

ROCHDALE MBC

AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT

Adopted

MARCH 2008



**ROCHDALE
METROPOLITAN BOROUGH
COUNCIL**

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1. INTRODUCTION

- 1.1 The Rochdale Borough Unitary Development Plan (UDP) includes policy H/7 for the provision of affordable housing through the planning process. The purpose of this Supplementary Planning Document (SPD) is to advise applicants on how the Council will apply this policy. It also informs applicants of the Council's preferred methods for ensuring the delivery of affordable housing. This policy along with others in the UDP is saved through the LDS until it is replaced by new policies within the LDF.
- 1.2 The planning system aims to develop stable, balanced communities where all sections of society, regardless of their wealth, occupation or background, feel included. Planning for sufficient, good quality, affordable and appropriate housing plays a central role in maintaining an inclusive society. Good design and siting of affordable housing within residential and mixed-use developments creates vibrant, interesting and engaging communities in which to live and work.
- 1.3 The Council advises developers who are proposing any development of 15 dwellings or more to contact Planning and Regulation Services to discuss their proposals before they submit a formal planning application.

2. SPD AIM AND OBJECTIVES

- 2.1 The aim of this SPD is;

'To provide for the affordable housing needs of Rochdale Borough as part of creating mixed and balanced communities'

The following objectives will help achieve this aim;

Objective 1: *Provide certainty and consistency for the Council, developers and other stakeholders in the application of the UDP policy on affordable housing.*

Objective 2: *To ensure developments are appropriately contributing to the housing needs of the Borough as identified within the Housing Needs Study.*

Objective 3: *To outline the Councils preferred methods of achieving affordable housing through new housing developments.*

3. PLANNING CONTEXT

- 3.1 The UDP was adopted in June 2006 in the light of national and regional policy guidance at that time. In relation to national guidance Government advice says that local planning authorities should plan to meet the housing requirements of the whole community and that the

community's need for affordable housing is a material consideration in preparing development plans and determining planning applications. Government guidance on housing is contained within Planning Policy Statement 3: Housing (PPS3).

- 3.2 The adopted Regional Spatial Strategy (RSS) sets a net annual target of 240 dwellings per annum in the period 2002 to 2016 for Rochdale Borough. Policy G/H/1 of the UDP states the Borough Council will make provision of land for this net increase. The draft RSS (January 2006) sets a target of 7200 net dwelling completions in the period 2003 to 2021 this equates to a net annual rate of 400 dwellings per annum. The draft RSS is likely to be adopted late 2008, once adopted it will replace the current RSS.
- 3.3 The RSS for the North West indicates a need for affordable housing within the North West and emphasises the importance of the planning system in providing it. Whilst the relevant policies within the existing and draft RSS (UR9 and L5) support the setting out of requirements for affordable housing in plans and strategies, neither provide local targets for affordable housing provision. Rather they recommend local authorities should set quotas and thresholds for affordable housing provision along with an indication of the type, size and tenure of affordable housing required.

4. DEFINITION OF AFFORDABLE HOUSING

- 4.1 The council believes everyone should have the opportunity of a decent home, which they can afford, within a sustainable mixed community. This means providing a wide choice of housing to meet the needs of the whole community in terms of tenures and price ranges. This should include affordable housing, both social rented and intermediate.
- 4.2 Affordable housing policy is based around three themes:
- providing high quality homes in mixed sustainable communities for those in need;
 - widening the opportunities for home ownership; and
 - offering greater quality, flexibility and choice to those who rent.
- 4.3 The term affordable housing has been described by government in PPS3 which states;

'Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.*

- *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision’.*

4.4 Both definitions include a wide range of housing subsidised to varying degrees to keep prices, whether the property be for rent or for sale, below the market value. Rochdale Boroughwide Housing and Housing Associations provide the main source of such housing within Rochdale Borough to help people on low incomes.

4.5 However some of the recent additions to this stock of housing have been through negotiation with housing developers to provide housing for those who are unable to access market housing. The level of subsidy considered to be appropriate is explained more fully in Section 7.

5. EVIDENCE OF LOCAL NEED

5.1 The need for affordable housing has increased in recent years due to an ever-increasing gap between housing costs, particularly for owner occupation, and household incomes. This national trend is evident throughout much of the Rochdale MBC area. This is particularly evident in the Boroughs terraced market where at the beginning of 2002 average prices were under £38,000, however by the beginning of 2008 the average price of terraced properties within the borough had risen to nearly £85,000 (HM Land Registry).

5.2 The Housing Needs Study Update was completed for the Borough in 2006 by Fordham Research. This study used the latest available adopted guidance for carrying out such studies at the time which was the *Local Housing Needs assessments: A guide to Good Practice – ODPM Housing, July 2000*. The study acknowledges the publication of the *Housing Market Assessments Draft Practice Guidance* which was published by the ODPM in December 2005 and takes account of some of the main changes proposed within the methodology.

5.3 The above study highlights a shortfall for the whole Borough of 451 units per annum. Figure 1 shows that this shortfall is across all sizes of accommodation, with the largest shortfall being for three bedroom units. In terms of tenure the study shows that there is a need for both rented and intermediate housing (e.g. shared ownership). This figure of 451 is greater than the overall target for net housing completions identified for Rochdale Borough within the current and draft RSS. Therefore it is imperative the Council achieve affordable housing through new developments wherever possible.

Figure 1: Net need for affordable housing by size (Source: Housing Needs Assessment Update 2006)

Size required	Need	Supply	Total	Supply as % of need
1 bedroom	934	914	19	98.0%
2 bedroom	721	577	144	80.0%
3 bedroom	550	280	270	51.0%
4+ bedroom	173	156	17	90.3%
TOTAL	2,379	1,928	451	81.1%

6. SITES WHERE AFFORDABLE HOUSING WILL BE REQUIRED

6.1 The relevant UDP policy for affordable housing is set out below.

Policy H/7 Affordable Housing:

All new private housing developments will be required to provide an element of affordable housing on site provided that:

- a) The site is 1.0 hectares or more in size or has the potential for the development of 25 or more dwellings;**
- b) The site is located in reasonable proximity to local services and facilities and accessible by public transport;**
- c) There are no other particular costs associated with development of the site; and**
- d) The provision of affordable housing on the site would not prejudice the realisation of other planning objectives that need to be given priority in development of the site.**

To ensure that affordable housing is occupied by those in genuine need, the Council will encourage and promote the involvement of a registered social landlord in the development process. Where a developer other than a registered social landlord is involved in the development process, the Council will seek to control the occupancy of dwellings built by means of a planning condition or by an agreement under section 106 of the Town and Country Planning Act.

6.2 The site size threshold for affordable housing established within UDP policy H/7 is sites of 1.0 hectares or more in size or has the potential of 25 or more dwellings. However this was based upon government guidance contained within Circular 6/98. Since the adoption of the UDP in 2006 Circular 6/98 has been superseded by PPS3 which now sets an indicative minimum site size threshold of 15 dwellings. Since its publication PPS3 has been a material consideration and therefore the 15 dwelling threshold has been applied. The Housing Needs Study Update also supports the use of a 15 dwelling threshold for affordable housing. Consequently, this SPD confirms this threshold which the Council will use to negotiate with developers upon Affordable Housing rather than the threshold identified in UDP policy H/7.

- 6.3 In considering whether a development meets the threshold for providing affordable housing, the Council considers the gross number of proposed dwellings, not the net increase. For example, a proposed new development might consist of 15 new dwellings while also requiring the demolition, or loss by conversion, of 2 dwellings on the proposal site. Affordable housing would be expected from the proposal because the gross number of dwellings meets the 15 dwelling threshold. To consider the net increase in the number of dwellings would be an inappropriate dilution of the policy.
- 6.4 Policy H/7 applies to the conversion of any building, whether or not it is already in residential use. As explained above the Council uses the gross number of units created by the development to calculate the proportion of affordable housing that should be provided.
- 6.5 The Council will be alert to, and not permit any benefit to be gained from, the artificial subdivision of a site to circumvent the operation of UDP policy H/7. The Council will be attentive to the danger of allowing the artificial boundaries of ownership for developing units to frustrate the operation of the policy.
- 6.6 In terms of considering issues of viability the Council expects developers and landowners to work together before an application for planning permission is submitted, to enable a full understanding to be reached of the costs involved in delivering a site. This should mean that most factors in delivering a scheme can be identified or anticipated and that their costs can be reasonably assessed, and provision made for them, by the time of submitting a planning application. The Council would anticipate that these costs will have been taken into account when the purchase price for the site was agreed and that, accordingly, their impact on the viability of the scheme should be limited. Figure 2 below shows those factors which may apply to any particular site. These are split into General Development Costs, Planning Policy Requirements and Site Specific Costs.

Figure 2: Assumed Identifiable Costs

General Development Costs	Planning Policy Requirements	Site Specific Costs
<ul style="list-style-type: none"> • Demolition • Drainage • Site preparation • Earthworks • Infrastructure • Highway works (to ensure access to development) • Conversion • Design 	<ul style="list-style-type: none"> • Landscaping (policy BE/8) • Car-parking (policy A/10 and Appendix C) • Local open space and outdoor sports provision -whether provided on-site or off-site (policy H/6 and SPD) 	<ul style="list-style-type: none"> • Flood mitigation • Decontamination • Nature conservation • Relocation of telecommunications and other statutory undertakers' equipment • Education and other community facilities • Archaeology

<ul style="list-style-type: none"> • Materials • Legal matters • Professional fees and consultancy 	<ul style="list-style-type: none"> • Renewable energy (SPD) 	<ul style="list-style-type: none"> • Conservation areas • Listed buildings • Off-site highway improvements required by LPA and LHA
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6.7 It should be noted that this list is not exhaustive and other examples of known or knowable costs may arise in individual cases.

6.8 Applicants who cite non-viability due to particular development costs as the reason for not complying with UDP policy H/7 must support their case with financial evidence, and evidence that these matters were not ascertainable, which they should submit with the planning application. Where necessary this information will be audited by external experts but confidentiality of commercially sensitive information will be ensured.

6.9 When applicants submit evidence of non-viability, the Council will expect to see the calculations for the important factors set out in enough detail for viability to be properly assessed and tested. The Council accepts that developers seek to achieve a reasonable profit on the schemes they develop.

6.10 To be considered appropriate for the inclusion of affordable housing, sites should normally be conveniently located for local services, community facilities and public transport. Most sites on which planning permission for housing development is likely to be granted are expected to fulfil this requirement due to the nature of development throughout Rochdale Borough and the fact they will need to have satisfied the general approach to development in the UDP.

6.11 Developers are invited to approach Planning and Regulation Services prior to the submission of a planning application to consider these matters and to enable negotiations to be entered into at an early stage so that the financial implications of affordable housing provision can begin to be understood.

7 SCALE AND NATURE OF AFFORDABLE HOUSING PROVISION BEING SOUGHT BY THE COUNCIL

7.1 The composition of the housing stock in an area will be an important factor in establishing the type of affordable housing included in a development. The government's approach as set out in PPS3 is aimed at providing a mix of house types to encourage the formation of mixed communities.

7.2 As discussed in Section 4 the annual affordable housing requirement for Rochdale Borough exceeds the level of supply of all new housing, therefore it is necessary to maximise the supply of affordable housing

across the whole of the Borough. The 2006 Housing Needs Update suggests achieving up to 40% of a sites capacity for Affordable Housing is justifiable given the need within the Borough.

- 7.3 As the Council does not wish to unduly constrain development within the Borough but wishes to increase Affordable Housing, an average figure of **15%** Affordable Housing will be required on all sites across the Borough (see paragraph 7.11 for target within Housing Market Renewal projects). This percentage of units will be subject to a discount of **50%** of the average market cost of the dwellings on the site. This discount figure has been chosen to reflect the relatively high costs of new build properties within the Borough and represents a discount level somewhere between what is required to make rent (around 70%) and shared ownership and discount market housing (around 30-40%) work in most cases. Therefore such an average discount is required to make these dwellings genuinely affordable and mean that the 15% requirement can be achieved.
- 7.4 To ensure the council is maximising its supply of affordable housing on each site and to provide consistency between sites, and certainty for developers, this will equate to a maximum 7.5% contribution of the total scheme value to affordable housing for each site. This is based on the average requirement and level of discount required and is expressed in the formula below. The Council acknowledges that in many cases it will be difficult to achieve the average requirement on a site-by-site basis. Therefore it is considered that using a % GDV approach enables flexibility to be incorporated into the on-site provision of affordable housing whilst ensuring that developers know the maximum contribution in terms of cost on each site. Further detail and examples of this flexibility are given in paragraph 7.7 below.

Figure 3: Formulae to assess both on-site and off-site provision of affordable housing.

Affordable Housing Quota Contribution	x	Financial contribution/ Discount	=	Developers contribution / discount
(15% of total site capacity)		(50% average open market value)		(7.5% contribution of the total scheme value)

- 7.5 The type and mix of affordable housing sought will be dependent upon the needs of the borough. If particular groups in the community, for instance the elderly or single people, are shown to be in specific need, the mix and type of affordable housing provided should seek to address these needs. Similarly, if there are pronounced needs for specific types of tenure, such as rented accommodation, shared ownership, or discounted market housing, these are the needs to which the new provision should be directed. The 2006 Housing Needs Study

Update and subsequent Housing Needs Studies / Strategic Housing Market Assessments will provide the context for the need within the borough.

On-site Provision

- 7.6 The Council will in most cases expect the contribution to affordable housing to be made on site as an integrated part of the development. This will promote socially inclusive and sustainable communities and minimise the delay in making the affordable housing available.
- 7.7 The calculation of 7.5% total scheme value in figure 2 refers to an assumption that 15% of the dwellings on site will be discounted by 50% of the market price. However it is likely that on many sites the 7.5% gained will not be distributed in these ratios due to planning or housing need reasons. The examples below show how different approaches may be applied depending on the type, mix and need of affordable housing:
- A:** The 7.5% total scheme value spread across a lower number of units providing a greater discount per unit (e.g. 12.5% of the units discounted by 60% market price).
- B:** The 7.5% total scheme value spread across a greater number of units providing a smaller discount per unit (e.g. 20% of the units discounted by 37.5% market value).
- C:** A mixture of A & B (e.g. 5% of the units discounted by 70% market price and 10% units discounted by 40% market price).
- 7.8 These examples illustrate the flexibility that such an approach can provide in ensuring that the right mix of affordable housing is delivered on-site. Whichever approach is decided upon, through negotiation, the resultant requirement will remain 7.5% of the total scheme value. However developers should note that the Council will seek to ensure that residential development incorporate a good mix of dwelling size, type and affordability.

Off-site contributions

- 7.9 Providing affordable housing off-site is not the Council's preferred method. However, we may consider in certain circumstances, but only if there are good planning and housing need reasons, that on-site provision is not suitable. On the occasions that off-site contributions are considered appropriate, the applicant and the Council should ensure that such arrangements would actually result in the provision of the appropriate amount of affordable housing elsewhere. The amount of this payment will be equivalent to 7.5% of the total scheme value, as indicated in Figure 3.

- 7.10 In some instances, where there are good planning and housing need reasons, a dual approach may be taken where a proportion of affordable houses are provided on site with the remainder of the 7.5% total scheme value being provided as an off-site contribution.

Requirement for Housing Market Renewal (HMR) Projects

- 7.11 In addition to the requirements of the UDP policy, for HMR projects a Pathfinder-wide target for affordable housing has been set to ensure a proportion of houses within new developments are affordable to lower income groups from within the Pathfinder. The target is for 30%-35% of new build developments provided as rented or intermediate ownership. The desired split will be 25% socially rented and 5-10% intermediate housing, provided by some form of shared equity. This proportion reflects the needs within the Pathfinder and only applies to those projects where there is HMR input into delivering the scheme. On developments within the Pathfinder where there is no HMR input in terms of funding or resources then the requirement as set out in this SPD would apply.

8. MECHANISMS TO SECURE AFFORDABLE HOUSING

- 8.1 Where subsidised housing is provided an effective way of securing long term affordability is to involve a Registered Social Landlord (RSL). In these circumstances the developer will be expected to involve the RSL early in the planning process. In these circumstances developers will be expected to make arrangements to sell the affordable units to the association at a price which enables it to rent, lease or sell at the price it deems necessary to satisfy the identified needs.
- 8.2 If arrangements with a RSL are contractually in place when planning permission is sought the granting of the permission can be subject to the implementation of the contract with the necessary assurances being provided through an Obligation under Section 106 of the Town and Country Planning Act 1990. It is accepted, however, that often no contractual arrangement will exist between the developer and RSL at this time. If this is the case it will usually be possible for a developer to enter into an Obligation with the Council to satisfy it that development will not be progressed until such a contract has been made and in this way the granting of permission need not be delayed.
- 8.3 Whilst the involvement of a RSL is considered to be the preferred way of ensuring affordability, there are a number of alternative methods which the developer and the Council may find acceptable e.g. discounted market housing.
- 8.4 Given that recently the Housing Corporation have invited bid submissions directly from developers this may be an appropriate approach to delivering on-site affordable housing in the future.

9. TYPES OF AFFORDABLE HOUSING

- 9.1 This section provides a brief outline of the different types of affordable housing.

Social rent

- 9.2 Social rented housing is owned by a RSL and is rented to a household on the housing register at an affordable cost. If applicable, service charges should also be at an affordable cost and should not include any inappropriate or non-essential charges. The level of rent and service charges levied by RSLs is generally treated as being affordable by those in greatest need. Social rented affordable housing should be available, where appropriate in perpetuity¹, to those in housing need. Developers will need to satisfy the Council that secure arrangements are in place to ensure the housing will meet this need on a permanent basis.
- 9.3 Affordable rents are those that do not exceed the relevant Housing Corporation capped rent and are set in accordance with Housing Corporation guidance. The Council's Strategic Housing Services Team can advise on rent levels consistent with this guidance.

Shared ownership

- 9.4 Shared ownership housing refers to housing which is partly sold to the occupiers and partly rented to them by an RSL. It is tailored towards a specific income group that is correctly targeted to address specific local housing needs. Shared ownership affordable housing should be available, where appropriate in perpetuity¹, to those in housing need.

Subsidised and discounted market housing

- 9.5 Subsidised and discounted market housing is usually provided by developers on site at a value lower than the normal market cost. This form of affordable housing provision usually operates without a RSL and involves a legal agreement between the developer and the Council, which restricts the value and occupancy of the property.

10. DESIGN CONSIDERATIONS

- 10.1 Care should be taken to maintain the quality of affordable housing. Material specifications should not be to a lower standard and levels of privacy and open space provision should not be compromised. It is expected that developers will wish to integrate affordable housing and general market housing to complement one another and to give visual consistency as part of their marketing strategy. In terms of ensuring proper integration of affordable housing into new residential

¹ This will exclude cases where a Housing Corporation Grant is involved.

development, the local authority will normally require the developer to take a 'pepper potting' approach across the site. However, the precise nature of the integration of the affordable housing into the scheme will be agreed between the Council and the developer based on site-specific circumstances.

10.2 The Council has produced the following SPD's to encourage good design throughout the borough;

- Urban Design Guide SPD
- Residential Design Guide SPD
- Public Realm Design Guide SPD

10.3 These documents should be consulted prior to submitting a planning application and the principles contained within them applied equally to the affordable housing and general market housing units. Copies of each SPD are available on the Councils website www.rochdale.gov.uk.