

AFFORDABLE HOUSING IN BLACKBURN WITH DARWEN: GUIDANCE FOR DEVELOPERS

1.0 Introduction

- Blackburn with Darwen Council is committed to providing for a full range of housing to meet the Borough's future housing requirements. This means ensuring that suitable housing is available for people on low incomes. A specific aim in the Borough's Core Strategy is a requirement for developers of new housing to make provision for an element of affordable housing.
- This guidance note is intended to inform all those involved in developing housing proposals specifically what is expected in the provision of affordable housing through Blackburn with Darwen Borough's planning system. It sets out the Council's policy on achieving affordable housing ahead of detailed discussions with developers. It is also intended to help standardise the approach for dealing with affordable housing and ensure it is dealt with in a clear, fair and consistent manner.
- The guidance note will also inform the preparation of a Supplementary Planning Document on housing expected to be published in draft in 2012.

2.0 Planning Policy Background

- Meeting the shortage of affordable housing has been identified as a major priority by the Government. Blackburn with Darwen Borough like many other authorities suffers severe shortfalls in specific types of housing for meeting local needs.
- In recent years the Council's role has shifted from being a direct provider of affordable housing to negotiating the provision of affordable housing whenever possible through other providers, notably Registered Providers (Housing Associations) and through the planning system.
- The Council negotiates the provision of new affordable housing using national planning policy guidance contained in Planning Policy Statement 3 (PPS3 revised June 2011).
- PPS3 requires Councils to plan for the delivery of new housing which is demonstrably appropriate to the specific needs of their local communities.
- Blackburn with Darwen's Local Development Framework Core Strategy sets out the future planning and development of the Borough over the next 15 years. This Core Strategy document was formally adopted in January 2011 following a Public Examination and contains specific policies relating to housing in sections CS5 to CS10. Policy CS8 specifically refers to affordable housing requirements. It states:-

All new residential development will be required to contribute towards meeting the identified need for affordable housing. This will be achieved through on-site provision, or through a commuted sum to be used in supporting the delivery of affordable housing elsewhere.

The overall target will be for 20% of new housing to be affordable. In meeting this target the Council will take account of issues affecting delivery including:

- *The availability of grant*

- *Evidence on the economic viability of individual developments*
- *Up to date evidence on market conditions*

3.0 Affordable Housing Requirements in Blackburn with Darwen

- A simple definition of affordable housing is rented housing or low cost market housing which people entering the housing market could reasonably be expected to afford.
- A significant proportion of people wishing to obtain a house in the Borough have insufficient income. The Blackburn with Darwen Strategic Housing Market Assessment 2008 estimated there are around 1,300 households annually in need of affordable housing. In the Core Strategy it is estimated the net backlog of need for affordable housing is around 700 units. The extent of the affordability gap varies across the Borough depending on wage levels and local house prices.
- The existing affordable housing policy contained in the Core Strategy seeks to provide 20% affordable housing on all sites. The split between **affordable rented and affordable housing for sale is 60% and 40%** respectively based on the findings of the Strategic Housing Market Assessment 2008. The Council will negotiate the tenure split site by site based on site specifics and location. The following descriptions are considered as affordable housing.
- **Affordable rent** Where the affordable houses are to be rented the Council will seek to ensure that they are made available through a Registered Provider. The Council will require up to 70% nominations for new rented housing to be achieved through the Choice Based Lettings scheme “B with Us”.
- **Shared ownership/shared equity** entails the occupier purchasing a percentage of a house and a registered provider owning the rest. The occupier then pays rent on the percentage they do not own.
- **Discounted market housing** Discounted units are offered to local people or people with local connections normally in rural areas who would otherwise be unable to buy a home in the locality at an open market price. The amount of discount will be negotiated on the basis of the Council's latest housing needs survey and up to date house price and income information for the locality.
- The Council will seek to impose occupancy controls to ensure the shared ownership or discounted units remain available to people in housing need in perpetuity. To achieve this objective a section 106 agreement will incorporate a right for the council to nominate and approve purchasers of the shared ownership or discounted units.

4.0 Negotiating affordable housing on prospective developments

- On larger developments the council will normally expect the affordable housing requirement to be met on-site, unless the specific circumstances of the site or the type of development proposed mean this is inappropriate. In these circumstances, and for smaller sites, provision will be made through a financial contribution called a commuted sum.
- On potential developments of 10 or more units the developer will be asked to provide 20% affordable housing in descending order of priority:-

1. On -site provision of agreed house types.

2. Off - site provision of agreed house types and location.
3. Commuted sum payments equating to the 20% provision required.
 - On developments of 1-9 units, to simplify the process and maximise certainty for smaller developers, the contribution will be a fixed rate of £2,500 per dwelling.
 - On developments of 10 or more dwellings where the affordable housing requirement is to be met through a financial contribution, the contribution will be calculated on a site-by-site basis.
 - The Council is keen to enter into negotiations on affordable housing at the earliest possible stage of the planning process. Pre-planning application discussions are very important. They benefit both developers and the Council by ensuring a better mutual understanding of the needs and constraints relating to the overall development of the site and the expectations for affordable housing. Pre application guidance is available in the Guide to Development Management in Blackburn with Darwen Borough available on the Council website at:-
http://www.blackburn.gov.uk/upload/pdf/A_Guide_to_Planning.pdf.
 Specific reference should be made to the “Advice” section.
 - Landowners and developers are expected to fully consider the overall costs of development, including the required planning obligations prior to negotiating the sale or purchase of land. Consequently, the overall cost of the development **should include** the provision of affordable housing, whether provided on-site, off–site, or via a commuted sum.
 - Time expired planning applications which have not been built and are seeking extensions of time limits will be required to complete a new development appraisal test for affordable housing.

5.0 Off-site provision and assessment of commuted sums

- As mentioned above a second preference the Council is willing to accept is for the affordable housing to be provided either partly or wholly off- site. The onus is on the developer to demonstrate the case to the Council's satisfaction that this can be delivered in an acceptable way and time period. In such circumstances the Council will seek to secure alternative provision in the same vicinity of the development site or elsewhere in the borough in an area of housing need.
- On schemes of 10 units or more, if the developer considers that the affordable housing requirement makes the development unviable, it will be necessary for the developer to complete a scheme viability assessment which includes affordable housing provision. In assessing individual scheme viability the Council will use the Development Appraisal Model produced by the Homes and Community Agency (HCA) and will require the developer to provide the Council with all relevant information relating to land purchase, site remediation costs, full open market prices and build costs. The HCA Development Appraisal Model is available from the HCA web site:-
<http://www.homesandcommunities.co.uk/economic-appraisal-tool>
- A more detailed explanation and examples of commuted sum calculations are given in Appendix 1.

- For developments of less than 10 homes a third preferred option is for affordable housing to be provided via a fixed commuted sum. This is currently set at £2500 per unit.
- The calculation of the commuted sum payment will be made at the time of the planning application and will be included in the section 106 agreement. The expectation is that the commuted sum will normally be payable at the commencement of the development.
- Commuted sums including those attracted from small developments will specifically contribute towards funding additional affordable housing solutions. These may include new provision, gap funding towards helping scheme viability, bringing new sites forward or refurbishment of long term empty private houses to be managed by a Registered Provider.

6.0 Management of Affordable Housing

- The Council consider the provision and future management of affordable housing can be best secured through the involvement of a Registered Provider (RP), or housing association. This will usually be through one of the RPs who have preferred partner status within our joint commissioning partnership. Developers are strongly encouraged to work with one of the RPs below. The RPs who currently work with the council are:
 - *Twin Valley Homes*
 - *Great Places Housing Group*

7.0 Design and Quality Considerations

- To ensure a high standard of housing design and help create socially inclusive communities the council expects there should be no discernible design difference between the affordable housing and adjacent market housing. Homes should be built to the latest HCA Design and Quality standards and meet the design briefs of Registered Providers and Council planning policies.
- On-site provision should be dispersed throughout the site, rather than affordable units being concentrated in one part of the site.
- The Council may in certain circumstances support housing schemes **of more** than 20% affordable housing, subject to the delivery of a tenure mix which supports the sustainability of the new development and the wider neighbourhood.

8.0 Procedure for Working with Developers

- Blackburn with Darwen Development Management Planning Services have clear guidance procedures for dealing with planning applications both for the pre planning application stage and the processing of applications. These are explained in full in the *Blackburn with Darwen Borough Council Development Management Handbook*. This is available from the Council website at http://www.blackburn.gov.uk/upload/pdf/A_Guide_to_Planning.pdf
- Development Management Services operate a team approach involving key services across the Council and statutory partner agencies who will contribute to the processing of the planning application. The team approach does not

include Registered Providers – we leave it up to the developer to include them or bring them along to the pre-application meetings.

- Applicants are advised to submit a pre-application enquiry for consideration by Development Management. Further details are included in the Development Management Handbook under planning application process, the “Advice” section. A view about the affordable housing provision will be included in the Council’s overall response to the applicant. For the Council to give as detailed a response as possible the proposals should explain how the applicant is intending to satisfy the affordable housing requirement.
- As explained earlier the Council encourages applicants to meet affordable housing requirements through partnerships with Registered Providers. See sections 6 and 10 for information on preferred partner RPs. Meetings to discuss types, tenures, etc with RPs should therefore take place at the earliest possible opportunity.
- The detailed planning application will need to show how the affordable housing requirements are intended to be met. In approving the planning application the planning approval conditions will be reinforced through a section 106 agreement.
- Appendix 2 provides a flowchart summarising the process the council follows in dealing with development proposals which include affordable housing.

9.0 Background Documents

- Blackburn with Darwen Local Development Framework Core Strategy (January 2011)
- Planning Policy Statement 3- Housing (PPS3), Department for Communities and Local Government (June 2010)
- Blackburn with Darwen Strategic Housing Market Assessment 2008 (January 2009).
- Development Appraisal Tool, Homes and Community Agency (March 2011).

10.0 Contacts

- The advice in this note is designed to be user friendly and describes the council’s policy on affordable housing and housing needs. For initial enquiries about development of a specific site/pre application enquiries please contact the Development Management Team (tel.01254 585218).Contact details for the preferred partner RPs are as follows:

<p>Twin Valley Homes Prospect House Wharf Street Blackburn BB1 1JD Tel. 01254 269000</p>	<p>Great Places Housing Group Southern Gate 729 Princess Road Manchester M20 2LT Tel.0161 447 5000</p>
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Appendix 1. Blackburn with Darwen Borough Council Affordable Housing Guide. Example for calculating commuted sums

A commuted sum is expected to be equal to the same amount required to secure the similar amount of affordable housing on an alternative site. This will include land purchase, build costs, additional site costs and take account of the RP's contribution. The RP's contribution will be made up of the amount the RP can raise through private funding supported by predicted revenue from rents and capital income.

The following method will be used to calculate the off-site provision:-

- The affordable housing policy requirement for any residential development is 20% on all sites of 10 dwellings or more. This is split between 60% for rent and 40% for low cost sale based on the Strategic Housing Market Assessment 2008.
- The type of provision may vary depending on where the alternative site is located or other factors, but the formula ensures there should be no difference in the contribution towards the on-site and off-site provisions options.
- A developer will be expected to calculate the affordable housing provision by completing a transparent viability assessment based on the Homes and Community Agency Development Appraisal Tool (or other viability model agreed with the Council).
- The viability model will be required to show anticipated development costs including site purchase, land remedial costs and build costs.
- The Council reserves the right to seek independent (and confidential) assessment of the completed viability calculations.
- The formula for 20% affordable housing can be expressed simply as Open Market Value minus Build cost + Land cost minus any RP contribution = Commuted sum.
- Open market values will be based on the most up-to- date Land Registry house price data for the locality of the development site.
- Any HCA grant the Registered Provider secures will be separate to the affordable housing calculation.
- Ideally, the financial viability should be submitted at pre- application stage and certainly will be required to be submitted with the detailed planning application.
- It is recognised there is usually a lengthy time gap between planning approval and building commencement when housing markets and build costs can change. Therefore, final calculations for commuted sums will be based on figures agreed at the commencement of the development.
- Should the RP seek higher or different specifications for house units the commuted sum provision will still be based on the standard formula.
- For developments of 9 units or less the contribution will be a fixed rate of £2500 per dwelling.

Worked Example 1

For a development of 50 units with an average open market value of £130,000 per unit.

20% affordable homes requirement = 10 units (6 rent and 4 shared ownership)

Agreed open market value of unit = **£130,000**

Discount required by RSL to make unit affordable for Market Rent (50%) = **£65,000**

Affordable unit to be purchased at (50%) = £65,000

Discount required by RSL to provide a shared ownership unit (35%) = **£45,500**

Shared ownership unit to be purchased at (65%) = £84,500

Total open market value of development £6,500,000

Commuted sum required

For Affordable rent element (6 x £65,000) = £390,000

For Shared Ownership (4 x £45,500) = £182,000

Total affordable housing commuted sum £572,000

Worked Example 2

Development of 80 units with average price of £150,000 per unit.

20% affordable homes requirement = 16 units (10 rent and 6 shared ownership)

Agreed open market value of unit = **£150,000**

Discount required by RSL to make unit affordable for Market Rent (50%) = **£75,000**

Affordable unit to be purchased at (50%) = £75,000

Discount required by RSL to provide a shared ownership unit (35%) = **£52,500**

Shared ownership unit to be purchased at (65%) = £97,500

Total open market value of development £12,000,000

Commuted sum required

For Affordable rent element (10 x £75,000) = £750,000

For Shared Ownership (6 x £52,500) = £315,000

Total affordable housing commuted sum £1,065,000

Worked Example 3

Development of 8 units with average price of £150,000 per unit

Fixed rate contribution of £2500 per unit.

Total open market value of development £1,200,000

Total affordable housing commuted sum £20,000