



# South Wiltshire Core Strategy

## Core Policy 3 Meeting local needs for affordable housing

Contributions guidance note for sites of 1-4 dwellings

September 2012

## 1.0 Introduction

1.1 The south Wiltshire Core Strategy and its supporting evidence base has been through various rounds of public consultation, 2 examination in public sessions and has received a binding Inspectors Report declaring the strategy as being 'sound'. The core strategy was adopted in February 2012 and is the council's current planning policy for south Wiltshire. Work on the Wiltshire Core Strategy is underway and has reached the submission stage. Once a sound Inspectors Report is received the policies contained within the Wiltshire Core Strategy will replace the south Wiltshire Core Strategy, including the policy on affordable housing.

1.2 The evidence to justify the Affordable Housing policy was from the Affordable Housing Economic Viability Study carried out by Adams Integra in 2009. This looked at the viability of what the affordable housing threshold should be in south Wiltshire, and looked at whether the policy would be viable. It concluded that at the time of writing in 2009 and at the subsequent EiP during 2010 and 2011 that the thresholds shown in the policy are reasonable and deliverable.

1.3 A south Wiltshire planning obligations SPD has now been overtaken by the emerging CIL charging schedule, which will assess what contributions should be sought across the whole of Wiltshire, and the affordable housing SPD. This work is ongoing and is running in parallel to the Wiltshire Core Strategy. In the interim, a basis for calculating the contributions is required and this guidance note sets out this process.

## 2.0 Core policy 3

This is the adopted affordable housing policy and it states:

### Core Policy 3 - Meeting Local Needs for Affordable Housing

The Council's target for affordable housing is that 250 of net additional dwellings per annum from the date of adoption of the Core Strategy to 2026 should be affordable. This will be achieved by:

- A target of 40% affordable housing (net) on sites of 15 dwellings or more.
- A target of 25% affordable housing (net) on sites of between 5 and 14 dwellings.
- All affordable housing required by this policy, of 5 dwellings or above will be delivered on the development site. Only in exceptional circumstances, where a developer can prove to the satisfaction of the Local Planning Authority that on-site delivery is not possible, will a commuted sum be considered. The tests for considering off-site contributions will be set out in the forthcoming Affordable Housing SPD.
- **On sites of 4 dwellings or less a financial contribution will be sought towards the provision of affordable housing.** The level will be set within the Planning Obligations SPD.
- Tenure will be negotiated on a site-by-site basis to reflect the nature of the development and local needs as set out in Core Policies 6, 10, 11, 14 and 16, the up to date Strategic Housing Market Assessment and other available evidence. Affordable housing size and type, including any distinction between flats and houses, will be expected to reflect that of the demonstrable need for the community within which a site is located
- The provision of affordable housing will be negotiated on a site-by-site basis taking into account the viability of the development, the mix of affordable housing proposed and the availability of any additional public subsidy. Preference is for the provision to be made without public subsidy but if this can be demonstrated not to be possible for reasons of viability then the Council will consider other delivery mechanisms including the use of public subsidy, or the transfer of land.
- Affordable housing units will be dispersed throughout a development so as to be indistinguishable from other development, designed to a higher quality and SBD compliant.

Parish and Town Councils and other parties will be encouraged to identify 100% affordable housing schemes, including on exceptions sites outside of settlement boundaries, if a local need has been identified where environmental considerations will not be compromised. Sites should be sensibly and sensitively located within easy access to employment and services.

2.1 The policy applies to all circumstances where additional new dwellings are created. This could be from a change of use, conversion or subdivision.

2.2 Below are some examples of situations where the policy will apply.

### **2.3 Change of use / conversions from commercial to residential use.**

An application to change the use of a pub to 2 dwellings, or offices into flats will be required to pay the contribution.

### **2.4 Subdividing**

Sub-division of a large house into more than one dwelling, eg, house into 2 flats. In this instance there is a net increase of 1 dwelling, therefore the contribution will be calculated on the basis of 1 dwelling being created.

### **2.5 Housing for rural workers.**

If the application fulfils the requirements of policy H27 of the adopted Salisbury District Local Plan then as these dwellings are restricted in their occupancy, this makes them limited to and therefore more affordable for this group. Therefore the contribution will not be required. However if there is a subsequent application to remove this restriction, to make the dwelling into an open market home, then the contribution will be chargeable at this point. This is also the case for historic applications that apply to lift the restriction.

### **2.6 Affordable housing**

Applications for affordable housing are exempt from paying the contribution.

### **2.7 Time extensions to planning permission.**

Any application for an extension to an existing permission will be subject to the planning policies in force at that time, therefore, if approved the contributions towards affordable housing will be required.

### **2.8 Amendments to existing planning permission.**

Where a scheme has been granted approval, and the applicant requires amendments, then contributions will not be required provided that the expiry date of the amended permission is the same as the original. If the applicant is seeking to extend the expiry of the permission, then in line with \* above, contributions will be required.

### **2.9 Outline Planning Permission.**

For outline consents, a condition will be included so that a scheme will be agreed at the reserved matters stage, and contributions will be payable at this point.

### **3.0 How the contribution is calculated.**

In all cases, the residual land value method will be used to calculate the land value, and subsequently the viability of the affordable housing contribution.

3.1 Contributions are calculated as follows:-

- a) Average open market value of each of the property types being built. See note 1
- b) Multiplied by 24.2% to represent the residual land value percentage. See note 2
- c) Add 15% of the result of a x b to reflect site acquisition and servicing costs. This gives the per unit sum.
- d) Apply to the relevant site number and proportion (in this case 20%). See note 3

**Note 1**

*The average values were originally obtained from the Affordable Housing Economic Viability Study carried out by Adams Integra in 2009. However, house prices have reduced since then by 7.7% (as per Land Registry House Price Index), and the average open market values have therefore been adjusted accordingly. The average open market values for South Wiltshire which have been used for the calculation of the affordable housing contributions are as follows:-*

1 bed flat	£136,143
2 bed flat	£182,431
2 bed house	£204,214
3 bed house	£231,442
4 bed house	£272,285

*It is acknowledged that there will be differences in average open market values across the different Community Areas in South Wiltshire. In the event that there is any dispute over an average value, the developer may submit an independent valuation to Wiltshire Council, and the contribution will be recalculated based on that evidence.*

**Note 2**

*This is to reflect the reduced value of the land due to the affordable housing requirement.*

**Note 3**

*For sites of 1-4 dwellings it is considered appropriate to provide a contribution which equates to 20% affordable housing provision.*

**3.2 Contributions Payable**

Using the methodology in 3.1 and the average open market values in 3.2, the contributions required per unit are:-

1 bed flat	£7,578
2 bed flat	£10,154
2 bed dwelling	£11,367
3 bed dwelling/flat	£12,882
4 bed dwelling	£15,155

**Example**

For a development of 1 x 4 bed house (net gain):-

Multiply the average open market value by the residual land value percentage (0.242), eg.  
4 bed house at £272,285\* x 0.242 = £65,892

Apply site acquisition and servicing costs (15%):  
£65,892 + 15% = £75,776

Multiply by percentage of affordable housing requirement, and no. of units  
£75,776 x 20% = £15,155 per unit x 1 = **£15,155**

\*unless a valuation for a revised figure is provided by the applicant

For ease of calculation, there is a calculator available to applicants to use to work out the contributions they will need to make which is available on request.

For further detail on the assumptions used, please refer to the Affordable Housing Economic Viability Study which can be found on Wiltshire Council's website, or from the following link:-

[http://www.wiltshire.gov.uk/salisbury\\_district\\_council\\_affordable\\_housing\\_economic\\_viability\\_study\\_january\\_2009.pdf](http://www.wiltshire.gov.uk/salisbury_district_council_affordable_housing_economic_viability_study_january_2009.pdf)

#### **4.0 Viability Issues**

4.1 The council can make its own viability toolkit available to developers, or alternatively the HCA toolkit can be used.

It can be found at <http://www.homesandcommunities.co.uk/ourwork/development-appraisal-tool>

4.2 Where developers argue that these requirements would render the development unviable, they will be required to provide details of development costs to the New Housing Team to verify the final cost of the development. They should provide details including:

- Gross development value (including an independent valuation where necessary)\*
- Any existing use value, or any purchase price already paid for the site
- Details of build costs/quotations
- Details of abnormal costs
- Level of interest assumed
- Any other S106 requirements
- Fees (including legal fees, architects etc)
- Level of profit/return assumed. The Council will accept as the developer's need to make a reasonable rate of return.

\*The costs of an independent valuation must be met by the developer

4.3 In cases where viability is claimed as an issue but detailed information is not supplied, it is likely that the Council will have no choice other than to refuse the application, as the application will not comply with the Core Strategy Policy.

#### **5.0 Contacts**

For further information please contact

Spatial Planning (South) on 01722 434390 or

New Housing team (South) on 01722 434463