FOR 10 AFFORDABLE HOMES AS PART OF A 20 DWELLING SCHEME**

A scheme of 20 dwellings is proposed. 50% of these dwellings (10 dwellings) are provided as affordable homes in line with Policy SD28 1(a). A suitable mix of sizes and tenures may be as follows:				
Dwelling size (no. bedrooms)	Proportion of dwelling sizes (Policy SD27)	Rented (at least 75% of affordable units) (Policy SD28)	Intermediate (up to 25% of affordable units) (Policy SD28)	Total
1 bedroom	35%	2 (see Note 3)	1	3
2 bedrooms	35%	3 (see Notes 1 & 3)	1	4
3 bedrooms	25%	2	0	2
4 bedrooms	5%	1	0	1 (see Note 4)
Total		8 (see Note 2)	2	10
<p>It should be noted that, as the mix must be in whole numbers, it has been necessary to round figures up and down as appropriate:</p> <ol style="list-style-type: none"> <li>1. It is appropriate to provide more 2 bedroom dwellings as Policy SD27 states that 1 bedroom affordable dwellings may be substituted with 2 bedroom affordable dwellings.</li> <li>2. It is appropriate to over-provide rented units against the 75% target overall. Therefore 8 of 10 units (80% of overall total) are provided as rented.</li> <li>3. 5 of 7 units with 1 or 2 bedrooms are provided as rented, which is equivalent to 71%. However this slight undersupply is compensated for by 100% of the 3-bedroom units being provided as rented.</li> <li>4. The 4-bedroom unit represents 10% of the total. An alternative acceptable approach may be to provide 3x3-bedroom rented affordable homes and no 4-bedroom unit, dependent on any local evidence which may provide a steer.</li> </ol>				

### **Applying occupancy restrictions and local connections criteria**

**2.19** Policy SD28 part 4 states that occupancy conditions and local connections criteria will be applied to affordable housing to ensure local needs are met. The SDLP in paragraph 7.61 states that local connections will be assessed in a cascade manner, as outlined in the S106 agreement, to include the respective needs of:

- i) the relevant settlement, then
- ii) the parish, then
- iii) the wider area including nearby settlements and parishes within the National Park.

**2.20** Therefore, in line with paragraph 7.61 of the SDLP, the following cascade will be followed when assessing local connections in relation to prioritising the allocation of homes to local people in need of affordable housing for all forms of affordable housing delivery:

- Priority 1: Local connection to the settlement where development is proposed;
- Priority 2: Local connection to the parish where development is proposed, and partly or wholly within the South Downs National Park;
- Priority 3: Local connection to the contiguous neighbouring parish, to the parish within which development is proposed, and partly or wholly within the South Downs National Park; and finally
- Priority 4: Local connection to another nearby parish partly or wholly within the South Downs National Park.

**2.21** Paragraph 7.62 of the SDLP states that local connections will be determined primarily by the Authority, parish council and relevant housing authority. Paragraph 7.81, with respect to Rural Exception Sites, also cross-refers to the requirement for conditions to ensure the needs of local people are being met. For avoidance of doubt, such conditions and criteria will be set out in the Section 106 Agreement and/or in the planning permission conditions. The specific local connection criteria will depend on where the scheme is proposed. In addition, the local connection criteria applied to a specific site may reflect evidence provided by relevant community-led and legally constituted organisations or Community Land Trusts where applicable. Generally, the following will apply:

- a) Where there is a Neighbourhood Plan (NDP) which is ‘made’ or at an advanced stage of preparation, the relevant local connections policy will be used where included in the NDP.
- b) If the above does not apply, the starting point will be the most up-to-date housing allocations policy definition of ‘local connection’ that is applied by the relevant local housing authority, as applies in the South Downs National Park or in Designated Rural Areas<sup>7</sup> where specified, provided this prioritises need within South Downs National Park settlements or parishes and follows the cascade set out in paragraph 7.61 of the SDLP and paragraph 2.19 of this SPD.
- c) Where neither a. nor b. apply, the following will define a person or household considered to have a local connection. The area to which this relates will be dependent on where has been reached in the cascade set out in paragraph 2.19 above.
  - i. Ordinarily resident in the National Park, or
  - ii. Previously ordinarily resident, or
  - iii. Currently employed by, or is due to take up permanent employment with, an established employer with a registered business premises based in the relevant area, or

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<sup>7</sup> Designated Rural Areas are defined in the NPPF 2018 as National Parks, Areas of Outstanding Natural Beauty and areas designated as ‘rural’ under Section 157 of the Housing Act 1985. Therefore the whole of the South Downs National Park is a Designated Rural Area.

- iv. Has demonstrated a need for essential support by a family member who is ordinarily resident.
- d) The cascade from settlement / parish / wider area within the South Downs National Park will be applied in accordance with the availability of prospective residents on the relevant housing register(s) within each of these respectively or any other locally up-to-date evidence such as a local housing needs assessment.
- e) Where alternative criteria are proposed, for example to respond to the particular needs of a rural estate, large farm, or as expressed in a Neighbourhood Development Plan, this should be clearly evidenced. Material weight will be given to this when evidenced in an endorsed Whole Estate Plan or as otherwise robustly evidenced in respect of the specific circumstances of the scheme.

**2.22** Occupancy conditions will be applied to limit future occupants to ensure the dwelling remains available to those with a local connection in perpetuity. Occupancy conditions may also be applied where there is a proven need for those with a particular work connection, in respect to maintaining the special qualities of the National Park. Regard will be had as appropriate to Development Management Policy SD32: New Agricultural and Forestry Workers' Dwellings.

### **Discount Market Sales**

**2.23** To ensure Discount Market Sales affordable housing meets local needs, occupancy conditions and local connections criteria will be applied as set out in Policy SD28 part 4. Marketing arrangements will be included in a S106 agreement and will include minimum marketing periods to ensure local needs are prioritised in line with the cascade set out in paragraph 7.61 of the SDLP and paragraph 2.19 of this SPD. Marketing will be targeted at those on the Help to Buy Register, a target market for discounted home ownership; with the Authority and relevant parish council being notified of the availability, asking price and intended start date for the marketing of any property prior to the commencement of marketing.

**2.24** Discount Market Sales will only be sold to qualifying persons. In order to qualify for Discount Market Sale dwellings the following eligibility criteria, secured through a S106 Agreement, will apply:

One member of the household must meet the local connection criteria as detailed in section 2.19

The total household income must be less than £80k per annum (gross )

A first time buyer meaning someone who does not own any other residential property either in whole or part

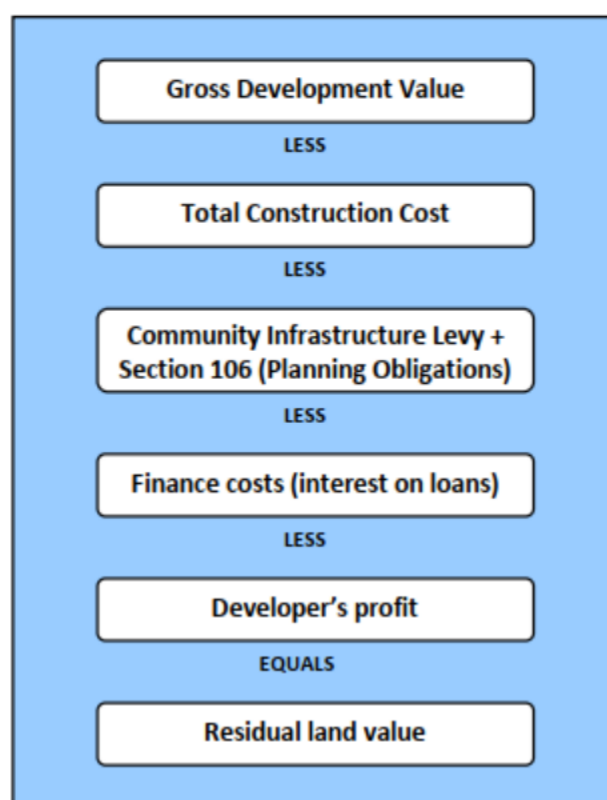
### **Viability appraisal**

**2.25** Policy SD28 part 2 recognises that, exceptionally, provision of affordable housing in a way that complies with the policy may render a development financially unviable. Paragraphs 7.64 to 7.68 of the SDLP set out the expectations of the SDNPA where this is considered to apply. A viability appraisal should be prepared on the basis that it will be made publicly available other than in exceptional circumstances. Even in those circumstances an executive summary should

be made publicly available. Reference should be made to Planning Practice Guidance for further advice on public availability.<sup>8</sup>

- 2.26** The SDLP is in line with the more detailed Planning Practice Guidance (PPG) with respect to viability and decision-making.<sup>9</sup> Applicants should have full regard to this advice, in addition to complying with the SDLP. PPG makes clear that under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan (Paragraph 011 Reference ID: 10-011-20180724).
- 2.27** The starting point for a viability appraisal is to establish the ‘residual land value’ (RLV) for the site being developed. This is the amount that the developer can afford to pay for the development site, once all reasonable costs have been met. It is the difference between the value of the completed development on the one hand, and the overall cost of the development on the other. **Figure 2** shows in a simplified form how this calculation works.

**FIGURE 2: RESIDUAL LAND VALUE**



- 2.28** To establish whether a scheme is viable, the residual land value is compared with a benchmark land value (BLV). This is defined as the value of the site in its existing use (the ‘existing use value’ or ‘EUV’), plus a ‘premium for the landowner’ which is the minimum return at which it is considered a reasonable landowner would sell their land for development. The guideline

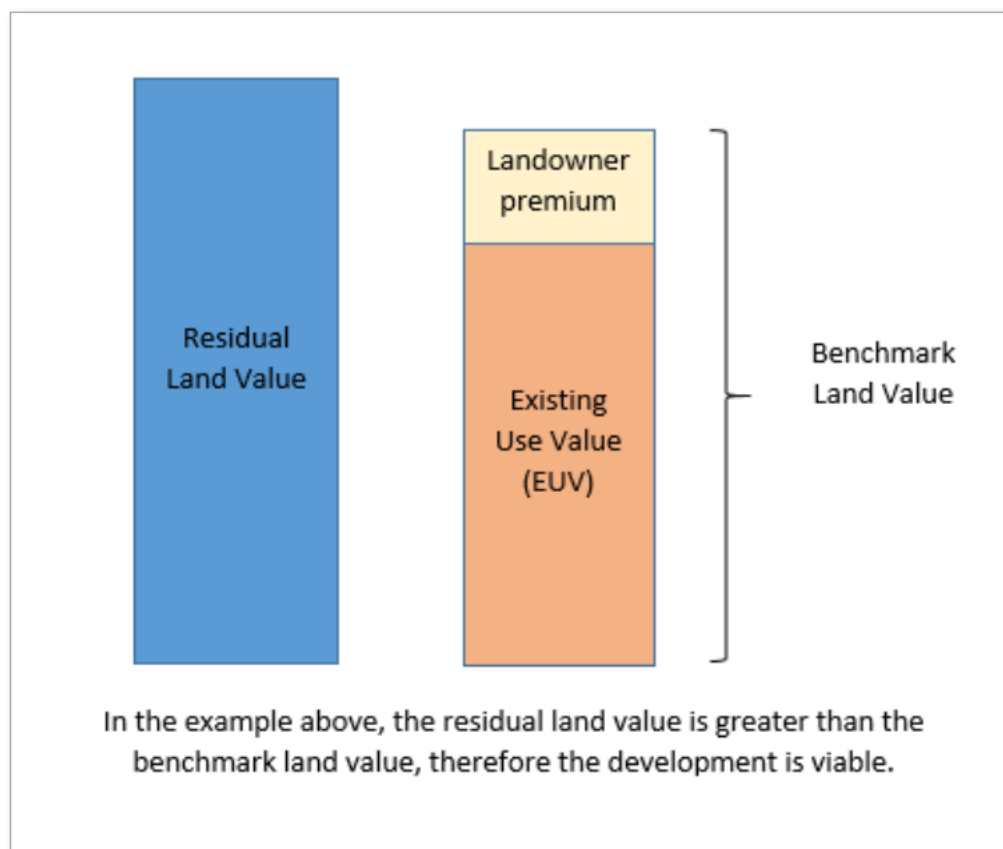
<sup>8</sup> [www.gov.uk/guidance/viability](http://www.gov.uk/guidance/viability). See ‘Should a viability assessment be publicly available?’ Paragraph: 021 Reference ID: 10-021-20190509

<sup>9</sup> [www.gov.uk/guidance/viability](http://www.gov.uk/guidance/viability). See Viability and decision taking, Paragraph: 007 to 021 Reference ID: 10-007-20180724 to 10-021-20180724

landowner premium for sites with a non-agricultural use is 10% of EUV.<sup>10</sup> **Figure 3** illustrates the RLV approach.

- 2.29** When assessing the viability of a scheme, a number of key inputs are required. The minimum content for an applicant's viability appraisal is set out in **Appendix 3**. The Residual Land Value should be supported by evidence from comparable development land sales. (This can provide a sense check but should also consider adjustments to factor in newly adopted planning policies.) In addition, the SDNPA will expect confirmation of the price paid for the property/land or the price expected to be paid for the property/land on the grant of planning permission together with confirmation of the contractual terms relevant to the determination of the purchase price within any contingent sale agreement or option agreement including minimum price and overage provisions. Price paid is not allowable evidence for the assessment of BLV and cannot be used to justify failing to comply with policy. The SDNPA will ordinarily conduct an independent review of the elements of this supporting evidence, which would be required to be funded by the applicant.

**FIGURE 3: BENCHMARK LAND VALUE**



<sup>10</sup> A commonly used range assumed for appropriate EUV for previously developed sites is 10%-30% of EUV. For example see paragraph 3.46 of the Mayor of London Affordable Housing and Viability Supplementary Planning Guidance 2017 (GLA, 2017) – see <https://www.london.gov.uk/what-we-do/planning/implementing-london-plan/planning-guidance-and-practice-notes/affordable-housing-and-viability-supplementary-planning-guidance-spg>



## Financial contributions in lieu of on-site provision

- 2.30** In accordance with Policy SD28, financial contributions towards affordable housing will be accepted on sites with a gross capacity of 3 homes. Exceptionally, financial contributions in lieu will also be accepted on proposals of 4 to 10 dwellings where robust evidence has been provided, analysed and agreed by the Authority that on-site provision of affordable housing is genuinely not feasible. On larger sites of 11 or more homes the expectation will be for on-site provision of affordable homes. All residential development (including self-build and custom housebuilding) is subject to Policy SD28.
- 2.31** Funds raised from such financial contributions will be used primarily to increase the overall number of affordable homes (including through supporting community led housing initiatives), or on occasion to achieve an optimum tenure mix to meet local need. For example, funds may be used to cross-subsidise delivery of rural exception sites to ensure that 100% affordable housing is achieved. A legal agreement will be required that sets out the terms of payment. The Authority will seek to use funds raised within the parish where they are collected where possible within a timely manner, but failing this the money will be used for affordable housing provision elsewhere in the National Park.
- 2.32** The Authority's approach to calculating the in lieu financial contribution, is to base the calculation on the cost of providing affordable housing on another site without subsidy. The financial contribution is based on the development cost (comprising build and land costs) minus the revenue that can be expected from selling to a Housing Association or other Registered Provider. The detailed methodology is set out in **Appendix 2** and in lieu financial contributions will be accepted in line with the amounts set out in **Figure 4** below. These figures will in future be altered on 1 April each year in line with the BCIS All-in Tender Price Indices rounded to the nearest whole pound. The in lieu financial contribution rate will be kept under review to reflect the changing cost of affordable housing provision.

**FIGURE 4: AFFORDABLE HOUSING IN LIEU FINANCIAL CONTRIBUTION PAYMENT TABLE, 2019**

Development size	Affordable housing requirement	In lieu financial contribution
3 homes	Meaningful financial contribution	£46,832 (which is equivalent to half of an affordable home, and subject to site specific circumstances)
4-5 homes	1 affordable home	£93,664
6-7 homes	2 affordable homes	£163,181
8 – 9 homes	3 affordable homes	£244,772
10 homes	4 affordable homes	£326,363
11+ homes	Minimum 50% of homes	£93,664 per affordable home necessary to meet the 50% minimum

## Dealing with conversions

- 2.33** Policy SD28 applies to the gross site capacity. The policy equally applies to the conversion of an existing building to create or increase the number of C3 residential units, irrespective of the existing floorspace. So, for example, if a large dwelling is proposed to be converted into a total of 4 smaller dwellings (even with no net increase in floorspace), there would be a requirement to provide 1 affordable home in line with Policy SD28.
- 2.34** Vacant building credit may apply with respect to existing floorspace if the relevant tests are met. See section below on Vacant Building Credit.

## Applying the Vacant Building Credit

- 2.35** The NPPF (paragraph 63) provides for a ‘vacant building credit’ (VBC), in effect reducing the requirement for affordable housing in some instances where a development is proposed on previously developed land that accommodates vacant buildings. National Planning Practice Guidance (NPPG) explains that the gross floorspace of vacant buildings being brought back into use or demolished will be ‘netted off’ from the total floorspace of the new development proposed. VBC does not apply to buildings that are either currently or have recently been in active use, or have been abandoned. If the building in question has been made vacant for the sole purpose of re-development, it is unlikely that the VBC will apply.<sup>11</sup>
- 2.36** The NPPG, then sets out the types of issues to be assessed, on a case-by-case basis, in order to determine whether VBC will apply. If VBC is being sought within the National Park, then there are a number of key criteria that the Authority will use to assess whether it applies or not. The criteria, set out below, should be addressed in any relevant planning application submission.
- 2.37** For clarity, for any reference to ‘building’ for the purposes of VBC, the whole of a building will need to be deemed to be vacant to qualify for VBC.

**FIGURE 5: CRITERIA USED IN THE ASSESSMENT OF APPLICATIONS FOR VACANT BUILDING CREDIT**

Criteria	Reference	Assessment and Evidence Required
Is the application site a brownfield site?	NPPF paragraph 63 and Annex 2: Glossary	VBC is an incentive for the redevelopment of brownfield sites containing vacant buildings. Therefore, there is a need to demonstrate that the site meets the definition of ‘previously developed land’, as set out in the Glossary of the NPPF.
Has the building been abandoned?	NPPF paragraph 63 and NPPG Paragraph: 028 Reference ID: 23b-028-20190315	If a building has been abandoned (where a property has been disused to the extent that it has lost its existing use rights) then VBC will not apply. Therefore, following case law, the applicant will need to provide evidence relating to the factors below to demonstrate that the building has not been abandoned:

<sup>11</sup> Planning Practice Guidance on Planning Obligations, paragraphs 026-028. (Reference ID: 23b-025-20190315, 23b-026-20190315, 23b-027-20190315)

		<p>The physical condition of the building;</p> <p>The length of time the building has not been used for its permitted purposes;</p> <p>Whether it has been used for any other intervening purposes, and</p> <p>The owner's intentions.</p>
Has the building been made vacant for the sole purpose of redevelopment?	NPPG Paragraph: 028 Reference ID: 23b-028-20190315	Applicants will need to demonstrate through written records (such as Rates, Council Tax records and tenancy agreements) that the building has been vacant for continuous period of at least 3 years before the application was submitted.
Is the building covered by an extant or recently expired planning permission for the same or substantially the same development?	NPPG Paragraph: 028 Reference ID: 23b-028-20190315	The Authority will check the application site for planning permission for development of a similar basis or scale which are extant or have expired within the previous 12 months.
Is a claim being made that any part of the building(s) is 'in-use' for the purposes of the Community Infrastructure Levy (CIL)?	Community Infrastructure Levy Regulations 2010 (as amended), Schedule 1 (Regulations 40 and 50)	Under the CIL Regulations, the CIL Liability payable can be off-set when any part of a building has been 'in-use'. 'In-use' is defined as being in lawful use for a continuous period of at least 6 months within the period of 3 years ending on the day planning permission is granted.

**2.38** For avoidance of doubt, the Authority is unlikely to accept a claim for VBC and a claim that any part of the building is 'in-use' for purposes of the CIL Regulations.<sup>12</sup>

**2.39** As Policies SD28 and SD29 require provision of on-site affordable units, the following methodology will apply:

- i) Calculate affordable housing provision for the whole development, in line with Policy SD28 or SD29;
- ii) Calculate the existing floorspace of buildings that are 'vacant' (see paragraph 2.32 above) as a proportion of the floorspace of the whole proposed development – this gives the VBC discount as a percentage;
- iii) Subtract the percentage credit from 100% to give the percentage multiplier to apply to the affordable housing element;

<sup>12</sup> See Regulation 40 and Schedule 1 of the the Community Infrastructure Levy Regulations 2010 (as amended)

- iv) Apply the VBC discount as a percentage to the normal affordable housing requirement (as calculated in (i) );
- v) If a fraction of a unit results (e.g. 3.2 units), the fraction will translate to a financial contribution as applies to the contribution that would normally be sought for one affordable unit (as set out in Figure 4 or subsequent updates), to be sought in addition to on-site provision<sup>13</sup>;
- vi) When Policy SD28 applies, the on-site affordable housing tenure should reflect as closely as possible the full quota of affordable rented, as required by Policy SD28 as applied to the whole development.

**2.40 Figure 6** below sets out a worked example of how the VBC would be applied:

**FIGURE 6: WORKED EXAMPLE OF HOW TO APPLY THE VACANT BUILDING CREDIT**

A scheme of 9 dwellings is proposed with a total gross floorspace area of 800m<sup>2</sup> within a settlement boundary. However there exists on the site a vacant workshop building (which is eligible to trigger VBC) that has a gross floorspace of 160m<sup>2</sup>.

The number of affordable units to actually be provided is worked out as follows:

- i) Calculate the affordable housing provision for the whole development in line with Policy SD28-
 

3 affordable homes, at least 2 of which are rented affordable tenure
- ii) Divide the vacant building floorspace by the total floorspace-
 

$160 / 800 = 0.2$  or 20% 'credit'
- iii) Subtract the 'credit' from 100%-
 

$100\% - 20\% = 80\%$
- iv) Apply the VBC discount as a percentage to the normal affordable housing requirement-
 

$80\% \times 3 = 2.4$  units
- v) Translate the fraction of a unit to a financial contribution, with reference to Figure 5 or subsequent updates-
 

0.4 of a unit  $\times$  £93,664 equals £37,465.60
- vi) Calculate unit tenure to as closely as possible reflect the Policy SD28 requirement for affordable rented tenure, as applies to the whole development-
 

2 rented affordable units would normally be sought from a development of 9 dwellings therefore both on-site affordable units should be an affordable rented tenure.

In summary, the development should therefore provide:

2 rented affordable units, and  
a financial contribution of £37,465.60 (or the equivalent pro-rata amount arising from updates to Figure 5).

<sup>13</sup> If applying VBC discount results in less than one whole affordable unit being required on a site, a financial contribution will be accepted in lieu of on-site provision.

- 2.41** If it has been agreed that a financial contribution in lieu of on-site affordable housing is appropriate, the amount should reflect the scale of provision set out in Figure 4, after the VBC has been applied using the methodology above. In the example above, the amount would be £200,646.60 (i.e. £163,181 plus £37,465.60) or the equivalent figure following annual review of Figure 5.

### **Agricultural forestry and estate workers**

- 2.42** The SDLP recognises the importance of providing ‘tied’ dwellings for occupation by essential rural workers. Policy SD32: New Agricultural and Forestry Workers’ Dwellings seeks to protect such existing dwellings, and allows for new such dwellings in appropriate circumstances.

- 2.43** With respect to tenure, an occupational tie provides in effect a form of ‘key worker housing’. As there is no requirement for such a dwelling to provide a low-rent or intermediate tenure, it does not automatically make a dwelling affordable, and may not be available to all those who qualify as having a local connection. Such a dwelling can however be defined as ‘affordable’ for the purposes of Policy SD28 if the tenure provided is in line with the definitions given in the SDLP and in paragraph 2.12 of this SPD.

- 2.44** With respect to rural workers, it is recognised that large rural estates employ people who are seen as integral to the long term viability of the estate and the sustainability of the wider community to which it relates, but are not defined as agriculture or forestry workers. Nevertheless, they may still qualify as having a need for affordable housing, and be able to demonstrate a local connection as defined in the SDLP and in this SPD.

- 2.45** Paragraph 7.16 of the SDLP states:

Where new dwellings are proposed as part of a Whole Estate Plan, these should meet the priority housing needs of the local area, hence should be affordable homes, or accommodate full-time, rural workers as defined by Policy SD32 and its supporting text. An exception may be made where to do so would make the delivery of multiple benefits to ecosystem services and the special qualities of the park unviable, provided clear evidence is provided in the endorsed Estate or Farm Plan.

- 2.46** The exception described above may apply to a specific identified need for affordable accommodation that is not strictly within the definition of either ‘affordable housing’ or ‘agricultural worker or forestry worker’s dwelling’. If an applicant considers that an exception case can be made such that these definitions are ‘flexed’, whilst still meeting the core objective of meeting local affordable housing needs, this will be viewed in light of the following:

Is there an endorsed Whole Estate Plan which provides robust evidence and justification for such a departure, including demonstration of the multifunctional benefits that could be delivered through the delivery of the housing?

Does the proposed scheme provide for people or families in the local settlement or parish who are in need of affordable housing, but are not working for the estate or organisation who proposes development?

- 2.47** The existence of an endorsed Whole Estate Plan will potentially provide weight to any exception case made. Consideration of rural workers’ needs may also, however, be material when assessing proposals not covered by a Whole Estate Plan on a case by case basis.



## Delivering affordable housing

- 2.48** Developers are responsible for delivering affordable housing in line with planning policy, or to comply with a legal agreement or condition. This means that the developer should partner with a registered or other reputable provider of affordable housing. Alternatively the developer must demonstrate that they are able to themselves provide and manage the affordable housing to the same quality and cost to the occupier as an RP. Whoever provides the affordable housing must be willing to enter into a nominations agreement with the relevant local housing authority.
- 2.49** The SDNPA strongly encourages the involvement of community-led housing organisations who are looking to create permanently affordable housing to meet local housing needs. Indeed, the SDNPA makes available financial grants toward the cost of affordable homes delivered via community led housing groups. Community-led housing comes in many different forms which includes Community Land Trusts (CLTs) and affordable housing provided by other charitable trusts. A CLT is set up by a local community, usually to build affordable housing, and then oversee the homes being built and maintain some degree of control over their management into the future. Some CLTs may choose to enter into partnerships with other organisations who can offer experience and/or capital, such as a Registered Provider (RP) (see below).
- 2.50** Registered Providers (RPs) are formally recognised providers of low-cost social housing for people in need. Most RPs are housing associations, although other organisations such as charities and not-for-profit private companies can also be RPs. It is RPs who are best placed to partner with developers tasked with delivering affordable housing, unless there is a CLT or CLT/RP partnership set up for the local area who can take on the affordable dwellings. Where a CLT will deliver the affordable homes, an appropriate legal agreement should be drawn up between the developer and CLT.
- 2.51** It is recognised that there are particular challenges associated with providing very small numbers of affordable dwellings on a site. Whilst options may be more limited compared with larger developments, there are specialist providers of affordable housing who can take on small numbers, or even individual units. Where discounted market housing is agreed as acceptable, it may be appropriate to deliver the affordable homes without a third party provider being involved at all (although the discount provided will need to run with the land in perpetuity).
- 2.52** Whichever delivery model is used, the advice of both the planning authority and a suitable housing enabler<sup>14</sup> should be sought at an early stage. This will allow any practical barriers to delivery to be addressed, ensure that planning obligations are fulfilled, and maximise the benefits to the local community.

## Lewes Low Cost Housing

- 2.53** The Lewes Neighbourhood Development Plan (LNDP) forms part of the development plan for Lewes town.<sup>15</sup> It includes Policy PL1 A (part 3) which requires development to maximise the amount of Lewes Low Cost Housing (LLCH) to meet local housing need, unless proven to be undeliverable. LLCH is defined as:

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<sup>14</sup> Most local housing authorities covering the SDNP have a rural housing enabler, or work in partnership with others to provide support for rural affordable housing. Advice can also be sought from the housing authority itself. SDNPA can provide suitable contacts on request.

<sup>15</sup> The Lewes Neighbourhood Plan is published on the SDNPA website at [www.southdowns.gov.uk/planningpolicy](http://www.southdowns.gov.uk/planningpolicy), and also at [www.lewes4all.uk](http://www.lewes4all.uk)

“the maximum cost affordable on the average Lewes salary whether for sale or rent. The Government’s definition of 80% of market value is not “affordable” on the average Lewes income of £23,000 or house-hold income of less than £30,000, and for that reason will not address the community’s housing need.”

- 2.54** In Lewes town, the LLCH model will apply. Rented affordable dwellings should be provided at a rent level based on income rather than market rents, to reflect the aims of the LLCH policy.<sup>16</sup> Intermediate housing for sale should be capped at a level which is 5 times the average Lewes household income.
- 2.55** The requirement to maximise LLCH is important. Where viability is a genuine barrier to delivery of LLCH, the applicant will be required to demonstrate this by submitting a robust viability appraisal. If a policy-compliant provision of affordable housing which meets both the SDLP and LNDP is not deliverable, an appropriate balance between the requirements of the SDLP and provision of LLCH will be sought. Some rented affordable dwellings should in any case be provided. Therefore any viability appraisal should test appropriate scenarios that have been agreed with the Authority in advance.

## 3.USING POLICY SD29: RURAL EXCEPTION SITES

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### What is a Rural Exception Site?

- 3.1** A Rural Exception Site (RES) provides 100% affordable housing in perpetuity to meet local needs, on land outside of any settlement boundary that would not normally be used for housing. SDLP Policy SD29 sets out criteria to be considered when assessing proposals for RESs:
- a) Affordable housing is provided in perpetuity;
  - b) The site selection process has considered all reasonable options, and the most suitable available site in terms of landscape, ecosystem services and overall sustainability has been chosen;
  - c) The scale and location relates well to the existing settlement and landscape character;
  - d) It is shown that effective community engagement has fed into the design, layout and types of dwellings proposed.
- 3.2** An RES must provide affordable housing in perpetuity. Consequently, the homes must be secured through a Section 106 legal agreement with a clause to enable affordable homes to remain affordable indefinitely. This also relates to any intermediate housing, including shared ownership and discounted market sales housing. The Section 106 agreement will also ensure the homes will be for people in housing need and with a local connection to the community.

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<sup>16</sup> Social rented dwellings are defined in the South Downs Local Plan Glossary

- 3.3** As SDLP para 7.78 states the emphasis on rural exception sites in national parks should be on 100% affordable housing. If a viability appraisal demonstrates viability is a genuine barrier to delivering a RES, the Authority will work with the landowner, community and other stakeholders to establish the optimum alternative option which best meets the needs of the local community.

### **Evidencing local need**

- 3.4** RESs must address the needs of the local community. The type and tenure of homes should be informed by the latest evidence of strategic and local needs, including the currently published Housing and Economic Development Needs Assessment (HEDNA) or future reviews as relevant. In addition, the RES should take into account the needs of the local community as expressed in the relevant Neighbourhood Development Plan or Parish Plan where these are supported by appropriate up-to-date evidence including local housing needs assessment and housing registers. Proposals for RES will be expected to provide an up-to-date local housing needs assessment as part of the evidence in support of the application. This should have been prepared or updated no more than 2 years before the planning application (or a fully worked-up pre-application scheme) is submitted. Consultation with the relevant parish council would be expected in the preparation of this evidence.

### **Site selection process**

- 3.5** The selection of a site for an RES must be through a clear and evidenced selection process. This needs to have considered all reasonable available options. RES by their nature are an exception to Policy SD25 (which directs development to within existing settlement boundaries). The selection of the most suitable site needs to have taken into account which site is best related to the existing settlement, including providing best access to local services, which site fits best within the landscape, and which site offers the best opportunities to contribute to ecosystem services and can be delivered.

- 3.6** Some key considerations in assessing RES are, in brief:

- Relationship between the site and the existing settlement;
- Contribution to ecosystem services, including in respect to the further points below;
- Understanding the landscape character and its capacity to accommodate change;
- Contribution to the natural environment and green infrastructure;
- Vulnerability to flooding;
- Impact on the historic environment, and
- Physical access to local amenities, especially for pedestrians and cycles.

- 3.7** The relationship between a site and the existing settlement is the first consideration for the site selection process. The preferred site should fit well with the existing settlement pattern both in terms of location and by respecting the settlement character in terms of form and scale, whilst having regard to access and employment. In addition, all reasonably available sites should be evaluated in relation to their access to local amenities (in particular for pedestrians and cycles, but also for vehicles). Consideration should also be given to impact upon the historic environment, including conservation areas, individual buildings and archaeology.

- 3.8** In line with SDLP Policy SD4 all development proposals should conserve and enhance landscape character. A meaningful understanding of the landscape context and character should therefore inform the site selection process. The South Downs Integrated Landscape Character

Assessment, relevant community-led / local landscape character assessments and any bespoke assessment should be used to establish an understanding of the landscape context and character of the area and those positive characteristics which define local distinctiveness. The assessment should evaluate the capacity of each reasonably available site to accommodate change, and to conserve and enhance overall landscape character and settlement pattern. Landscape capacity will reflect the inherent sensitivity of the landscape and the value attached to the landscape, or to specific elements within it.

- 3.9** The site selection assessment should also consider the ability of each reasonably available site to have an overall positive impact on the natural environment, and to contribute to ecosystem services in accordance with SDLP Policy SD2: Ecosystem Services.<sup>17</sup> To establish the baseline conditions of sites, a range of evidence base should be used including the Ecoserve GIS mapping (available on the South Downs Local Plan Policies Map webpage<sup>18</sup>). For each site, a baseline assessment should establish what characteristic assets exist such as trees, hedgerows and woodland, wildlife habitats, water or soils which are valuable for providing ecosystem service benefits. Once the assets present on each site have been established, these should be analysed to determine what opportunities exist to positively enhance the ability of the natural environment to contribute goods and services in line with the examples provided in SDLP Policy SD2.

### **Delivering rural exception sites**

- 3.10** Due to their nature, RESs should be owned and managed by a Registered Provider (RP) or a constituted community led housing provider such as a Community Land Trust (CLT)<sup>19</sup>. Paragraph 7.82 of the SDLP explains that local partnership arrangements potentially involving an RP are an appropriate way to deliver a RES. Where an endorsed Whole Estate Plan (WEP) is in place, alternative options such as direct provision by the landowner may be appropriate, with the tenure mix being considered on a case-by-case basis.

## **4. LEGAL AGREEMENT FOR AFFORDABLE HOUSING**

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- 4.1** Affordable housing requirements will be secured by Section 106 legal agreement. An example S106 Agreement is provided on the SDNPA website and this template will be updated periodically as required.
- 4.2** All S106 Agreements related to affordable housing will:

Detail the number and tenure of affordable housing to be provided on site (social rented, affordable rented, shared ownership etc.);

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<sup>17</sup> Policy SD2: Ecosystem Services – see South Downs Local Plan page 38

<sup>18</sup> The interactive Policies Map is available at <http://www.southdowns.gov.uk/localplan>

<sup>19</sup> Further information and advice is available on the National Community Land Trust Network – [www.communitylandtrusts.org.uk](http://www.communitylandtrusts.org.uk)

Detail the assessment of local connection according to the following cascade; connection to the relevant settlement, then the parish, then the wider area including nearby settlements and parishes within the National Park;

Detail the locations and number of bedrooms of the affordable dwellings;

Contain formulas for calculating rent and service charge and/or sale value of units as relevant, and the initial equity for sale of shared ownership units to future occupiers;

In the case of on-site affordable housing provision on a commercially-led scheme, state when the affordable housing will be provided (usually prior to occupation of a proportion of the open market units);

Details of services and access roads that will be in place prior to disposal of the units to the affordable housing Provider or first occupation of the affordable housing units; Where relevant, specify the means by which the affordable units will remain as affordable for future occupiers in need of affordable housing;

Include a requirement to notify the SDNPA of the development commencement and completion dates and the name, where applicable, of the Registered Provider for the Affordable Homes;

In the case of financial contributions in lieu of on-site affordable housing, the legal agreement will include the amount payable to the SDNPA, the timing of that payment, and indexation and the interest chargeable in the case of late payment of the financial obligations;

In circumstances where the full level of affordable housing has not been achieved as set out in Policy SD28, state whether there is to be an early review / late stage review or both, what the triggers will be, arrangements for covering the costs of the review, the detail of timings for the review, and how any surplus above target profit will be apportioned. It will also include a requirement to notify the SDNPA of when triggers are reached;

The means of delivering the affordable units, i.e. whether through partnership with a Registered Provider or other specialist housing provider; through direct provision, and process of nominating occupiers of the affordable units

Include a mortgagee in possession clause to provide for circumstances where a Registered Provider defaults on loan payments and a mortgagee takes control of the RP's interest in affordable housing units as assets against which the loan is secured. The clause will allow for another RP to purchase the affordable housing units within a specified timeframe.

**4.3** Where reference is made to a specific Housing Authority, it should be acknowledged within the S106 Agreement that housing allocations will be, where necessary extended across the whole of the administrative area of the National Park in line with the cascade set out in paragraph 2.19 and 2.20 of this SPD.

**4.4** Where the designated housing authority fails to nominate a person within 28 days of being notified of the availability of the affordable unit, or where a nominee fails to take up tenancy, the affordable housing provider shall be entitled to allocate such units to any person who is in need of an affordable home within the SDNP.



- 4.5** Housing Authority Nomination Agreements are to use the criteria and mechanisms for Affordable Housing detailed in the S106 Agreement.

# APPENDIX I: LOCAL PLAN POLICIES

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## Strategic Policy SD27: Mix of Homes

### Strategic Policy SD27: Mix of Homes

1. Planning permission will be granted for residential development that delivers a balanced mix of housing to meet projected future household needs for the local area. Proposals should provide numbers of dwellings of sizes to accord with the relevant broad mix.
  - a) Proposals for affordable housing delivered as part of a market housing scheme should provide the following approximate mix of units:
    - 1 bedroom dwellings: 35%\*
    - 2 bedroom dwellings: 35%
    - 3 bedroom dwellings: 25%
    - 4 bedroom dwellings: 5%
  - b) Proposals for market housing should provide the following mix of units:
    - 1 bedroom dwellings: at least 10%
    - 2 bedroom dwellings: at least 40%
    - 3 bedroom dwellings: at least 40%
    - 4+ bedroom dwellings: up to 10%
2. Planning permission will be granted for an alternative mix provided that:
  - a) Robust evidence of local housing need demonstrates that a different mix of dwellings is required to meet local needs; or
  - b) It is shown that site-specific considerations necessitate a different mix to ensure National Park Purpose 1 is met.
3. Development proposals will be permitted for residential development that provides flexible and adaptable accommodation to meet the needs of people who are less mobile, or have adult home care requirements. Development proposals of 5 or more homes will be permitted where it is clearly demonstrated that evidence of local need for older people's or specialist housing is reflected in the types of homes proposed.

\*1 bedroom affordable dwellings may be substituted with 2 bedroom affordable dwellings

### Meeting the needs of local households

**7.33** The purpose of this policy is to ensure that development proposals provide a mix of homes that reflects the need and community aspiration for small and medium-sized homes.

**7.34** The precise mix of homes within each proposal should be informed by the latest evidence of strategic and local needs, including the currently published HEDNA or future reviews as relevant. However, given clear evidence in the HEDNA of future household needs, it is important that new housing development focuses on providing smaller and medium size dwellings, to reflect the National Park duty to foster the well-being of the local communities.

**7.35** The mix of dwellings set out in Policy SD27 is in line with the recommendations of the SHMA (and confirmed by the HEDNA), which is based on detailed modelling of housing market trends up until 2033. The SHMA and HEDNA recommend that market housing, in particular, should

be explicitly focused on delivering smaller family housing for younger households. This approach also complements Policies SD30: Replacement Dwellings and SD31: Extensions to Existing Dwellings and Provision of Annexes and Outbuildings, which similarly seek to retain smaller dwellings.

- 7.36** It is recognised that many housing sites are small and in such instances it may not be possible to achieve the exact proportions set out in Policy SD27. Nevertheless the requirements should be broadly met. For all proposals for standard occupancy housing, the onus will be on providing smaller homes, some of which should be suitable for families with children.
- 7.37** Affordable 1 bedroom dwellings may be substituted with 2 bedroom dwellings, in recognition that 2 bedroom dwellings are more adaptable to changing needs, for example, where a couple have children whilst living there.
- 7.38** For avoidance of doubt, any room in a proposed dwelling that is not a main reception room, kitchen, bathroom or WC, and has dimensions that allow for a single bed, will be counted as a bedroom. This will include studies and additional reception rooms.

### **Alternative mix of homes**

- 7.39** The Authority recognises that future development will need to respond appropriately to local needs. Policy SD27 therefore allows for regard to be had to bespoke local housing need evidence relating to the parish. This would normally be in the form of a local (parish) housing needs assessment. Such evidence should be robustly and independently prepared, and agreed in writing with the Authority as an appropriate evidence base for informing new residential development. Where a made Neighbourhood Plan (NDP) proposes an alternative housing mix based on robust local evidence, this should be used in place of the mix proposed in Policy SD27.
- 7.40** Exceptionally, the effect of unit types and sizes on a scheme's financial viability may be a material consideration, where this has been clearly evidenced through independent viability appraisal. For avoidance of doubt, the overall proportion of affordable housing with tenure mix to reflect Policy SD28: Affordable Homes will be prioritised, if exceptionally necessary, over the normal mix of market housing.
- 7.41** The delivery of each element of supply will be subject to ongoing monitoring.

### **Older people's housing**

- 7.42** The evidence from the SHMA, and confirmed by the HEDNA, demonstrates the importance of making provision for older people's housing. Furthermore, providing smaller homes suitable for older people encourages 'downsizing' which in turn frees up larger dwellings more suited to larger households.
- 7.43** The National Park has a higher than average proportion of its population within the 'older person' category of 55 years old or over, with further growth in this age demographic predicted. In particular, there is predicted to be strong growth in the 85+ age category.
- 7.44** The HEDNA identifies an indicative demand for some 90 homes per annum suitable to meet the needs of older people. This represents some 20% of the total objectively assessed housing need. Figure 7.3 indicates the different types of older people's housing need. There is a particular need for more sheltered housing in future.

**FIGURE 7.3: ESTIMATED NEED FOR SPECIALIST HOUSING FOR OLDER PEOPLE, 2014 – 33**

	Affordable		Market		Total	
	2014-33	Per annum	2014-33	Per annum	2014-33	Per annum*
Sheltered	506	27	758	40	1,264	67
Enhanced sheltered	81	4	121	6	202	11
Extra-care	101	5	152	8	253	13
Total	688	36	1,031	54	1,719	90

\*Note total differs from sum of rows due to rounding

Source: South Downs Housing & Economic Development Needs Assessment (GL Hearn, Sep 2017)

- 7.45** All proposals for new residential development should include smaller homes that are designed to meet the living requirements of older people, for example, allowing step-free access to and within the home. Proposals of 5 or more dwellings are considered most likely to provide opportunity to achieve this. Sites that can reasonably accommodate a comprehensive mix of housing types should demonstrate that opportunities for specialist older people's accommodation have been fully investigated and, where appropriate, incorporated into the development. This should be of a type which reflects local or strategic needs, including affordability.

#### **Other housing needs**

- 7.46** The National Park Authority recognises that there are other specialist housing needs that exist in local communities. People with disabilities may have particular requirements in respect of how their homes are designed to function, that is, the need for 'accessible and adaptable homes'.
- 7.47** The national requirements and advice in respect of addressing such needs are set out in statutory building regulations (Approved Document Part M). The Authority is supportive of proposals that go beyond meeting the statutory minimum standards.

## Strategic Policy SD28: Affordable Homes

### Strategic Policy SD28: Affordable Homes

- I. Development proposals for new residential development will be permitted that maximise the delivery of affordable housing to meet local need, and provided that, as a minimum, the following are met:
  - a) On sites with gross capacity to provide 11 or more homes, a minimum of 50% of new homes created will be provided as affordable homes on-site, of which a minimum 75% will provide a rented affordable tenure.
  - b) On sites with gross capacity to provide between 3 and 10 homes, a proportion of affordable homes will be provided in accordance with the following sliding scale, applied to new homes created:

<b>3 homes</b>	Meaningful financial contribution, to be negotiated case-by-case
<b>4 – 5 homes</b>	1 affordable home
<b>6 – 7 homes</b>	2 affordable homes, at least 1 of which is a rented affordable tenure
<b>8 homes</b>	3 affordable homes, at least 1 of which is a rented affordable tenure
<b>9 homes</b>	3 affordable homes, at least 2 of which is a rented affordable tenure
<b>10 homes</b>	4 affordable homes, at least 2 of which is a rented affordable tenure

Development proposals of 4 to 10 net dwellings will provide affordable housing on-site. Exceptionally, at the discretion of the Authority, financial contributions in lieu will be accepted.

2. Where, exceptionally, provision of affordable housing which complies with Part I of this policy is robustly shown to be financially unviable, priority will be given to achieving the target number of on-site affordable homes over other requirements set out in this policy.
3. Development proposals will be permitted provided that affordable housing units are integrated throughout the development, are indistinguishable in design and materials from the market housing on the site, and, where feasible, will remain affordable in perpetuity.
4. Occupancy conditions and local connection criteria will be applied to affordable housing to ensure local needs are met. Specific criteria will be determined by the Authority, in close partnership with established community-led and legally constituted organisations or CLTs where applicable.
5. Developers may not circumvent this policy by artificially subdividing sites.



## **Applying Policy SD28 to residential development**

- 7.55** The purpose of Policy SD28 is to maximise the delivery of affordable homes across the National Park as part of market-led housing schemes.
- 7.56** All development falling within Use Class C3 is subject to Policy SD28, including any retirement or assisted living accommodation within this use class. The policy applies to all developments of 3 or more new homes, and applies to all residential units on the site that have been created by building new structures or converting existing structures.

## **Amount of affordable housing**

- 7.57** Policy SD28 sets out a sliding scale of requirement for developments to provide affordable housing. This recognises the greater challenges that exist for small site developers in making such provision. These requirements have been tested for viability, taking account of the different market circumstances across the National Park. Where the calculation of the on-site affordable housing requirement results in a fraction of a unit, the requirement will be rounded up to the nearest whole number. Applications proposing a lower proportion of affordable home provision should present robust evidence to demonstrate constrained viability or other exceptional circumstances.

## **Mix of affordable housing tenures**

- 7.58** The SHMA, as confirmed by the HEDNA recommends that 75% of new affordable homes should be either social rented or affordable rented tenure to reflect evidence of need, with the remaining 25% being provided as intermediate forms of housing, such as shared or low-cost ownership. However the SHMA also recognises that different communities within the National Park have different needs and aspirations.
- 7.59** Policy SD28 reflects the SHMA strategic tenure mix (as confirmed by the HEDNA) as a requirement for new housing development, whilst allowing flexibility to reflect local need. Evidence of local need can include, but is not limited to: local (parish) housing needs assessment, relevant housing market assessment published by a local authority, and housing registers (waiting lists). If a tenure mix is proposed which departs from the strategic tenure mix set out in Policy SD28, robust evidence must be provided, which is supported by the relevant housing enabler.
- 7.60** The National Park Authority considers that social rent tenures are the most affordable to those in greatest need, and should be prioritised over other forms of rented tenure. Levels of rent for affordable rented homes must be genuinely affordable, and must not exceed the relevant Local Housing Allowance.

## **Local connections**

- 7.61** Local connections will be assessed in a cascade manner: to include the needs of the relevant settlement; then the parish; and then the wider area including nearby settlements and parishes within the National Park, as necessary. Rural local connection criteria, which is linked to parishes, will take precedent over other needs.

**7.62** Local connections will be determined by the Authority, parish council and relevant housing authority, having primary regard to the relevant housing register allocations policy. Where a CLT is to be the managing body for the homes provided, regard will be given to the CLT's objectives and strategy. The Authority will also have regard to evidence of local need which is specific to a rural estate or large farm, particularly where this is set out in a Whole Estate Plan that has been endorsed by the National Park Authority.

## Viability

**7.63** The South Downs Whole Plan and Affordable Housing Viability Study<sup>20</sup> demonstrates that for the great majority of sites, the requirements of Policy SD28 can be achieved. The Vision and Circular on English National Parks and the Broads<sup>21</sup> states that new housing should be focused on affordable housing requirements, and support local employment opportunities and key services. Insufficient affordable housing provision which runs contrary to Policy SD28 will be a significant factor weighing against approval, irrespective of any viability barriers.

**7.64** In exceptional cases where viability is a genuine barrier to delivery, the Authority will require the applicant to demonstrate this by submitting a robust viability appraisal. This should show that the cost of land reflects the existing value of land in its current use, plus a reasonable, but not excessive, uplift which provides an incentive for the land to be sold. The Authority will not accept a land cost assumption that factors in 'hope' value. It will expect also that land purchase/sale negotiations have ensured due diligence, and have fully taken into account the whole cost of development, including all adopted and emerging development plan policies, CIL, and any abnormal costs reasonably identifiable ahead of development, as a prerequisite for development potential. Affordable housing provision and other planning obligations should therefore result in reduced residential land values which reflect these factors.

**7.65** In cases where viability is, having had regard to the above, still an issue, developers will be expected to contribute as fully as possible to mixed and balanced communities, by assessing development options in accordance with the following cascade:

- i) Firstly, reduce the proportion of rented affordable tenure homes in favour of intermediate housing that best reflect local need;
- ii) Secondly, reduce the overall percentage of housing provided as affordable units; and
- iii) Thirdly, provide a financial contribution for affordable housing to be delivered off-site.

**7.66** The viability appraisal must be done on an independent and open-book basis, and must be undertaken by a professionally qualified member of the Royal Institution of Chartered Surveyors (RICS) to establish the appropriate form and level of contribution. Where the Authority does not agree that the appraisal has been undertaken robustly and fairly, it must be independently audited at the cost of the developer and subsequently reviewed if necessary.

**7.67** Where a lower proportion of affordable housing is accepted by the Authority as an exception, a clawback clause will be included in the Section 106 Agreement to secure higher affordable housing contributions, up to the requirement in Policy SD28, if market conditions improve before the completion of development.

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<sup>20</sup> South Downs Whole Plan and Affordable Housing Viability Study (BNP Paribas, 2017)

<sup>21</sup> Vision and Circular on English National Parks and the Broads (DEFRA, 2010)

**7.68** The National Park Authority will publish guidance on viability matters in due course.

### **Providing for affordable housing on-site**

**7.69** Affordable homes should be provided on-site. The options for achieving this should be discussed in full with both the Authority and the relevant housing enabler.

**7.70** Exceptionally, off-site provision or a financial contribution of broadly equivalent value to the normal on-site provision may be justified. Only when all options for on-site provision are shown to have been reasonably explored, without success, will a financial contribution to provide affordable housing off-site be accepted. On larger sites of 11 or more homes, this will usually be due to a lack of financial viability, ascertained by working through the cascade set out under 'Viability' above. On smaller sites of 10 or fewer homes, there may on occasion be other site-specific practical constraints that make on-site provision of a policy-compliant mix of housing tenures unfeasible.

**7.71** Financial contributions secured in lieu of affordable housing must directly address local needs within the National Park, and support achievement of mixed and balanced communities. In such cases, a legal agreement will be required that sets out the terms of payment, and that limits its spending to relate only to schemes that address local needs. The calculation of financial contributions will be based on the most up-to-date policy or guidance published or used by the local housing authority within which the site is located. The National Park Authority will publish its own guidance on this matter in due course, which will supersede other guidance.

**7.72** In some cases, the Authority may be willing to accept serviced plots as payment-in-kind, either on the application site, or on an equivalent site that equally addresses local need and is in other respects suitable and deliverable. This, together with any additional payment necessary, should represent a value equivalent to the financial contribution which would otherwise be calculated and paid to the Authority in the absence of acceptance of the serviced plot.

### **Design and mix**

**7.73** Affordable homes must be integrated throughout the development and be of visually indistinguishable design. They should be located throughout the site in a manner that supports integration but can also be managed efficiently by the relevant housing association. The mix of dwelling types and standards of design for affordable housing are considered under other development management policies alongside all other types of housing.

### **Artificial subdivision of sites**

**7.74** The Authority will not accept the artificial subdivision of sites where an obvious consequence of doing so would be to fall under the relevant policy threshold requiring either on-site provision of affordable housing, or a financial contribution proportionate to the total sum of development. For the purposes of housing provision, the Authority will consider a site to be a single site if the current arrangements, in either functional and/or legal land ownership terms, can be considered part of a wider whole.

### **Affordable housing delivery**

**7.75** Affordable housing provision will be secured at the granting of planning permission by a Section 106 legal agreement. The National Park Authority will work in close partnership with the relevant Local Housing Authority to ensure that affordable housing is delivered effectively. Affordable housing should remain as such in perpetuity.

- 7.76** CLTs provide an opportunity for local community ownership of land for long-term affordable housing provision. Affordable housing provided by CLTs and most housing associations are exempt from the “Right to Buy”, allowing affordable housing to remain affordable in perpetuity.

### **Strategic Policy SD29: Rural Exception Sites**

#### **Strategic Policy SD29: Rural Exception Sites**

1. Proposals for new residential development of 100 per cent affordable housing outside of settlement boundaries as shown on the Policies Map will be permitted, provided that the following are met:
  - a) Affordable housing is provided in perpetuity;
  - b) The site selection process has considered all reasonable options, and the most suitable available site in terms of landscape, ecosystem services and overall sustainability has been chosen;
  - c) The scale and location relates well to the existing settlement and landscape character; and
  - d) It is shown that effective community engagement has fed into the design, layout and types of dwellings proposed.
2. The size (number of bedrooms), type and tenure, (for example, social and affordable rented, intermediate, shared ownership or older people’s housing) of affordable homes for each proposal will be based on robust and up-to-date evidence of local community need.
3. Occupancy conditions and local connection criteria will be applied to affordable housing to ensure local needs are met. Specific criteria will be determined by the Authority, in close partnership with established community-led and legally constituted organisations or CLTs where applicable.

- 7.77** The purpose of Policy SD29 is to encourage the delivery of rural exception sites. These sites provide a critical source of affordable housing in perpetuity to meet local needs, which are not served by the market, on land that would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection.

### **Mix of tenures**

- 7.78** The National Park Authority believes that a policy of allowing market housing would reduce the number of affordable homes coming forward and may reduce the willingness of communities to support the principle of rural exception sites. The emphasis on rural exception sites in national parks should be on 100 per cent affordable housing. If a viability appraisal has robustly demonstrated that viability genuinely risks preventing a rural exception site from coming forward, and there are no alternative, more viable, sites, the Authority will work with the landowner, community and other stakeholders to establish the optimum alternative option which best meets the local need.

## Site selection, scale and location

- 7.79** Policy SD29 (1) (b) requires the most sustainable, available site to be chosen. It is important to ensure that locations which have an overall positive impact on the ability of the natural environment to contribute to ecosystem services, work best within the landscape and settlement form, allow better access to local services, and are most suitable in other respects, are preferred.

## Community and stakeholder engagement

- 7.80** “Effective community engagement” should be demonstrated by the applicant in both the site selection and application design processes. This can include liaison with the relevant parish council(s), community groups and neighbours. It is also essential that the advice of the relevant Rural Housing Enabler feeds into these processes, so that any practical difficulties regarding management issues are identified and overcome at an early stage of design.

## Local need and local connection

- 7.81** Occupation of affordable housing brought forward on both rural exception sites and market-led sites is subject to conditions to ensure the needs of local people are being met. The meanings of “local need” and “local connection” are set out in the supporting text to Policy SD28: Affordable Homes. Rural exception sites should also take into account the aspirations of the local community, for example, as expressed in the relevant Neighbourhood Plan (NDP), Parish Plan or Village Design Statement. The type and tenure of dwellings on rural exception sites will need to balance the provision of local needs with the character of the existing settlement and the landscape within which it is located.

## Delivery of rural exception sites

- 7.82** The Authority will expect all rural exception sites to reflect local needs and aspirations. An effective way to achieve this is through establishing CLTs to drive the delivery of sites. Local partnership arrangements will generally be appropriate for delivering on sites, for example, between CLTs, Parish or Town Councils, Specialist Housing Associations and/or Rural Housing Enablers (RHEs). Whichever delivery model is used, the Authority will seek to ensure that affordable housing remains affordable in perpetuity.

## APPENDIX 2: FINANCIAL CONTRIBUTIONS CALCULATION METHODOLOGY

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1. This technical note provides the detailed workings behind the standard financial contributions set out in **Figure 5** of the Affordable Housing SPD. The figures in Figure 5 and Table D below will in future be altered on 1 April each year in line with the BCIS All-in Tender Price Indices rounded to the nearest whole pound. The in lieu financial contribution rate will be kept under review to reflect the changing cost of affordable housing provision.
2. In accordance with Policy SD28, a meaningful financial contribution is sought from residential developments of 3 homes. Residential development proposals of 4 or more dwellings will be expected to provide affordable housing on-site. Exceptionally, and where it has been robustly demonstrated that on-site provision is unviable, financial contributions in lieu of on-site affordable housing will be accepted in line with paragraph 7.70 of the SDLP.
3. A financial contribution will only be applicable to developments of 3 homes or where delivery onsite is demonstrated to be unviable and/or is agreed by the Authority. The Authority's approach to calculating an offsite financial contribution, also known as a 'commuted sum', is to base the calculation on the cost of providing affordable housing on another site without additional subsidy. The Authority will use the following methodology to calculate the commuted sum payments:

$$\mathbf{A} \text{ [Cost of land + Build Cost]} - \mathbf{B} \text{ [Revenue of Selling to Housing Association or other Registered Provider]} = \text{Off site financial contribution}$$

4. The assumptions and figures used in this methodology reflect the Local Plan and Affordable Housing Viability Assessment (the 'Viability Report')<sup>22</sup>. This was prepared in 2017 by BNP Paribas Real Estate, on behalf of the SDNPA, as evidence to support the Local Plan.

#### **A) Cost to build affordable housing offsite**

5. The cost of land is based on a benchmark greenfield land value. Most sites coming forward for development in the National Park will be greenfield sites on the edge of settlements. It is therefore considered appropriate to assume offsite affordable housing would be delivered on a greenfield site. The Viability Report adopted a greenfield benchmark land value of £300,000 per gross hectare. This figure is adopted for the purposes of the financial contribution methodology. Greenfield development is assumed to comprise houses at a density of 15 dwellings per hectare. This reflects the requirements for landscape-led development, ecosystem services and on-site green infrastructure (including public open space) which typically means that a significant portion of a site won't be used for built development.
6. **Table A** sets out the component parts of the total build cost. The build cost is based on costs sourced from the RICS Building Cost Information Service (BCIS) as reported in the SDNPA Viability Report. Upper quartile BCIS costs are used to reflect the high benchmark set by policies such as Local Plan Policy SD5. Separate BCIS costs are used for flats and semi-detached dwellings to reflect the higher build cost of flats. The Viability Report also applied a local adjustment factor of 120 (i.e. 20% uplift on nationally derived base build costs) which is used in this methodology. A further 23% uplift on base build costs is applied to account for external works, landscaping and climate change mitigation measures. As with the Viability Report, an additional allowance of £15,000 per unit is made for the provision of utilities infrastructure on greenfield sites.

<sup>22</sup> Local Plan and Affordable Housing Viability Assessment (BNP Paribas Real Estate, August 2017). See Local Plan Evidence pages at [www.southdowns.gov.uk/localplan](http://www.southdowns.gov.uk/localplan)

7. BCIS figures are periodically updated to reflect changes to build costs as a result of inflation. These updates may feed into an annual review of standard financial contributions as set out in paragraph 2.29 of the Affordable Housing SPD.

**Table A: Build Cost of affordable housing units**

Cost component	Notes	Cost per unit
Cost of land	Using benchmark land value of £300k and benchmark density of 15dph.  Applies to all unit types.	£20,000
BCIS upper quartile base build cost (as of May 2017)	Flats  Houses – semi detached	£1,454 per m <sup>2</sup>  £1,397 per m <sup>2</sup>
Local adjustment factor of 120 applied to base build costs	Flats  Houses – semi detached	£1,745 per m <sup>2</sup>  £1,676 per m <sup>2</sup>
23% uplift allowance for external works, landscaping and climate change mitigation	Flats  Houses – semi detached	£2,146 per m <sup>2</sup>  £2,061 per m <sup>2</sup>
Installation of utilities infrastructure	On greenfield sites allowance is made for site roads, ground works and other associated costs.  Applies to all unit types.	£15,000

8. A figure for gross internal floor area is needed to calculate the build cost by unit size. This is taken from the Government's published 'Technical housing standards – nationally described space standard' (DCLG, March 2015), which sets out requirements for the Gross Internal (floor) Area of new dwellings at a defined level of occupancy and is set out in **Table B**.

**Table B: Nationally described space standards**

Unit size	1 bed flat	2 bed house	3 bed house	4/5 bed house
Gross internal floor area (sqm)	58	79	102	128

9. In calculating floor area, account is taken of the strategic mix of homes specified in Local Plan Policy SD27: Mix of Homes. The unit mix for affordable homes is used. This unit mix is then multiplied by the unit sizes shown in Table 2. For example a notional floor area for a 1 unit scheme is calculated as follows:

$$\text{Floor area for 1 unit} = [0.35 \times 58] + [0.35 \times 79] + [0.25 \times 102] + [0.05 \times 128] = 79.85$$

10. **Table C** gives the cost/ m<sup>2</sup> to build new homes by dwelling size. This cost/ m<sup>2</sup> incorporates the land cost and build costs detailed above. It is assumed a 1 bed unit would be built as a flat and the

build cost for flats are used accordingly. The build costs for semi-detached houses are used for 2 – 4/5 bed units.

**Table C: Total Build Cost by Unit size**

Unit size	Build cost/ m <sup>2</sup>
1 bed	£2,750
2 bed	£2,504
3 bed	£2,404
4/5 bed	£2,334

## **B) Gross development value of affordable units**

- 11.** The Gross Development Value (GDV) of the affordable units is the amount it is assumed would be paid for the affordable units by a housing association or other Registered Provider. To calculate this, Land Registry sales data is used to establish the median per square metre Open Market Sales Value (OMV). Table 5.7.1 of the Viability Report gives sales data by settlement and house type. The median figure for flats (£3,460 per m<sup>2</sup>) is used for 1 bed units and the median figure for semi-detached houses (£3,838 per sqm) is used for 2-5 bed units. This figure is multiplied by the floor space as shown in **Table B** according to the mix of units required by Policy SD27.
- 12.** The next step in establishing the GDV is to factor in the amount a housing association or other Registered Provider (RP) will pay for the affordable units as a proportion of the OMV. It is expected that any offsite affordable housing would be delivered on a relatively small site given the availability of sites within the National Park. The SDLP sets a strategic tenure mix which favours social rented or affordable rented tenure, reflecting evidence of need. In addition, smaller sites can be more challenging for a housing association or RP with a higher associated risk. This additional risk is likely to be factored into the amount offered by an RP for affordable housing units. The Viability Report (paragraph 5.17) found that RPs would pay an average of £1,475 per sqm to acquire completed affordable rented units, which is equivalent to 42% or 38% of the typical median open market value of a flat or house respectively. It is therefore assumed that an RP would pay 40% of the market value for all affordable units, and a multiplier of 0.4 is therefore used to calculate the expected revenue for the affordable units.
- 13.** The methodology as set out above and detailed in the worked example in **Box I** is repeated to calculate the in lieu financial contribution for 2 , 3 or 4 affordable homes as set out in **Table D**. In the case of 2 or more affordable homes, the median open market sale value for semi-detached dwellings is used as it is assumed 2 or more affordable homes would be delivered as semi-detached dwellings.

**Table D: Affordable housing in lieu financial contribution payment table**

Development size	Affordable housing requirement	Off-site financial contribution
<b>3 homes</b>	Meaningful financial contribution	£46,832 (which is equivalent to half of an affordable home, and subject to site specific circumstances)
<b>4-5 homes</b>	1 affordable home	£93,664
<b>6-7 homes</b>	2 affordable homes	£163,181
<b>8 – 9 homes</b>	3 affordable homes	£244,772
<b>10 homes</b>	4 affordable homes	£326,363

### **Box 1: Worked example calculating the in lieu financial contribution for 1 affordable home**

A proposal consists of 4 units – it has been demonstrated that there are exceptional circumstances such that onsite affordable housing cannot be delivered. A financial contribution equivalent to the delivery of 1 affordable unit offsite is calculated as follows.

#### **A) Cost to build 1 affordable unit**

Step 1 – Calculate the floor area

The floor area is calculated according to mix of units required by SD27 and using **Table A: Nationally described space standards**

$$\text{Floor area} = [0.35 \times 58] + [0.35 \times 79] + [0.25 \times 102] + [0.05 \times 128] = 79.85$$

Step 2 – Calculate the build cost

As with floor area, the strategic mix of homes is factored into build cost and using **Table B: Build Cost by Unit Size**

$$\text{Build Cost} = [0.35 \times 2750] + [0.35 \times 2504] + [0.25 \times 2404] + [0.05 \times 2334] = 2557 \text{ per m}^2$$

Step 3 – Calculate total build cost

The notional floor area for one unit is multiplied by the build cost, i.e.  $79.85 \times 2557$ :

$$\boxed{\text{Total build cost} = \text{£}204,176}$$

#### **B) Gross Development Value**

Step 4 Calculate the Open Market Sales Value

Multiply median sales figure for flats by floor area (incorporating policy SD27 mix):

$$\text{OMSV} = 3,460^\dagger \times ([0.35 \times 58] + [0.35 \times 79] + [0.25 \times 102] + [0.05 \times 128]) = \text{£}276,281$$

<sup>†</sup>see paragraph 11 of this Appendix

Step 5 Calculate revenue from Registered Provider

RP expected to pay 40% of open market value

$$\boxed{\text{RP revenue} = \text{£}110,512} \text{ (i.e. } \text{£}276,281 \times 0.4)$$

#### **Off site Financial Contribution**

Step 6 Calculate cost of development

**A** [Cost of land + Build Cost] – **B** [Revenue of Selling to Housing Association or other Registered Provider]

$$204,176 - 110,512 = \text{£}93,664$$

## APPENDIX 3: MINIMUM CONTENT FOR AN APPLICANT'S VIABILITY APPRAISAL

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I. Residual Land Value:

a) Gross Development Value supported by:

- i. Comparable market evidence for the Market Housing / Commercial floorspace confirming address of comparable, sale price, date of sale, analysis of comparable and how applied to proposed development.

- ii. Accommodation schedule confirming:

Unit type, tenure, Gross Internal Area and as relevant Net Internal Area and/or Net Sales Area of the units.

Unit values for Market Housing and Affordable Housing and offers from Registered Provider if available

Ground Rents as appropriate

Unit values for any non-residential element (rent and yield or capital values comparables)

Assumptions made in relation to Affordable Housing units and values

b) Cost Plan based upon BCIS data or Quantity Surveyor/Cost Consultant/Technical report(s) confirming:

- i. Base build cost of the proposed development;
- ii. Contingency
- iii. Professional fees
- iv. Abnormal development costs including for example:

Contamination remediation

Adverse ground conditions and specialist foundation types

Archaeology

Access and site servicing

Ecology

c) Development Programme confirming periods for:

- i. Pre-commencement
- ii. Build
- iii. Sales (overlap)
- iv. Affordable Housing phased payment assumptions

d) Section 106 and CIL assumptions including for example:

- i. CIL assumptions
- ii. SANGS and SAMM
- iii. Site specific Section 106 contributions



- e) Other variables including for example:
    - i. Agent and legal fees on purchase and sale
    - ii. Marketing costs
    - iii. Finance costs
    - iv. Developer's profit assumptions (Market Housing, Affordable Housing, commercial parts etc)
  - 2. Residual Land Value to be supported by evidence from comparable development land sales.
  - 3. Confirmation of the price paid for the property or the price expected to be paid for the property on the grant of planning permission together with confirmation of the contractual terms relevant to the determination of the purchase price within any contingent sale agreement or option agreement including minimum price and overage provisions.
  - 4. Benchmark Land Value
    - a) Confirmation of existing use
    - b) Confirmation of Existing Use Value supported by comparable market and supported by an accommodation schedule confirming:
      - i. Gross Internal Area and as relevant Net Internal Area and/or Net Sales Area and unit values
    - c) Confirmation of premium adopted and justification for the premium
- or
- d) Confirmation of Alternative Use and planning permission for the Alternative Use
  - e) Confirmation of Alternative Use Value supported by relevant information (see Residual Land Value above).
5. Confirmation that the mandatory requirements of the RICS Professional Statement Financial viability in planning: conduct and reporting 1<sup>st</sup> Edition May 2019 have been satisfied.
6. Confirmation that the assessment of the Residual Land Value has been prepared in accordance with RICS Guidance Note Valuation of development property 1<sup>st</sup> Edition October 2019.