



Addendum to the Affordable Housing Supplementary Planning Document

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1 Introduction

1.1 The Dover District Core Strategy was adopted in February 2010. The Core Strategy includes Policy DM5 – Provision of Affordable Housing – in the ‘Development Management Policies’ Annex. This states:

Policy DM5

The Council will seek applications for residential developments of 15 or more dwellings to provide 30% of the total homes proposed as affordable homes, in home types that will address prioritised need, and for developments between 5 and 14 homes to make a contribution towards the provision of affordable housing. Affordable housing should be provided on the application site except in relation to developments of 5 to 14 dwellings which may provide either on-site affordable housing or a broadly equivalent financial contribution, or a combination of both. The exact amount of affordable housing, or financial contribution, to be delivered from any specific scheme will be determined by economic viability having regard to individual site and market conditions

1.2 The Council’s adopted Affordable Housing Supplementary Planning Document (SPD) 2007 contains a formula to secure a financial contribution, but it is not applicable to schemes under 15 units. The purpose of this addendum to the SPD is to set out the formula to secure financial contributions for affordable housing from smaller schemes of 5 to 14 dwellings.

1.3 The Affordable Housing SPD sets out the procedures and mechanisms that the Council will use when negotiating affordable housing. It also addresses the proportion of affordable housing that should be for rent and for intermediate forms of tenure, together with the Council’s approach towards the use of public grant to support affordable housing. These provisions will apply to affordable housing contributions secured from developments of between 5 and 14 dwellings.

1.4 Since the publication of this SPD the Council has adopted the Core Strategy as part of its Local Development Framework (LDF) for which additional evidence base documents have been produced. They include a Strategic Housing Market Assessment (SHMA) and an Affordable Housing Viability Assessment. Both of these documents provided the necessary evidence to support Policy DM5 in the Core Strategy.

1.1 How has the SPD Addendum been Prepared?

1.5 Following informal discussions with industry representatives the Council developed a series of options for working out a broadly equivalent financial contribution. A stakeholder workshop was then organised as a participatory event

for invited stakeholders. Invitees comprised those organisations that have close links with affordable housing and covered Registered Providers (RPs), private sector developers and their agents, Kent County Council and the District Council.

1.6 The Council's Preferred Option underwent formal public consultation in early 2011. As part of this a Stakeholder Event took place. Key points emerging from the consultation have been considered and incorporated as appropriate into this Addendum.

1.2 Sustainability Appraisal

1.7 Sustainability Appraisal (SA) of Development Plan documents is required in the UK by the Planning and Compulsory Purchase Act 2004. However, the 2008 Planning Act has removed the requirement for carrying out SA of SPDs. This came into force on 6th April 2009 with The Town and Country Planning (Local Development) (England) (Amendment) Regulations (2009).

1.8 Policy DM5 of the adopted Core Strategy sets out the requirement and thresholds for affordable housing. As this Policy has been assessed as part of the SA to the Core Strategy and the SPD Addendum is simply the 'delivery vehicle' for achieving strategic priorities that have already been identified following a sound decision making process (including SA), an SA of this Affordable Housing SPD Addendum is considered not to be necessary.

2 Residual Appraisal

2.1 The formula utilises a residual development appraisal model. The model can take into account the impact on the scheme's residual value when considering affordable housing and other development contributions.

2.2 Residual appraisal is highly sensitive to inputs and may vary widely between different developers, depending on the assumptions used. Consequently a model has not been developed for inclusion within this document. Further details regarding undertaking an independent viability appraisal are contained in paragraph 5.32 of the adopted Affordable Housing SPD.

2.1 Explanation of Terms

2.3 The formula takes into account the following variables in this process which are explained below.

Grant is paid (subject to availability) by the Homes and Communities Agency (HCA) to Registered Providers (RPs) for capital investment in affordable housing

Open Market Value is an estimation of the price which could be achieved if the property was to be sold without any restrictions

Land Value is an estimation of the value of land if sold without any restrictions

Gross Development Value is the amount the developer ultimately receives on completion or sale of the scheme

RP offer is the price which a Registered Provider is willing to pay for the completed affordable housing units

Build Cost is the amount it costs to build each completed housing unit

Strategic Housing Market Assessment is a technical exercise to assist in determining the location and amount of affordable and market housing needed; for whom it is required; and within what timescale it needs to be provided.

2.4 Aside from the variables listed above other factors which need to be taken into account as part of residual appraisal include (but are not limited to) developer profit, land acquisition costs, site preparation costs, off-site infrastructure costs, fees for professional advisors, marketing and sales costs and financial costs.

3 Securing the Financial Contribution

Formula for securing a financial contribution

Ensure that the proposed scheme is based on a split of units which, as closely as possible, mirrors the recommendations contained in the Strategic Housing Market Assessment (SHMA).

Take the OMV of each unit to work out the GDV of the proposed scheme.

The financial contribution requested would be 5% of the total GDV.

To ensure that reasonable figures are presented these will be reviewed by the District Council using comparable evidence.

3.1 The SHMA has been used to inform the Core Strategy; its findings identified the broad split of demand for market housing. The split is stated on page 43 of the adopted Core Strategy. This should be considered as the starting point for any planning application. Should an applicant deviate from the figures then they would need to submit supporting evidence. For ease of calculating an affordable housing contribution the SHMA should therefore be considered as the starting point in line with the development plan.

3.2 For completeness, and to show how the preferred option could operate in practice, a hypothetical example is included below. Please note that this is based on illustrative house values.

3.3 Assuming the mix for the scheme mirrors the SHMA, for a 12 unit scheme the total GDV for the scheme would be £1,965,500.

5% of the total GDV = **£98,275**

This would be the financial contribution payable by the applicant to the District Council.

3.4 Payment of the contribution is required on commencement of development.

4 Viability Appraisals

4.1 Should an applicant consider that issues of economic viability prevent the proposed development from meeting affordable housing contributions, in full or part, the Council will expect this to be demonstrated through the submission of an economic viability assessment. Guidance on this is provided in paragraphs 5.32 and 5.33 of the Affordable Housing SPD. In particular, paragraph 5.33 states that:

"The Council may need to seek specialist independent advice in assessing the economic viability of development proposals and will seek to recover the cost of so doing under the terms of a Section 106 Agreement."

4.2 This has, however, not proved to be a satisfactory method as the Council bears the cost of such appraisals either temporarily until the permission is implemented and the Agreement activated, or permanently if the application is subsequently withdrawn or refused permission. The Council considers that the cost of such appraisals should be borne by the applicant at the time the appraisal is prepared and, in practice, many applicants already accept this position.

4.3 The Council is also concerned with the cost and time implications of this arrangement. An applicant has, in effect, to pay twice for economic viability appraisal work and this can also add considerably to the time taken to process an application. This could be avoided if the applicant provides an independent economic viability assessment provided by the District Valuers.

4.4 The Council therefore proposes the following replacement to paragraph 5.33 of the Affordable Housing SPD:

" The Council may need to seek specialist independent advice in assessing the economic viability of development proposals and will seek the applicant to meet such costs at the time the work is undertaken."

4.5 The Council also proposes the following alternative arrangement in the interests of reducing time and costs:

"When an applicant wishes to put forward a case of economic viability in support of proposals that involve less affordable housing contributions than envisaged in Core Strategy Policy DM5, the applicant may choose to provide an independent economic viability assessment undertaken by the District Valuers, in which case the Council will not seek to independently verify the conclusions of their report."

5 How the Contribution will be Spent

5.1 Paragraphs 11.11 and 11.12 of the Affordable Housing Delivery Plan (2010-2015) set out how the Council intends to spend monies received through commuted payments:

Extract from the Affordable Housing Delivery Plan

11.11 From time to time the Council may receive commuted sums for the off-site provision of affordable housing especially as we will be seeking contributions on sites below the 15 unit threshold.

11.12 We will explore various schemes through which this money can be spent including:

- The funding of known affordable housing schemes where HCA funding is not available.
- The joint funding of schemes where this will help to lever in the required investment to deliver affordable housing
- The acquisition of land for the development of affordable housing
- The acquisition of existing satisfactory dwellings (ESDs) targeted at specific property types or areas e.g. villages where there are no opportunities for new development, areas of poor quality housing or with a high proportion of empty properties where the acquisition and improvement of homes may help lever in private investment and create a more balanced market

5.2 The Council intends to produce an annual statement of monies collected and monies spent, for monitoring and accountability.

6 Model Legal Agreement

6.1 To assist at planning application stage, the Council will provide a model legal agreement, which will be placed on the Council's website and updated as necessary. Further guidance on the material required to support a planning application is available from the Development Management Section.

Further Information

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