

# Affordable Housing

## Supplementary Planning Document



Scarborough  
Borough Council  
March 2018



## Alternative Format Documents

## Alternative Format Documents

### Alternative Format Documents

On request this and other Local Development Framework documents are or will be made available in large copy print, audio cassette, Braille or languages other than English. If you require the document in one of these formats please contact:

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## Alternative Format Documents

## Executive Summary

### Executive Summary

Applicants and agents in particular need to read the Supplementary Planning Document (SPD) so that they know how the Council will practically interpret and apply the requirements of the affordable housing policies within the Local Plan, National Planning Policy Framework and online Planning Practice Guidance.

**Please read this SPD before you agree to make transactions for land sales and purchases.**

#### Update Note:

This Supplementary Planning Document has been updated to take into account:

- the adoption of the new Scarborough Borough Local Plan (2011-32);
- clarification of how off-site contributions will be calculated;
- updated transfer values;
- how self-build and custom build will be considered in respect of affordable provision.

Previous changes to the SPD in respect of the quashing of the Ministerial Statement by the Minister of State for Housing and Planning that detailed changes to the negotiation of affordable housing through planning applications have now been re-instated following the Government's successful challenge. This statement brought into effect vacant building credit and a lower limit of 11 dwellings (or schemes of over 1000sq m) on which affordable housing could be negotiated.

#### Executive Summary:

The Affordable Housing Supplementary Planning Document (the SPD) applies to new housing development in Scarborough Borough (excluding the area within the North York Moors National Park) and it will help put in place the Council's Local Plan policies for affordable housing.

The introduction to the SPD (Chapter 1) explains the justification for requiring affordable housing and its national and local policy context.

Chapter 2 explains the different types of affordable housing and the definition of affordability.

Chapter 3 covers the thresholds for on site provision of affordable housing. It clearly identifies an area based approach.

Chapters 4 and 5 relates to the consideration of planning applications involving affordable housing, including the factors involved in the negotiation such as design standards, tenure mix and viability. It emphasises the need for applicants to supply the right type of information on viability to the Council.

## Executive Summary

Chapter 5 covers the Council's approach to unilateral undertakings and Section 106 legal agreements for affordable housing, including standard agreements / undertakings which are intended to make the planning application process clearer.

Chapter 5 also explains what happens after a planning application involving affordable housing is determined. The procedures for collecting and monitoring financial contributions can be found here, together with the ways the Council will spend contributions to deliver more affordable housing throughout the Borough (set out in Chapter 4). The Council will ensure that the process of how contributions are handled and spent is clear and transparent and readily accessible. Contributions will be spent on projects which will secure more affordable housing in the Borough. Contributions will be spent in a timely manner and handled efficiently. The Council will monitor and review the process closely so that value for money is secured.

Appendix 1 contains maps which show the extent of the housing market areas which apply to Table 3.1 of this document and Policy HC3 of the Local Plan.

Appendix 2 gives clear guidance on the information that needs to be submitted in a viability appraisal where a developer is proposing an affordable housing provision less than the policy requirement.

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# Contents



## What is the justification for requiring Affordable Housing ? 1

### 1 What is the justification for requiring Affordable Housing ?

#### Introduction

**1.1** The Council believes that meeting the basic human need of a decent home at an affordable price is one of the foremost objectives of the planning system. "There is a choice of high quality, suitable and affordable homes for all" is one the Council's aims within the Council's Corporate Plan: Towards 2030. Government support for this view is expressed in guidance to Local Planning Authorities that makes the need for affordable housing a material consideration which should be taken into account both in preparing plans and in considering planning applications.

#### National Planning Policy

**1.2** The National Planning Policy Framework states that where local planning authorities have identified that there is a need for affordable housing they should '.....set policies for meeting this need on site, unless off-site provision or a financial contribution of a broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.'

**1.3** It is considered that the results of the Strategic Housing Market Assessment (2015) and the Affordable Housing Economic Viability Assessment provide the evidence to support and justify the amended affordable housing percentages as well as the introduction of financial contributions in lieu of on site provision.

#### Local Planning Policy

**1.4** This SPD seeks to build on the policy framework provided by the Scarborough Borough Local Plan (2017), and in particular Policy HC 3.

#### Local Needs

**1.5** The principle source of local housing needs information is the Scarborough Borough Strategic Housing Market Assessment 2015. The Assessment shows the current and predicted number of households in housing need in the Borough.

**1.6** The Housing Market Assessment has identified an annual need of 552 affordable homes across the Borough over the next five years. Of these approximately 520 are required per annum in that part of the Borough outside the National Park. The Assessment provides housing need information at the sub-market area level, of which there are four throughout the Borough: (1) Filey, Hunmanby and the Southern Parishes, (2) Northern Parishes and Western Parishes, (3) Scarborough and (4) Whitby. The Assessment shows that there are high levels of need within all of the sub-market areas.

**1.7** The Assessment demonstrated a need for both social rented and intermediate affordable housing, which includes low cost home ownership. Around 40% of households in need specified a preference to go into intermediate affordable housing. There is significant need across all the

## 1 What is the justification for requiring Affordable Housing ?

main property types (1 and 2 bed flats; 2 and 3 bed houses). However, there are some variations between the sub market areas with higher proportions of need for smaller property types in the urban areas and higher proportions of need for 2 and 3 bed houses in the rural areas.

**1.8** The Housing Market Assessment mirrors the demand from other local indicators of housing need. There is a high need for all types of housing across all areas of the Borough.

**1.9** The main reasons for such current high levels of housing need in the Borough are principally affordability of housing and shortage of supply. Housing affordability has become an increasing problem in the Borough over the past 10 years with relative affordability ranging between 6.1x and 6.4x earnings. The average house price in the Borough is around £150K. However, lower quartile earnings were £17,670 (2014) whilst median gross household incomes are around £25k per annum, with almost 40% of all households in the Borough having an income of less than £13k per annum.

**1.10** Copies of the Strategic Housing Market Assessment are available from the Borough Council's website.

## What is Affordable Housing ? 2

## 2 What is Affordable Housing ?

### Types of Affordable Housing

**2.1** The Council uses the Government's own definitions of affordable housing as stated in the National Planning Policy Framework (NPPF).

#### **Affordable housing is defined in NPPF (March 2012) as:**

Affordable housing includes social rented, affordable rented and intermediate housing, provided to 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.

#### **Social rented housing is:**

- Rented housing owned and managed by local authorities and registered providers, for which guideline target rents are determined through the national rent regime. The proposals set out in the Three Year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.

#### **Affordable rented housing is:**

- Rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80 per cent of the local market rent. This is capped by the Local Housing Allowance rate.

#### **Intermediate affordable housing is:**

- Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing.

**Starter Homes:** The definition of affordable housing was widened by the Housing and Planning Act 2016 which under Part 6 Para 159 (1)(4)(b) now confirms that starter homes which meet the definition under the same Act will be classified as affordable homes. However, to date the relevant section of the 2016 Act has not been commenced and the existing definition of affordable housing continues to apply. It is anticipated that the new definition will come into force in April 2018.

## 2 What is Affordable Housing ?

In general terms a starter home is a home that is offered for sale at a minimum of 20% below the open market value of the property. They are only available to persons under the age of 40 who have never been a home buyer. A 15 year restricted period will apply to starter homes, so that if the home owner sells the property during this period, some or all of the discount is repaid. There will also be restrictions on renting out the property during this period. The purchaser will be required to have a minimum 25% mortgage and the price of starter homes is restricted to £250,000 outside of London.

Please note that this is the proposed definition as of the date of adoption of the Affordable Housing SPD. Any subsequent update to the definition as set out in Regulation or other associated guidance will supersede the definition set out above.

### **Affordability**

**2.2** In the case of Social Rented Accommodation, affordable rents are set by the Homes and Communities Agency in line with national rent restructuring guidelines.

**2.3** In the case of Intermediate Affordable Housing, the Council uses the one of a number of recognised definitions of affordability based on gross household income. An owner-occupied or intermediate tenure property is generally considered to be unaffordable if it costs more than 3.5x gross household income.

## On which sites will Affordable Housing be expected ? 3

### 3 On which sites will Affordable Housing be expected ?

#### Thresholds

**3.1** The thresholds and percentages set out in Table 3.1 will be applicable to all developments.

Affordable Threshold (no of dwellings)	Housing Market Areas		
	Scarborough	Filey/Hunmanby/Southern Parishes	Whitby/Northern & Western Parishes
11+	10%	15%	30%
10 or less	No Contribution		

**Table 3.1 Affordable Contribution by Housing Market Area**

**3.2** The table above sets out the percentage of affordable units required within different sized schemes within the different Sub-Housing Market Areas within the Borough. This method of calculating the affordable contribution was found sound by the appointed Planning Inspector through the Local Plan Examination in Public. The Local Plan has since been adopted on 3rd July 2017. The Sub-Housing Market Areas (for the purposes of this SPD) are defined in the maps attached at Appendix 1.

**3.3** The Council's targets for on-site provision will only be reduced where it is demonstrated through an open book viability assessment that the required affordable housing target makes the development unviable (Guidance on what information to provide in a viability assessment can be found at Appendix 2). Where the Council requires independent advice to validate a viability appraisal submitted by an applicant seeking to justify a variation, reasonable costs (agreed with the developer) will be met by the developer/applicant. The Council wishes to avoid situations where developers purchase land without taking the requirement to provide affordable housing into account. Developers should not expect that the requirement to provide affordable housing will be waived where this has not been accounted for in the land purchase price.

**3.4** There will be cases where the percentage of affordable housing sought in a particular site does not give rise to an exact number of dwellings (e.g. 21 units @ 30% would give a requirement of 6.3 units). In such cases the approach will be to round down or round up the number to give the 'on-site' provision units figure (in the above example, 6 units) (6.5 or anything above would be rounded up).

**3.5** The best use should be made of sites suitable for housing development. If a scheme is considered to be not making best use of a site by not delivering the number or range of dwelling types required to balance the local housing market or meet local housing needs without good reason, then it will be refused.

**3.6** Where a planning application is submitted for a development which forms part of a more substantial proposed development, on the same or adjoining land, an overall figure for affordable housing would be agreed at the onset, for subsequent review during the phasing of the development.

## 3 On which sites will Affordable Housing be expected ?

### Vacant Building Credit

**3.7** In line with the Government's online Planning Policy Guidance, a 'vacant building credit' will be applied to appropriate developments where a vacant building is either converted or demolished. This credit will be equivalent to the gross floorspace of the building to be demolished or brought back into use. This credit does not apply when a building has been abandoned or where a building has been made vacant for the sole purpose of re-development.

**3.8** Where there is an overall increase in floorspace in the proposed development, the local planning authority should calculate the amount of affordable housing contributions required from the development as set out in their Local Plan. A 'credit' should then be applied which is the equivalent of the gross floorspace of any relevant vacant buildings being brought back into use or demolished as part of the scheme and deducted from the overall affordable housing contribution calculation. This will apply in calculating either the number of affordable housing units to be provided within the development or where an equivalent financial contribution is being provided.

**3.9** The existing floorspace of a vacant building should be credited against the floorspace of the new development. For example, where a building with a gross floorspace of 8,000 square metre building is demolished as part of a proposed development with a gross floorspace of 10,000 square metres, any affordable housing contribution should be a fifth of what would normally be sought.

### Outline Applications

**3.10** In the case of outline applications, the delivery of affordable housing must be agreed in principle. The Council will require inclusion of a formula as applicable for the size of site (based on Table 3.1) for the calculation of the appropriate number, type and tenure of the affordable homes within a Section 106 Agreement at the outline application stage, which will be applied to Reserved Matters proposals.

### Financial Contributions

**3.11** In exceptional circumstances a financial contribution may be accepted in lieu of on-site or off-site provision, the contribution will be paid into a ring-fenced Housing Enabling Fund which will be used to contribute to the overall affordable housing provision in the Borough through a range of projects such as (e.g. supporting the development of rural affordable housing, enabling any specialist housing provision such as supported housing, forward / gap funding schemes, improving tenure mix / affordability, empty homes / refurbishments, etc). This is not an exhaustive list and the fund can be used to support new innovative ways to contribute to increasing affordable housing provision including the consideration of viability assessments submitted with an application to ensure the maximum number of affordable units are secured. Each year a monitoring statement will be produced and displayed on the Council's website detailing the monies collected and how the fund has been utilised.

### Exceptions

**3.12** Institutional care homes, nursing homes and almshouses (Use Class C2) are not subject to an affordable housing requirement.

## On which sites will Affordable Housing be expected ? 3

**3.13** In some cases independent local charitable trusts provide affordable housing for local people in housing need. Most are for older or disabled people living in a specific geographical area or connected with a particular trade (for instance Almshouses). We accept that, whilst such Trusts do not fully meet the criteria of the affordable housing definition as outlined in online Planning Policy Guidance, they do provide a form of social housing that plays a part in meeting local housing need, therefore the Council will adopt a flexible approach to the consideration of stand alone applications for proposed developments by such bodies.

**3.14** In these instances the Council would not expect such a provider to provide additional affordable housing or expect the homes provided to be in strict accordance with the Councils definition of affordable housing.

**3.15** However, where a developer wishes to include such an organisation as part of a wider private housing development in order to meet the on-site requirement regarding affordable housing, the Council would expect the organisation proposed, to offer an equivalent arrangement to affordable housing provided by a Register Provider (RP). In these instances, the Council would need to be satisfied that:

- The rents of the homes being proposed were affordable.
- There were adequate safeguards in place to ensure that the homes remain affordable in perpetuity.
- The proposed lettings and management arrangements were equivalent to those provided by a regulated RP.
- The level of security of tenure offered was equivalent to that offered by an RP.
- The proposals complied with required design standards expected of RPs.

**3.16** The Council will expect to secure such provisions through a formal agreement under s.106 of the Town and Country Planning Act 1990.

### Starter Homes and Self Build/Custom Build

**3.17** Other Government Guidance exempts the provision of affordable housing in certain circumstances. Starter Homes<sup>(1)</sup> are now classified as an affordable homes product and are therefore exempt from any further planning obligation in relation to affordable housing provision.

**3.18** The Government is also promoting self and custom build developments <sup>(2)</sup>with the recently introduced statutory requirement to maintain a self-build register and provide an appropriate number of serviced plots <sup>(3)</sup>to meet identified need. To encourage self and custom

1 A home that is offered for sale at a minimum of 20% below the open market value of the property and only available to persons under the age of 40 who have never been a home owner.

2 Para 016 of the PPG defines this as where an individual, an association of individuals, or persons working with or for individuals or associations of individuals, build or complete houses to be occupied as homes by those individuals.

3 The Self-build and Custom Housebuilding Regulations 2016 definition was updated by the PPG (Para 026) on 28 July 2017. This defines a serviced plot as one that has access to a public highway and has connections for electricity, water and waste water, or, in the opinion of a relevant authority, can be provided with access to those things within the duration of a development permission granted in relation to that land.

### 3 On which sites will Affordable Housing be expected ?

build there is an expectation that such developments will generally be exempt from affordable provision along with other obligations. Such developments are already exempt from Community Infrastructure Levy.

**3.19** Most self-build plots will come forward on an individual basis or in some cases as a small group if it involves a self-build collective. Rarely would a self-build scheme involve 11 or more units in a single planning application, however, it may do so if a landowner applies for an outline application for a site of self or custom build plots.

**3.20** In such instances a pragmatic approach should be taken towards affordable provision. On the basis that the scheme is genuinely targeted for self or custom build it is considered that an affordable contribution should not be sought. Following the grant of any such outline permission there will be the submission of reserved matters for individual plots. In essence all the land owner is aiming to do is provide greater certainty that development (in this case self-build) is acceptable in principle.

**3.21** A legal declaration to confirm a proposal is for self-build or custom build must be made through the submission of an exemption form to the local planning authority alongside any planning application. In any of the cases described above the applicant will be required to enter into a legal agreement restricting the scheme to self and/or custom build homes.

**3.22** The legal agreement will also include a clause or clauses to ensure that should some or all of the units not come forward for self-build then an affordable contribution will be payable on those units in accordance with the normal requirements of this SPD and Policy HC3 of the Local Plan.

**3.23** If the scheme was to come forward with no self-build dwellings at all and revert to a typical private market housing scheme then the affordable housing requirement would also revert back to that as set out in Policy HC3 of the Local Plan with an expectation of on-site provision.

**3.24** Should any individual or multiple plots come forward that would not fall under the definition of self-build then they would be expected to provide on-site affordable housing or to make a financial contribution to the off-site provision of affordable housing depending on the scale of the scheme. This will be on a pro rata basis and calculated at the time of an application. The following example explains how this will work in practice:

*A scheme of 15 self-build plots is approved in outline. 10 of these plots do come forward for self-build properties; however, 5 are ultimately built by a local builder on a speculative basis. These 5 dwellings would not be classed as self-build and would not be exempt from an affordable contribution as the entire scheme was for more than 10 dwellings (or 1000sq m). As these properties represent a third of the development then they will be expected to provide a third of the typical affordable contribution for the full scheme; be that on-site or an off-site contribution.*

**3.25** It is proposed to adopt the exemption rules currently used for exempting a Community Infrastructure Levy payment on self and custom build homes. This will ensure that exemptions for self and custom build will only apply to persons who are building their own home or have



## On which sites will Affordable Housing be expected ? 3

commissioned a home from a contractor, house builder or sub-contractor. Individuals claiming the exemption must own the property and occupy it as their principal residence for a minimum of 3 years after the work is completed.

## 4 What factors will be considered in negotiations ?

### 4 What factors will be considered in negotiations ?

#### On-site Provision

**4.1** In accordance with National policy, the Council expects affordable housing to be secured by on-site provision. It is anticipated that where a site is suitable for housing development it will also be suitable for affordable housing to be provided on the site. Therefore, where the dwelling numbers trigger the relevant policy threshold, the presumption will be that provision of affordable housing should be made on the development site itself. It would only be where it can be robustly justified that an alternative to on-site provision would be considered acceptable by the Council. In those instances all options to provide affordable housing on-site would need to have been considered first, and it would need to be clear that the most appropriate solution for contributing to mixed communities in the specific circumstances was through an alternative route.

#### Off-site Provision

**4.2** Occasionally developers may propose to build or purchase affordable homes or alternatively provide serviced land elsewhere than on the development site, perhaps because of site specific constraints or because of the existing mix of housing in the locality. This may also offer benefits such as achieving the development of problematic sites, or securing a higher level of affordable housing provision; or developing a scheme aimed at a particular section of the community such as a sheltered housing scheme for the elderly. As above, on all occasions, the expectation would be to fully review the on-site scope first.

**4.3** The Council will only consider off-site provision where:

- There is certainty that the affordable homes being built or purchased are to a standard acceptable to an RP.
- The homes or land being provided off-site should be in a suitable location, preferably in the same Ward or Parish as the new development.
- The Council would need to be assured that the 'off-site' affordable homes are provided within the same timescale as the new homes being developed and that any potential barriers that would prevent them being provided, such as land or property acquisition, planning consent or an agreement for sale with an RP are in place and agreed before a planning application is agreed.
- The mechanism for providing off-site provision is explained in Chapter 5.
- In certain circumstances a financial contribution may be accepted in lieu of on-site provision. The contribution will be based on the affordable housing provision as calculated in Table 3.1 and will be the difference between the value of market housing on the site and the transfer value of affordable units. An example of how the financial contribution will be calculated is shown below.

#### Transfer Values

**4.4** To assist in determining the viability of schemes and to aid the calculation of off-site contributions, the Housing Service has conducted research into transfer values and the most appropriate means of determining such values; whether they should be fixed, based on a £ per sq m or a % of open market value. The conclusion was that transfer values should be fixed and

## What factors will be considered in negotiations ? 4

expressed as a percentage of open market value. This provides certainty for both the housebuilder and the registered provider. Furthermore there is still the flexibility allowed through 'viability appraisal' as set out in Policy HC 3 of the Scarborough Borough Local Plan and referred to in para 3.3 and 4.17 to 4.21 of this document.

**4.5** This will allow account to be taken of occasions when values cannot be achieved and a Registered Provider cannot meet the transfer value set out below. Where this is the case and it affects the overall viability of a scheme, such evidence will need to be reflected in a viability appraisal. The proposed alternative transfer value must be based on an independent valuation carried out by a suitably qualified (RICS) local valuer, the cost of which should be borne by the applicant. It is therefore important that developers discuss the transfer of housing to Registered Providers as early in the process as possible and preferably prior to the submission of a planning application. Where such matters are not resolved to the satisfaction of the Local Planning Authority within the set period for determining an application such proposals will be recommended for refusal unless an extension of time can be agreed. |

**4.6** These transfer values have been updated in accordance with guidance from the Borough Council's Housing Section. Using the latest figures achieved on sites and in discussion with Registered Providers the proposal is to have fixed transfer values based on a percentage of the Open Market Value (OMV) for rented and low cost home ownership (LCHO). No separate values have been provided for social rent and affordable rent following the discussions with the Registered Providers. However, this would not prevent social rented units being provided on any scheme. The transfer values differ per locally defined Housing Market Areas and relate to the viability of schemes and the relative value of property in the respective areas. The table below sets out the transfer values for the various areas of the Borough and then examples of calculating off-site contributions are provided.

	Housing Market Area		
	Scarborough Urban	Filey/Hunmanby/Southern Parishes	Whitby/Northern & Western Parishes
Rented	55% of OMV	42% of OMV	40% of OMV
Low Cost Home Ownership	60% of OMV	47% of OMV	45% of OMV

**Table 4.1 Transfer Values**

**4.7** The lower values for rented units reflect the need to ensure that rents are within the Local Housing Allowance for the area, and that the units will be affordable for households in need, and to allow the potential for social rented units to be provided where possible.

*Note:*

- i. The indications typically assume nil grant – the usual current starting point for affordable housing provision.*

## 4 What factors will be considered in negotiations ?

### How A Financial Contribution Will Be Calculated

#### Example 1: Using a % Transfer Value for Low Cost Ownership in Scarborough

A scheme of 20 flats in Scarborough would normally provide 2 on-site affordable units. The flats are valued at £200,000 on the open market. The transfer value for this area and tenancy type is 60% (£120,000 per unit).

If these units are sold as market housing the developer will receive £200,000 per unit; £80,000 more than if they were transferred to an RP. Therefore the financial contribution should be £80,000 per unit and a total contribution of £160,000.

#### Example 2: Using a % Transfer Value for Rented in Filey

A scheme of 15 dwellings in Filey would normally provide 5 on-site properties (rounded up from 4.5). There are a variety of property types ranging from 2 to 4 bed dwellings with an overall valuation of £2.85m which averages out to £190,000 per property. The transfer value for this area and tenancy type is 42% (£79,800 per unit).

If these units are sold as market housing the developer will receive £190,000 per unit (average); £110,200 more than if they were transferred to an RP. Therefore the financial contribution should be £110,200 per unit and a total contribution of £551,000.

### Design Standards

**4.8** As with all forms of residential accommodation, the Council expects affordable housing to be built to a high standard of design and amenity. Affordable housing units provided within new residential development should be of the same quality as the market housing and should be visually indistinguishable.

**4.9** The Council will negotiate the type and size of affordable housing on a site by site basis, however, the Department for Communities and Local Government's Technical housing standards - nationally described space standard should be met unless there are exceptional and mitigating circumstances to warrant any provision below the set standards. These standards are shown in the table below.

Number of Bedrooms	Number of Bedspaces (persons)	1 storey dwelling (bungalows and flats)	2 storey dwelling (houses)	3 storey dwelling (houses)
1	1	39	N/A	N/A
1	2	50	58	N/A
2	3	61	70	N/A
2	4	70	79	N/A
3	4	74	84	90

## What factors will be considered in negotiations ? 4

Number of Bedrooms	Number of Bedspaces (persons)	1 storey dwelling (bungalows and flats)	2 storey dwelling (houses)	3 storey dwelling (houses)
3	5	86	93	99
3	6	95	102	108
4	5	90	97	103
4	6	99	106	112
4	7	108	115	121
4	8	117	124	130
5	6	103	110	116
5	7	112	119	125
5	8	121	128	134

**Table 4.2 DCLG - Minimum Gross Internal Floor Areas and Storage (m2)**

**4.10** Further information on the above space standards can be found at: [DCLG Technical Housing Standards](#)

**4.11** In order to ensure sustainable communities, affordable housing should be distributed throughout a development in small groups or clusters, typically of 4 to 8 units. In larger schemes where more than 100 dwellings are proposed slightly larger clusters, of up to 12 units, may be appropriate, dependent on design and location factors and an appropriate housing mix within the clusters. The Council will not support the principle of grouping affordable units in significant numbers together as this can reinforce feelings of social exclusion and can have a negative impact on the establishment of sustainable communities.

### Tenure Mix

**4.12** The Council recognises the importance of achieving a mix and range of tenures in order to promote social inclusion and sustainable communities. In line with Government policy, the Council does not accept that mixing different tenures creates bad, unattractive or difficult to manage neighbourhoods.

**4.13** The Scarborough Borough Strategic Housing Market Assessment (SHMA) 2015 showed that there is an annual imbalance of 552 affordable dwellings over the five year period. Approximately 526 of these are in the part of the Borough that is covered by the Council's Planning Authority (i.e. outside the area covered by the North York Moors National Park). The SHMA suggests an approximate 60/40 split (rented/intermediate). However, due to the continuing high levels of demand for social rented housing in the Borough and recent issues with having too many intermediate products on a site, the Council will expect that a minimum of 70% of the affordable housing tenure mix will be rented housing.

## 4 What factors will be considered in negotiations ?

### Economics of Provision

**4.14** In accordance with the Council's procedure for negotiating affordable housing provision, developers are encouraged to obtain an agreement with an RP partner regarding the sale of affordable homes **prior to the submission of a planning application**. Applicants should be encouraged to liaise with the Council on proposed affordable housing provision at the earliest possible stage. Ideally developers should seek to build the agreed number of dwellings to the RPs specification, selling them to or constructing them for the RP at a previously agreed price level. This price level reflects the relevant affordability criteria (rent / purchase share costs to the resident) and the RP's financial modelling based on the capitalised value of those revenue streams after allowing for (netting-off) their management and maintenance costs, etc.

**4.15** The amounts that RPs are able to pay developers to acquire affordable homes are constrained by their borrowing capacity as supported by the value of these revenue streams. RPs rely on projected rental income. They can charge affordable rents at up to 80% of local market rental levels (including service charge). However, these are also capped by the Local Housing Allowance rates. As a result this puts a ceiling on the amount they are able to borrow. A table of transfer values was shown earlier in this chapter (Table 4.1) and these represent current prices (as a % of Open Market Value) that RPs are considered able to pay developers (The figures will be subject to ongoing review and will be updated accordingly when required).

**4.16** In the case of other Intermediate Affordable Housing products, such as low cost home ownership, homes need to be sold to an RP at a price that will enable the RP to make these homes available at an affordable level (see para 2 .1). Sale prices to RPs also need to take into account the reasonable development "on-costs" of the RP.

### Viability

**4.17** Where there is a proven need for affordable housing, but a developer is not able to provide the scale of provision or contribution expected, the onus will be on the developer to demonstrate why a site should not include provision in line with the Councils' targets.

**4.18** In this event, applicants will be required to provide full financial details for appraisal in line with the Councils' open book Viability Assessment Procedure (available on request, or from <http://www.scarborough.gov.uk>).

**4.19** It is not sufficient for developers to argue that they did not take into account the need to provide affordable housing in the amount they have paid for land as it is reasonable to expect that land values will reflect the requirements of the Local Plan. The Council also considers that any normal development costs, such as site demolition, preparation, retaining walls, piling, infrastructure provision and flood mitigation should be established at the outset and reflected in the amount paid for land.

**4.20** All assessments of development viability will only consider the viability of the particular development site in question. Assessments will not take into account the specific financial circumstances of any given developer. Equally, assessments will not take into account the specific needs of land owners to maximise the amount they are paid for land by developers in order to ensure the viability of, for example, the relocation of a property, facility or service to an alternative location.

## What factors will be considered in negotiations ? 4

**4.21** Should a viability assessment be submitted in support of a lower percentage of on-site affordable provision this will be expected to take account of the transfer values set out in the earlier section, 'Off-site Provision'.

## 5 What will be the process for negotiation ?

### 5 What will be the process for negotiation ?

#### Affordable Housing Plans

**5.1** In the interests of speeding up the application process, a planning application for development that generates a requirement for affordable housing must be accompanied by an Affordable Housing Plan. Guidance on preparing an Affordable Housing Plan is available from the Council.

**5.2** The Affordable Housing Plan requires developers to provide details of the affordable housing that they propose to deliver. This information includes the number of affordable homes to be provided, the type, the tenure and their location within the development. Wherever possible, confirmation that an agreement has been reached with an RP partner should also be detailed. Once agreed, these details can be set out in a Section 106 Agreement, the heads of terms of which are required to be submitted with a planning application as part of the Council's validation requirements. Planning applications submitted without a completed and agreed Affordable Housing Plan shall be recommended for refusal.

**5.3** In the case of outline applications, the delivery of affordable housing must be agreed in principle. The Council will require inclusion of a formula as applicable for the size of site (based on Table 3.1) for the calculation of the appropriate number, type and tenure of the affordable homes within a Section 106 Agreement at the outline application stage, which will be applied to Reserved Matters proposals. Full details of the number, tenure mix and location of affordable homes will need to be confirmed within an agreed Affordable Housing Plan before detailed planning permission is awarded.

#### Involving a Registered Provider

**5.4** The Council's preferred method for the provision of all forms of affordable housing is through the involvement of a Registered Provider (RP). The involvement of a RP is the best way of ensuring that provision is designed and managed so that it meets local needs and will remain affordable for successive occupiers.

**5.5** The Council will encourage and facilitate early discussions with RPs to ensure that a partnership approach is adopted early in the process. The Council will provide developers with a list of RP partners who have a local management presence in the Borough. In line with the Homes and Communities Agencies own policies regarding value for money, stock rationalisation and the development of sustainable communities, the Council would prefer developers to choose an RP partner with an existing concentration of units in the Borough.

**5.6** Should a developer wish to work with an RP who is not on the Council's own preferred list, the Council will require early dialogue between the developer and the potential RP provider at the pre-application stage. The Council would require detailed information on the RPs standards in order to be satisfied that effective measures are in place to ensure the "quality local management" of the homes. The Council will also need to be assured that the allocation of the homes will be undertaken fairly and properly to meet local needs.



## What will be the process for negotiation ? 5

**5.7** On all developments of social rented housing, the Council reserves the right to nominate tenants for the new homes. This will be on the basis of 100% initial lets and 75% of re lets. Allocations will be undertaken in accordance with the Council's allocations scheme.

### The Means of Securing Provision

**5.8** Section 106 Agreements will be used to secure the following matters.

**5.9** In the case of on or off-site provision:

- The agreed amount and form of affordable housing to be built and transferred to a Registered Provider at an agreed cost, prior to occupation of an agreed amount of market housing (normally half the market element).
- Adequate measures are in place to ensure that properties will remain affordable to successive occupiers.

**5.10** In the case of the provision of development land:

- The site is made available free of charge prior to the occupation of an agreed amount of open market housing.
- The site is of a size capable of accommodating the required number of affordable housing units; it is fully serviced and is free of any abnormal development costs, or constraints.
- The site will remain available for development by any RP to their specification (subject to planning permission) for a period of 10 years or until the completion of the private market housing, whichever is the later.

**5.11** In the case of commuted sums to be provided by developers:

- The payment by the developer to the Council of an agreed sum prior to the completion of an agreed amount of market housing.
- The 'ring fencing' of any payments to ensure that they are spent on specified levels and forms of affordable housing provision within a 10 year time period which will provide sufficient time to identify, assemble and commit suitable sites.

**5.12** In using Section 106 Agreements to secure affordable housing the Council recognise that there may be occurrences where they need to be reconsidered where they stall development.

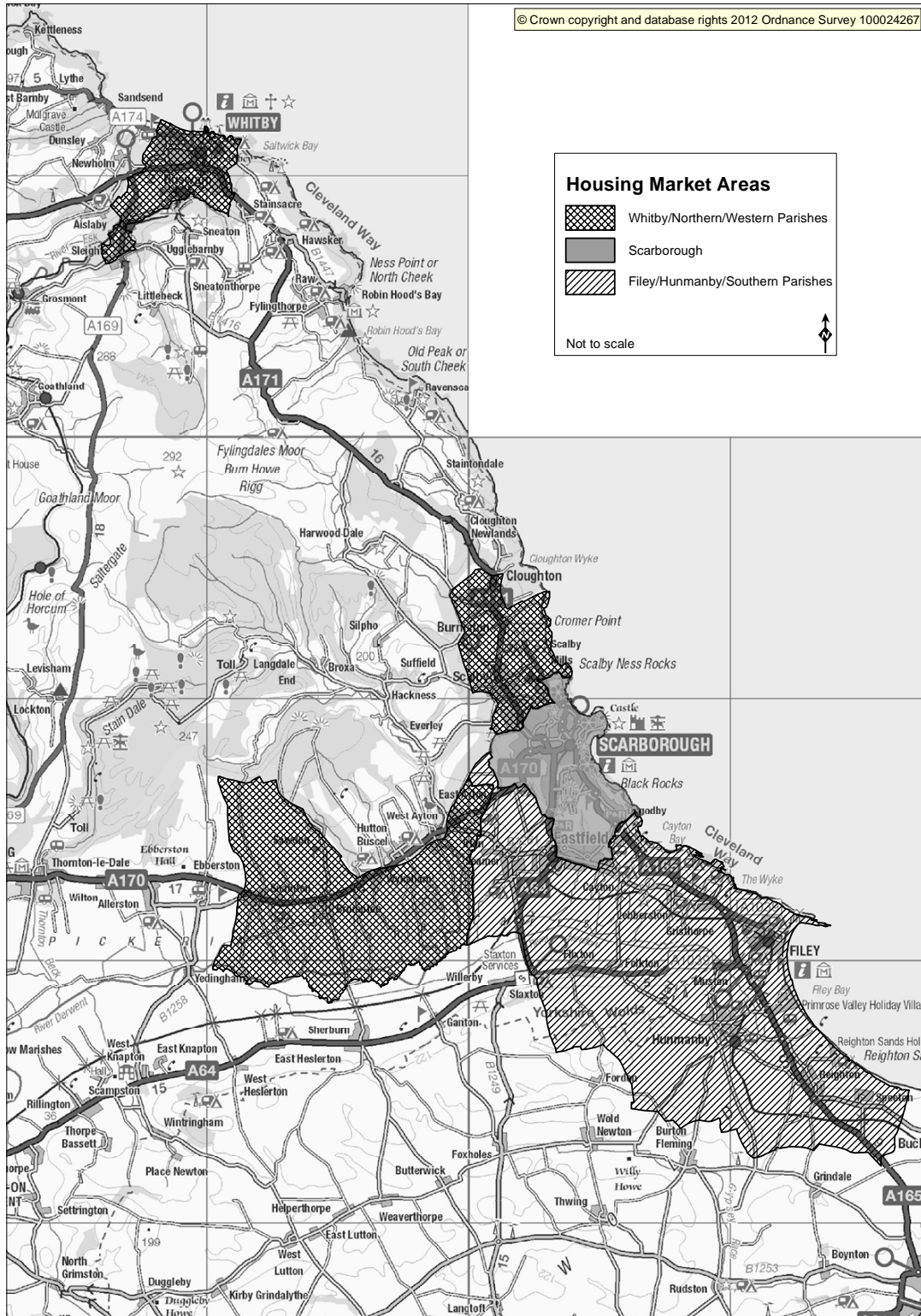
## 5 What will be the process for negotiation ?

# Appendices

## 1 Maps Showing Extent of Housing Market Areas

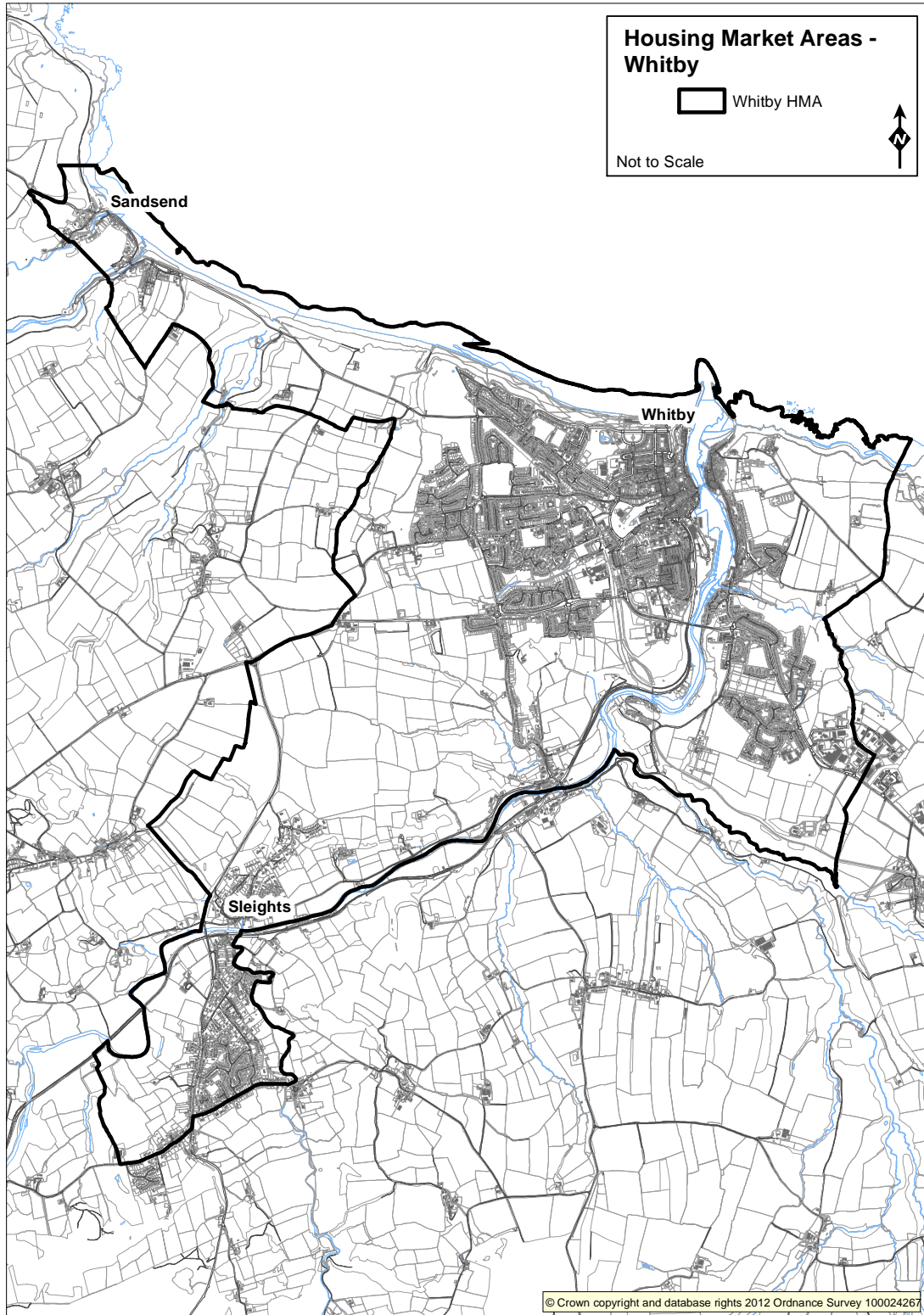
### **Appendix 1 Maps Showing Extent of Housing Market Areas**

# Maps Showing Extent of Housing Market Areas 1



Map 1 Housing Market Areas (Borough)

# 1 Maps Showing Extent of Housing Market Areas



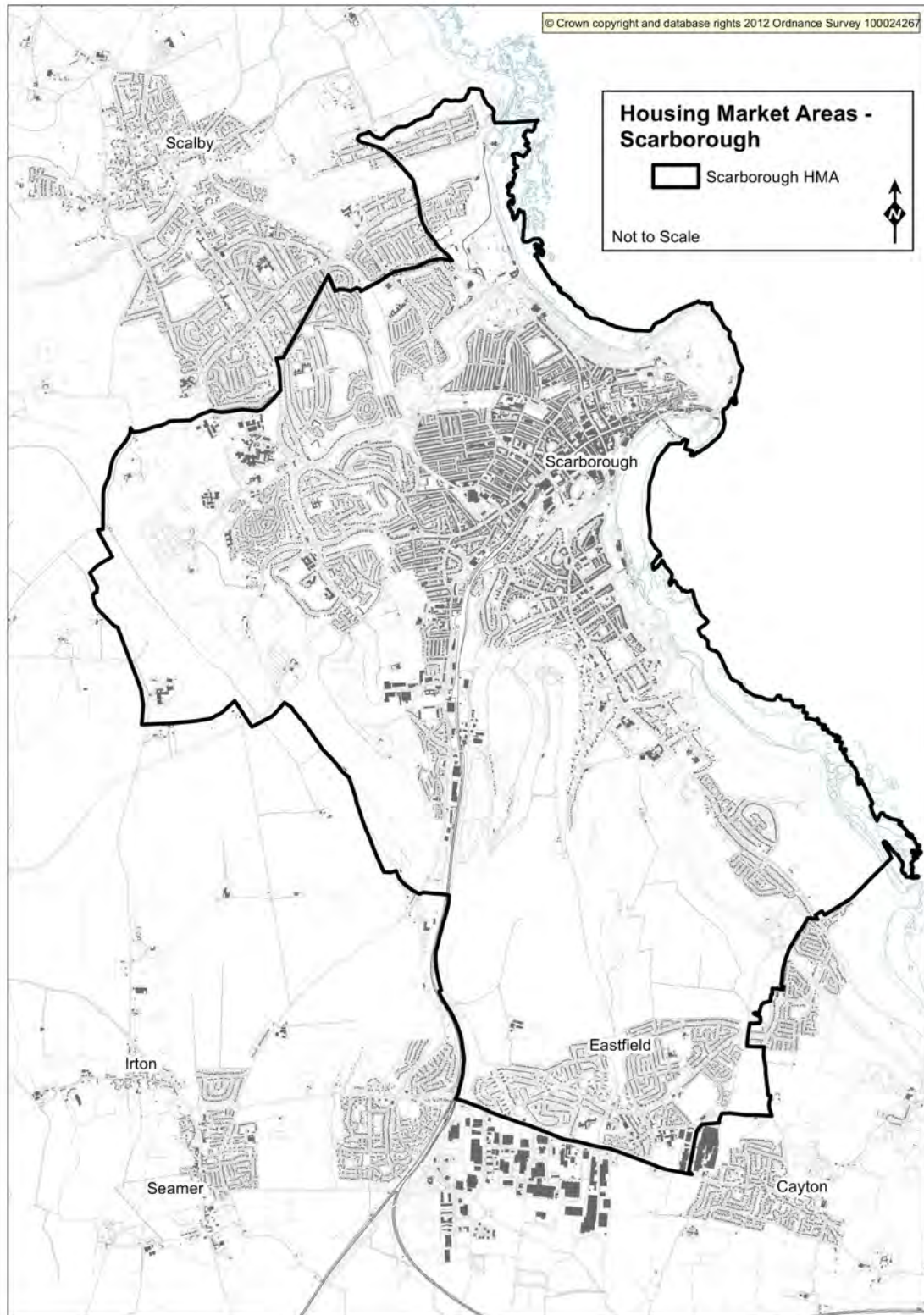
**Map 2 Housing Market Areas - Whitby**

# Maps Showing Extent of Housing Market Areas 1



**Map 3 Housing Market Areas - Northern/Western Parishes**

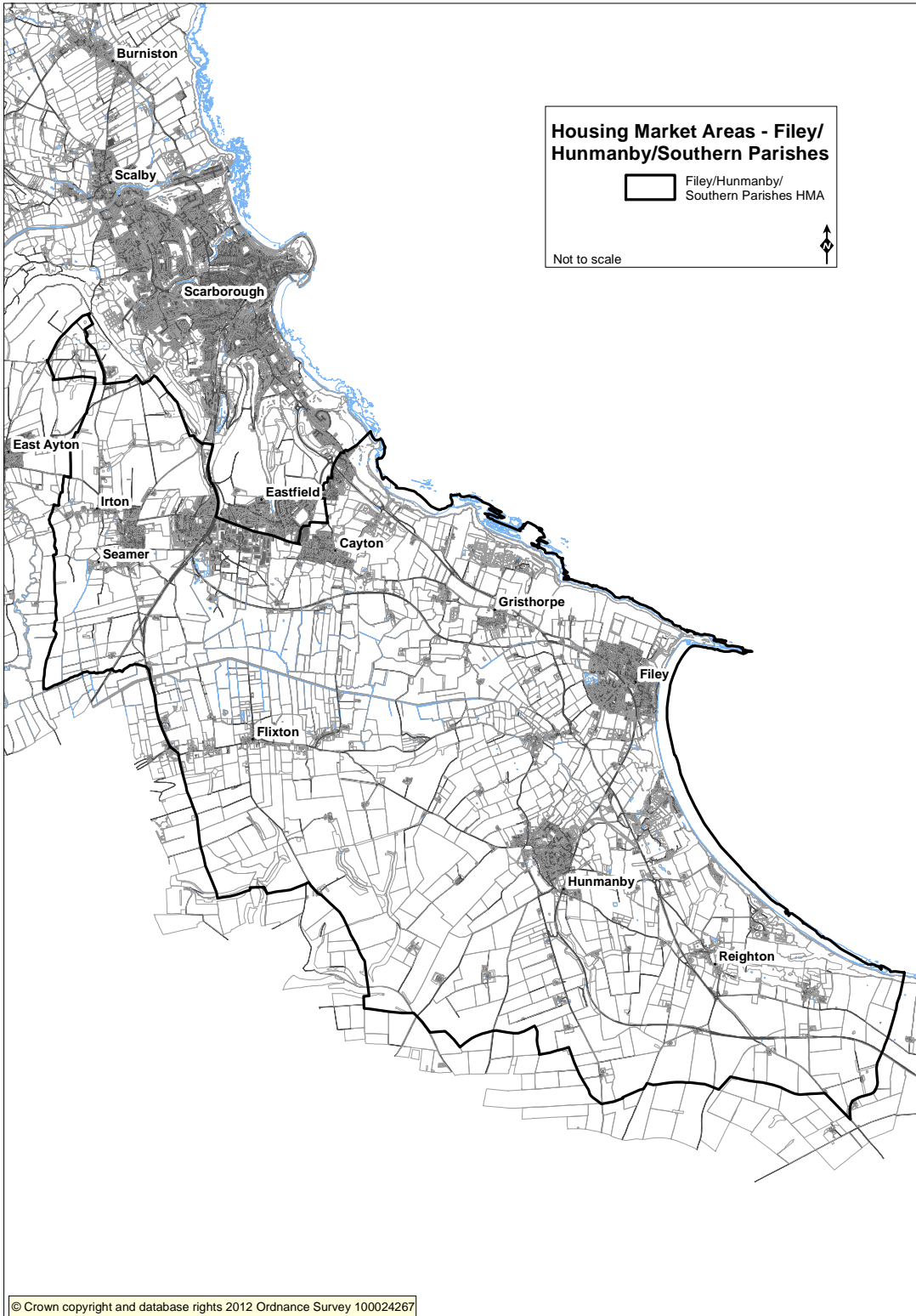
# 1 Maps Showing Extent of Housing Market Areas



**Map 4 Housing Market Areas - Scarborough**



# Maps Showing Extent of Housing Market Areas 1



**Map 5 Housing Market Areas - Filey/Hunmanby/Southern Parishes**

## 2 Information Requirements for Viability Appraisal

### Appendix 2 Information Requirements for Viability Appraisal

#### **Information Required For A Viability Assessment**

##### **Introduction**

The Viability Assessment comprises a conventional Residual Valuation, comparing the projected value of the completed development with the costs of its delivery to generate the value of the Residential Development land.

#### **The Following Information should be provided**

##### **A Scheme Overview**

A1.1 Total Site Area

A1.2 Non Developable Area

A1.3 Net Developable Area

A2 Dwellings

A2.1 Spreadsheet showing the total numbers of market housing and affordable housing indicating the tenure.

A2.2 Spreadsheet showing dwellings including type(detached/semi/terrace/flat/bungalow) and number of bedrooms including individual gross internal areas (in m2).

##### **B Development Value (GDV)**

B1.1 Market value of each open market house including £m2

B1.2 Transfer value of any rented product

B1.3 Sales values of Shared ownership units

B1.4 Sales values of discount for sale units

B1.5 Sales values of starter homes

##### **C Construction**

C1.1 Build costs per sqm including preliminaries (BCIS unless more detailed QS data is provided)

C1.2 External works including infrastructure (an appropriate percentage unless more detailed information is submitted)

C1.3 Abnormals (detailed breakdown of costs which would not be covered in build costs or externals such as demolition)

C1.4 Contingency (percentage of build costs)

## Information Requirements for Viability Appraisal 2

### **D Other Costs**

D1.1 Site acquisition costs – including agent fees, stamp duty and legal fees

D1.2 Professional fees (Percentage of GDV)

D1.3 Sales and marketing costs (Larger sites will have show homes and on-site staff, whilst smaller sites will use a local estate agent)

D1.4 Finance costs (cost of borrowing money to finance a scheme)

D1.5 S106 – details of any other S106 costs such as open space or education

### **E Profit and Overheads**

E.1 Assumption on profit levels. A developer can expect a reasonable level of profit to mitigate any risk and thereby secure funding. A more complex development may expect a higher level of return.

### **F Residual Land Value**

F1 When the total costs, including profits are taken from the gross development value, we are left with the amount a developer is able to pay for the land. If the amount is reasonable taking into account comparable values and amount of uplift on the existing land use then the scheme is considered viable.



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