

## **LONDON BOROUGH OF RICHMOND UPON THAMES**

**DATE:** April 2009

**REPORT OF:** COUNCILLOR MARTIN ELENGORN

**LEAD OFFICER:** Philip Wealthy, Head of Policy and Design

**SUBJECT:** Arrangements for reduced planning contributions to be paid by developers of 100% affordable housing schemes.

**WARDS:** All

**KEY DECISION?:** NO

**IF YES, IN FORWARD PLAN?:** -

### **For general release**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To agree the circumstances under which planning contributions for 100% affordable housing schemes might be reduced.

#### **EXECUTIVE SUMMARY**

- 1.2 This report sets out the proposed arrangements to be adopted for allowing the developers of 100% affordable housing schemes to pay reduced planning contributions under certain circumstances.

#### **2. RECOMMENDATIONS**

- 2.1 **That the Cabinet Member formally agrees the arrangements set out in appendix 1 attached**

#### **3. DETAIL**

##### **3.1 Introduction**

The Planning Obligations Strategy is based on standard charges to enable necessary infrastructure to provide key services to new residents or occupiers of business premises.

##### **3.2 The Policy Position**

The LDF Core Strategy now states (within the justification to CP 15)

" On sites where 100% affordable housing is being provided the Council will consider reducing or removing planning obligations if justified through a financial appraisal model or other evidence".

- 3.3 There is also provision for any development, for developers to argue for reduced contributions under certain circumstances, again with a viability assessment (para 7.2.5 on):-

“7.2.5 It is recognised by the Council and explained within the viability study, that there may be circumstances where affordable housing, other contributions or other requirements may make a particular scheme unviable for a developer. This might be due to additional costs, such as land decontamination or restoring a listed building, changes in social housing funding regimes or other factors. At present it is thought that such circumstances would be the exception not the rule.

7.2.6 Policies allow for exceptions to be made should this be the case; this will need to be demonstrated with an independent financial viability assessment, taking into account the following:

- Land value: existing use value via Red Book valuation
- Site / scheme size
- Density
- Construction costs
- Site difficulties / exceptional costs
- Developer profit (profit on cost ratio)
- Infrastructure requirements
- Local housing / affordable housing requirements
- Other policy requirements: renewables, planning obligations etc.
- Grant funding, if available
- Sales value

7.2.7 The open market value of any individual parcel of land must be used as a basis for the assessment in accordance with normal land valuation principles and no allowance will be made if a developer has paid in excess of this. The GLA's Three Dragons or a similar model should be used in presenting the viability of a scheme involving affordable housing. The Council can then assess the viability and weigh up the community benefits of the development taking place or not against the costs and impacts of reducing contributions or making other variations to policy to make the scheme viable. “

### **3.4 The Council's position**

1. All of the financial contributions required from any scheme are a payment for key services, for the new development from the time it is occupied, until government funding kicks in a few years later (eg for education, health etc).
2. The cost is normally met by the landowner, ie the land value takes account of the final site value, taking account of what can be built on the site including the costs of development including the contribution which would be expected. This is regardless of whether the development is for private or affordable housing or both. This is the open market value referred to above.
3. The level of payments required are formula based and adjustments are made due to location and whether the scheme is affordable housing or not (eg the required contribution is lower for education in an affordable housing scheme as the occupants probably already reside within the borough)

4. The next 12-18 months may be a unique opportunity to achieve affordable housing and the Council recognises the need to take an enabling role. The overall benefit of securing affordable housing needs to be weighed against the additional costs which will fall on the Council, if contributions are reduced.

### **3.5 The RSL/developers position**

1. Housing grant will not cover the cost of contributions, (however most of the additional cost is borne by the landowner)
2. Contributions should not be required on 100% affordable schemes if the land is donated at nil value (ie there would be no way of recouping the cost of the contributions through adjusting the land cost).
3. Problems with viability assessments
  - that current approach based on a viability assessment of each case leads to delays which potentially risks schemes not coming forward and may discourage affordable housing schemes;
  - that the time and cost of viability assessments may not be worthwhile if contributions are small;
4. Fairness of the level of contributions required - affordable family housing tends to be in low PTAL suburban areas and therefore have high transport contributions

### **3.6 The proposed approach**

This is set out in Appendix 1. The approach recognises the need for affordable housing and the difficulties faced by the developers of such housing, particularly in the present financial climate.

## **4. CONSULTATION**

- 4.1 To be added.

## **5 FINANCIAL IMPLICATIONS**

- 5.1 To be added.

## **6. POLICY IMPLICATIONS/CONSIDERATIONS**

- 6.1 The proposed approach is in line with the core Strategy as detailed in paras 3.2 and 3.3 above.

## **7. RISK ASSESSMENT**

To be added.

## **8. EQUALITY IMPACT/CONSIDERATIONS**

To be added

## **9. LEGAL IMPLICATIONS**

To be added.

**10. ENVIRONMENTAL STATEMENT**

*None.*

**11. BACKGROUND DOCUMENTS:**

LBRUT - Planning Obligations Strategy 2005

LBRUT - Local Development Framework Core Strategy 2009

**12. CONTACTS**

Philip Wealthy Head of Policy and Design 020 8891 7320

[p.wealthy@richmond.gov.uk](mailto:p.wealthy@richmond.gov.uk)