

ABERDEEN CITY COUNCIL

COMMITTEE	Enterprise, Planning & Infrastructure
DATE	21 May 2013
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Aberdeen Local Development Plan Policy on Affordable Housing Requirements for New Development
REPORT NUMBER:	EPI/13/093

1. PURPOSE OF REPORT

- 1.1. The Development Management Sub-Committee at its meeting on the 8th of November considered an application for 81 units at Friarsfield Road, Cults (this site will be developed to the extent of 280 units as per the Local Development Plan). The Sub-Committee discussed the affordable housing allocation for the site and the overall affordable housing policy.
- 1.2. The Sub-Committee approved the application and also made a number of further recommendations, one of which was “that a report be presented on the policy of 25% affordable housing provision and when it is appropriate for the planning authority to accept a commuted payment, and the calculation of that payment to maximise affordable housing provision in the city.” A commuted payment is a financial contribution made in lieu of providing affordable homes as a part of the housing development proposed.
- 1.3. A subsequent report (EPI/12/277 on 22 January 2013) set out the issues around affordable housing and commuted payments and sought agreement for officers to consult on proposals to amend the commuted payment and report back to this Committee with the results of this consultation with a proposed figure or method of calculation to be agreed.
- 1.4. This report makes recommendations for a new methodology for calculating commuted payments, but it is necessary to highlight to the Committee the impact of a new methodology prior to any external consultation.

2. RECOMMENDATION(S)

- 2.1. It is recommended that the Committee agree:

- 1) For officers in Planning and Sustainable Development to consult on the proposed amendment to the methodology for calculating commuted payments. Results of the consultation will be reported back to the 29th August Enterprise Planning and Infrastructure Committee.
- 2) To support, in principle, the allowance of a mix of on-site delivery and commuted payments to help deliver affordable housing on development sites.

3. FINANCIAL IMPLICATIONS

- 3.1. There are no direct financial implications resulting from this report, but following a review of the commuted payment the amount of money received when it has been agreed to accept commuted payments in lieu of affordable housing per unit will change.

4. OTHER IMPLICATIONS

- 4.1. There are no other implications resulting from this report.

5. BACKGROUND/MAIN ISSUES

- 5.1. The Aberdeen Local Development Plan contains a policy that requires new housing developments of 5 units or more to contribute no less than 25% of the total number of units as affordable housing. Further guidance on the provision of affordable housing from new development is available in Supplementary Guidance, available at: <http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=31814&SID=14394>. This is consistent with guidance set out in PAN 2/2010. The Supplementary Guidance details that for developments of 20 units or more the provision will be expected to be delivered on-site. This approach helps to deliver mixed communities, assist in the eradication of existing concentrations of deprivation and create more sustainable communities where there is a range of housing opportunities. This provides support for individuals and families and supports them as they age, as their household size changes and as their income increases or decreases. Another benefit is providing Registered Social Landlords (RSLs) with land or property to deliver affordable housing. At present RSLs do not hold extensive land banks in Aberdeen City and without land in the control of RSLs, there are limited sites where affordable housing can be delivered when funding is available.
- 5.2. Within the current Aberdeen Local Development Plan Policy there is an allowance for a commuted payment, but this should only be considered for smaller developments (less than 20 units). The currently methodology is to apply a standard payment of £25,000 per house, which is a figure consistent across the Aberdeen Housing Market Area (the Aberdeen Housing Market Area covers Aberdeen and the surrounding areas of Aberdeenshire). This standard figure is not reflective of the different land values across the City.

- 5.3. There are difficulties in the delivery of affordable housing on-site, as discussed in the previous report, related to the level and overall amount of funding available. With the difficulties in the delivery of housing on-site the simple £25,000 commuted payment is an easier way for a developer to meet the requirements of the policy and there is the incentive that, depending on the location, there could be significant gains in providing more private housing on-site instead of affordable housing. It should be noted, however, that in some instances there are benefits to a developer of providing on-site affordable housing, especially in the early phases as there will be a guaranteed buyer for a set number of units and this may help to finance some of the early infrastructure investment.

Proposed Methodology

- 5.4. Across Aberdeen there are significant differences in values of properties and there are therefore variations in the level of payment appropriate for different sites. This does not always simply correlate to the value of the housing in the area, as the land deal and other planning obligations will have an impact on level of payment that can be supported by a development.
- 5.5. Therefore, rather than set a single figure for the whole of the City it is proposed that a formula is used to calculate and then negotiate payments on a case by case basis. This is only appropriate when commuted payments are deemed an acceptable alternative to on-site provision. The payment will be linked to the increase in land value that would be generated by the substitution of affordable housing with private housing. **Appendix 1** provides more detail on the proposed methodology.
- 5.6. The proposed amended methodology for calculating commuted payments is not likely to be welcomed by housebuilders in Aberdeen. Although improved conditions in Aberdeen there remain difficulties in delivering housing in the present economy and there is likely to be concern from developers that an increase, or lack of certainty in the level of commuted payments, may place additional costs on development. The proposed methodology continues to focus on the delivery of affordable housing on-site, which is not a change from the existing policy, and when commuted payments are accepted it is to be based on negotiation at which point the viability of the development will be taken into consideration.

Implementation

- 5.7. The process for agreeing affordable housing contributions and any commuted payments would continue to be led by the Developer Obligations Team within the existing service level agreement. Once a methodology is agreed, training with Council officers and the

Developer Obligations Team will be organised to cover all the issues around the implementation of a new methodology.

- 5.8. The new methodology will only apply to planning applications validated after the date of implementation, and a notice period of 28 days prior to implementation will be given and published on the website. Between now and the date of implementation any advice on commuted payments will include notification of the proposal to change the methodology. With the introduction of a new policy there will always be a period of transition and there will be developments approved on the bases of the current policy and this can not be avoided.

Mix of On-Site and Commuted Payments

- 5.9. For sites larger than 20 units the current policy seeks the provision of 25% affordable units on-site. There are significant constraints in the delivery of affordable housing on a large scale due to restrictions on funding and there is a risk that for larger sites the affordable houses are not delivered and commuted payments made in lieu of the affordable housing. This could result in an opportunity missed to promote mixed communities and deliver affordable housing. To assist in the delivery of affordable housing on larger sites it is proposed that consideration through the planning process is given to a mix of affordable housing and commuted payments. The theory being that the money collected through commuted payments can be used to invest in the delivery of affordable housing on the site in question with little or no external funding required. In the circumstances that this is negotiated then this will be explicitly referenced in any committee report if Members agree to the principle.

6. IMPACT

- 6.1 This Report is focused on ways that we can maximise the delivery of affordable housing and sustainable mixed communities. This has a direct link to the high-level priority in the 5 Year Business Plan 2013/14 – 2017/18 to “improve access to affordable housing in both the social rented and private sectors, by supporting first time buyers, regenerating areas within the city and by working with developers to maximise the effective use of planning gain contributions.” This would also support priorities under Smarter Living to reduce levels of inequality and meet national targets on homelessness.
- 6.2 This report is seeking agreement to undertake further work and consultation and there is no impact on equalities and human rights resulting from this report.

7. BACKGROUND PAPERS

Supplementary Guidance: Affordable Housing:

<http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=31814&slD=14394>

8. REPORT AUTHOR DETAILS

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Appendix 1: Proposed Methodology

In calculating commuted payments the payment will be equivalent to the increase in the residual land value gained by substituting private housing for sale at the open market value in lieu of the affordable housing proposed. The use of commuted payments should be limited, but in the case that a commuted payment is acceptable it will be negotiated between the developer / land owner and the Council using this principle. The preferred method for agreeing payments will be to share the concluded missives in confidence to determine the gain in land value. Where concluded missives can not be shared the assumption will be that the area of land required for affordable housing will have nil value.

In calculating the commuted payment, and the starting point for negotiation, the following formula will be used.

a = the number of private development houses for sale, gained in lieu of the affordable housing proposed.

b = the mean (weighted average) current selling price for the mix of private development houses for sale gained in lieu of the affordable housing proposed.

0.33 = an estimate of the residual land value

$(a \times b) \times 0.33 = \text{Commuted Payment.}$