

Report of the Director of City Strategy

## **AFFORDABLE HOUSING TARGETS IN RURAL AREAS**

### **Summary**

1. A report on a proposed interim approach to affordable housing was considered by the Council's Executive on 14<sup>th</sup> December 2010. This endorsed the reduced affordable housing targets in line with the Fordham's Affordable Housing Viability Study (AHVS, July 2010), as amended following consultation with the York Property Forum and Developers, as an interim measure in advance of the LDF Core Strategy examination in 2012. The AHVS has previously been adopted as part of the LDF evidence base.
2. However, whilst Members approved the recommendation, the minutes exempted the reduction of the rural affordable housing target on sites between 2 and 15 homes from the interim approach. This resulted in an affordable housing target of 25% on brownfield and 35% on Greenfield sites on urban and rural developments above 15 units, but retained a 50% target on rural sites between 2 and 15 homes. This report seeks to clarify and amend this anomaly, reducing the rural target in-line with the study recommendations and current interim approach for sites above 15 homes.

### **Background**

3. The LDF Working Group considered the findings of the Affordable Housing Viability Study, conducted by Fordham Research and dated July 2010, at the meeting of 5<sup>th</sup> July 2010. The study is an LDF evidence base for setting affordable housing targets and the thresholds which trigger the requirement and will support the LDF affordable housing policy.

4. The AHVS provides the levels of affordable housing at which the majority of sites will be viable, based on a detailed assessment of viability on a range of types of site in York. The targets are linked to a dynamic viability model which enables them to be updated on an annual basis so they align with market conditions. The review mechanism is based on house prices, build costs and alternative use values of land. Sensitivity testing of the Dynamic Model matrices is currently being undertaken in preparation of re-running the model following adoption as part of the LDF Core Strategy.
5. In following this methodology the study has identified the realistic and appropriate level of affordable housing that is viable in York, as set out in Table 1 below. The targets set out will be linked to the dynamic viability model in order to ensure accuracy over time:

<b>Table 1 – Recommended targets for adoption through LDF</b>	
<b>Nature of target</b>	<b>Urban/Rural Target</b>
<b>Short term targets (Target 1):</b> Broad-brush (brownfield) PPS3 target on sites of 15+ dwellings	25%
Greenfield target on sites of 15+ dwellings	35%
Sites 11-14 dwellings	25%
Sites 5-10 dwellings	20%
Sites of 2-4 dwellings	Off-site financial contribution
<b>Long term need requirement target (Target 2):</b> Plan-long and including grant expectations	50%

6. There is a recognition that the generally higher costs associated with brownfield development will lead to lower affordable targets than greenfield, and also that smaller sites will generally be less viable than larger ones. However, the study recommends abolishing the current distinction between urban and rural areas as it concludes that the targets are viable in all locations. This will mean that, once the LDF is adopted, all sites of 2 homes and above would contribute to affordable housing at the levels identified in Table 1.
7. Given the findings of the AHVS, Officers considered it would be inappropriate to continue to pursue a 50% affordable housing target when the Council's own LDF evidence base concluded that

this percentage was currently unviable. Consequently officers tabled a report proposing that the recommendations of the AHVS were adopted as an interim approach in advance of adoption through the LDF.

8. In consultation with Legal Services it became apparent that, whilst the revised targets could be introduced as an interim measure, the changes to thresholds could not as this would represent a change in policy rather than an amendment to existing policy. It was therefore recommended that the targets were revised to those identified in the study, as amended following consultation with the York Property Forum and Developers (Table 1), but within the existing urban/ rural thresholds. This proposal is summarised in Table 2 below:

<b>Table 2 – Proposed interim approach December 2010</b>	
<b>Thresholds</b>	<b>Target</b>
Brownfield sites => than 15 dwellings	25%
Greenfield sites => than 15 dwellings	35%
Urban sites < than 15 dwellings	0%
Rural sites 11-14 dwellings	25%
Rural sites 5-10 dwellings	20%
Rural 2-4 dwellings	Off site financial contribution

9. The minute of the approval of the above proposal excluded the rural threshold of between 2 and 15 units, meaning that the new recommended targets relating to rural areas were not applicable. As a result the affordable housing target on rural developments remains at 50% between 2 and 15 units, but then reduces to only 25% or 35% on sites above 15.
10. The inconsistency within this approach and the difficulty in negotiating for 50% affordable housing when the council's own approved evidence base states that this is not achievable, has resulted in officers applying the policy in a pragmatic manner. When developers have provided a letter with their application stating that 50% is not achievable, the targets in Table 2 have been pursued.
11. This approach has been successful, with two applications already approved with a commuted sum. Affordable housing has also been agreed in principle on four formal pre-application discussions, as well

as a number of informal discussions on sites of between 2 and 15 homes.

12. Clearly it is inconsistent to have a 50% target on rural sites below 15 units and a 25% target on sites above 15 units. Whilst Officers have responded by applying the inconsistent policy position pragmatically (and with success), it lacks the clarity, fairness, and consistency of being a transparent, publically-stated interim position.

### **Consultation**

13. Internal consultation has been undertaken with colleagues from relevant professional disciplines across City Strategy and Communities and Neighbourhoods.

### **Options**

14. There are three options identified in relation to this report:

**Option 1:** In-line with the interim policy approach for large sites greater than 15 units, reduce the affordable housing target on small rural sites (between 2 and 15 units) to the targets identified in Table 2, evidenced by the AHVS.

**Option 2:** Retain a 50% target on rural developments of between 2 and 15 units and apply the targets identified in the evidence base pragmatically.

**Option 3:** Retain the 50% target but increase the threshold at which it will apply to 8 homes.

### **Analysis**

For the reasons given in paragraphs 3-13 above, the recommendation of this paper is Option 1.

Option 2 would maintain the current position and only seek to amend the anomaly at the point the LDF is adopted. Although in practice officers can work with this policy by adopting a realistic and pragmatic approach to negotiations it remains an unsatisfactory approach which understandably has created confusion and has been questioned by the house building industry in the local media.

Option 3 represents a compromise position between options 1 and 2. Although there is some merit in this, it is the view of officers

that, instead of providing clarity, it would add further confusion to the policy. It would contradict the council's own approved evidence base upon which the interim approach is predicated and would exclude small sites from any affordable housing requirement which, in recent applications and negotiations, have proven to be viable. Furthermore, it would contradict the advice of legal services that the site thresholds can not be amended in an interim approach, only the actual affordable targets.

### **Corporate Priorities**

15. The options outlined above accord with the following Corporate Priorities:

- Sustainable City
- Thriving City
- Inclusive City
- Healthy City

### **Implications**

16. The following implications have been assessed:

- **Financial** – None
- **Human Resources (HR)** - None
- **Equalities** - None
- **Legal** – Option Three would counter legal advice that thresholds can not be altered in an interim approach as it would constitute a change to the actual policy.
- **Crime and Disorder** - None
- **Information Technology (IT)** - None
- **Property** - None
- **Other** – None

### **Risk Management**

17. In compliance with the Council's Risk Management Strategy, there are no risks associated with the recommendations of this report.

### **Recommendations**

18. That Members recommend Cabinet to:

- i) Approve Option 1 and reduce the affordable housing targets for rural sites between 2 and 15 units in-line with the council's evidence base (targets identified in Table 2 of this report), until such time as it is superseded by the adopted Local Development Framework Core Strategy.

Reason:

This will ensure that the interim approach is consistent and in-line with the council's own approved evidence base (Affordable Housing Viability Study). It will also publically reduce the affordable housing requirement to a level that has proven achievable through recent planning applications and discussions.

### Contact Details

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**Report  
Approved**



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### Specialist Implications Officer(s)

N/A

**Wards Affected:** *List wards or tick box to indicate all*

All

**For further information please contact the author of the report  
Background Papers-None.**