

Affordable Housing Supplementary Planning Document

Draft Consultation Document June 2012

Blackpool Council



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Affordable Housing Supplementary Planning Document

Introduction

This Supplementary Planning Document

- Provides guidance on the requirements for affordable housing in new housing developments (including conversions) in Blackpool;
- Explains why affordable housing is needed and how it should be delivered;
- Expands on saved policies in the current Blackpool Local Plan (Adopted 2006) and proposed policies in the emerging Core Strategy which will eventually replace the current Local Plan.

Definition of affordable housing

Affordable housing includes social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision¹.

The four main types of affordable housing are:

- Social rented provision where the rents are set through the national rent regime;
- Affordable rented provision where rents are set at up to 80% of the local market rent;
- Intermediate affordable rented provision where the rents are higher than those of social rents but still below market rents;
- Intermediate affordable home ownership options where properties are made available for sale at less than market price.

The need for affordable housing in Blackpool

Blackpool has a unique and extreme set of housing challenges rooted in the town's changing fortunes as the UK's largest seaside holiday resort. Three decades of decline in the tourism economy and in particular overnight visitors to the resort has resulted in a significant number of guest houses seeking alternative income through converting and sub-dividing their properties to permanent residential use.

In the inner areas of Blackpool, the result of this is an extremely unsustainable and unbalanced housing market. Housing choice in large parts of these areas is dominated by the private rented sector, with a significant oversupply of small, poor-quality bedsits and flats or Houses in Multiple Occupancy (HMO). Despite being affordable, this accommodation is unsuitable for families and undesirable for anyone who can afford to choose better. Over half of the private rented accommodation is occupied by people on housing benefit². The attractiveness of Blackpool as a destination for low income and vulnerable households creates a steady demand for this type of accommodation, which has a negative effect on forming stable and cohesive communities.

The poor physical condition and management of much of the private rented stock is a major factor contributing to Blackpool's acute levels of highly concentrated deprivation. The 2010 Indices of Multiple Deprivation ranked Blackpool as the 6th most deprived local authority area in the country; and almost one third of the town is now amongst the 10% most deprived areas nationally.

Blackpool's social rented stock is similarly dominated by small flat accommodation, with one-bed units accounting for nearly three-quarters of re-let stock.

1 As defined in the National Planning Policy Framework (March 2012)

2 The figure for people living in private rented accommodation on housing benefit is 63% across Blackpool, which compares with 20% nationally (Fylde Coast Housing Strategy 2009)

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Outside of Blackpool's inner areas, the housing stock is often more attractive. However, buying or renting an appropriate home is out of the reach of a substantial minority of Blackpool households who aspire to a better standard of living due to low average incomes. The effect of house prices almost doubling between 2002 and 2007 led to median house prices rising to between four and five times median household income. Recent downturns in the economic climate and in house prices have failed to significantly change this situation and have instead been coupled with a more cautious approach to lending and reduced availability of mortgage finance. Consequently, affordability remains a significant problem for many households.

Given the focus of Blackpool's existing supply on small, flat accommodation and the gap between median incomes and house prices, there is a major challenge to meet the growing housing needs of the local population. There is significant demand for a choice of quality affordable housing particularly for family occupation, which is available for both affordable sale and rent across Blackpool.



Above: Affordable housing units on Portree Road, Blackpool completed in January 2011.

Further Information

Further detail on the need for affordable housing provision can be found in the following documents:

- Blackpool Housing Needs Assessment (2004)
Used as evidence to support the current Blackpool Local Plan (2006). Identified an overall shortfall of affordable housing in Blackpool and a significant need for intermediate housing options, recommending a split provision of 50% social rented and 50% intermediate tenure. Concluded that the overall target for affordable housing provision in Blackpool should be 30%.
- Fylde Coast Strategic Housing Market Assessment (SHMA) (2008)
Identified a minimum requirement of 190 additional social rented homes per year at the time (against an overall target of 444 additional homes per year). Being updated later in 2012. These requirements are likely to reduce because of lower recent household growth projections (Core Strategy Revised Preferred Option) but it is unlikely that such high numbers of new affordable homes can be delivered. Provides evidence on the growing gap between local incomes, house prices and market rents, a significant need for intermediate affordable housing, and the priority for 2 and 3 bedroom (i.e. family) dwellings. Also supports the 30% affordable housing provision in Blackpool.

Both assessments confirm an affordable housing requirement in Blackpool and support the need for a tailored approach which takes into account specific site circumstances across the Borough and the context of the wider housing market.

These are available to view at: www.blackpool.gov.uk/services/a-f/fyldecoasthousingstrategy

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Policy

The policy framework

SPDs form part of the statutory Local Plan, supporting and amplifying local plan policies. They are a material consideration when assessing planning applications.

This Affordable Housing SPD supports and expands on the following key local plan policies:

Blackpool Local Plan 2001-2016 (2006)

- *Saved Policy HN8: Affordable and Specialist Needs Housing.* New housing developments on sites greater than 0.5 hectares or of more than 15 dwellings are required to provide a minimum level of 30% affordable housing (on-site or off-site).

Blackpool Core Strategy 2012-2027 (being prepared)

- *Draft Policy CS13: Affordable Housing (Revised Preferred Option May 2012).* New housing developments including conversions creating a net increase of 3 dwellings or more must make an affordable housing contribution. Larger developments (15 dwellings or more or on sites of 0.5 hectares or more) are required to provide a minimum level of 30% affordable housing on-site unless off-site provision or a financial contribution in lieu of on-site provision would be accepted. Smaller developments (3-14 dwellings) are required to make a financial contribution.

It is proposed that draft Policy CS13 of the Core Strategy will replace saved Policy HN8 of the current Local Plan (2006). Once the Core Strategy is adopted¹ the SPD will be reviewed and revised if necessary to ensure consistency with the adopted policies.

The SPD is consistent with the National Planning Policy Framework (March 2012), the North West Regional Spatial Strategy (NWRSS)² and saved policies HN5: Conversions and Sub-divisions and HN6: Housing Mix of the current Local Plan. Further details of these policies can be found in Appendix 1.

¹ Expected Late 2013.

² Expected to be revoked shortly pending the outcome of environmental assessment.

Key Aims

The Council's aim is to ensure there is an adequate supply of good quality affordable housing across the Borough, with a choice of size, type and tenure that appeals to family occupation in particular, to create attractive, sustainable, mixed-income communities and to support Blackpool's regeneration.

Consequently, the objectives for affordable housing provision will be:

- Affordable home ownership options within the inner areas, with limited scope for the provision of social and affordable rented housing until a more balanced housing market is achieved;
- The development of more family homes within the inner areas which will attract and retain economically active households and provide choice throughout their housing life-cycles;
- A mix of social rented and either affordable home ownership or affordable rented options elsewhere in the Borough to support an appropriate balance of tenure types;
- To promote new products which provide access to home ownership e.g. shared equity and other shared ownership options and the inclusion of both new and refurbished housing in these offers;
- To provide options which help people make the step from social and affordable rented housing to home ownership.

Affordable housing requirements will be determined based on the latest available information relating to housing need and housing characteristics of the area. This will ensure that affordable housing provision always makes a positive contribution towards the provision of more balanced and healthy communities.

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Procedure

Consultation and Public Involvement

This Draft SPD is subject to a six week consultation and the Council are inviting you to comment on any aspect of the document.

Comments received will help to inform preparation of the SPD and will be published in a separate Consultation Report when the SPD is adopted.

Sustainability Appraisal

The environmental effects of affordable housing provision have been formally assessed in the context of higher level planning documents. Saved Policy HN8 and draft Policy CS13 were included in the respective Sustainability Appraisals for the current Blackpool Local Plan and emerging Core Strategy.

A separate Sustainability Appraisal for this SPD is therefore not required.

Habitats Regulation Assessment

A Habitats Regulation Assessment (HRA) was produced for policies in the emerging Core Strategy, including draft Policy CS13, and therefore a separate HRA is not required for this SPD.

Further Information

Policy

National Planning Policy
www.communities.gov.uk/planningandbuilding/

Northwest Regional Spatial Strategy
www.4nw.org.uk

Blackpool Local Plan
www.blackpool.gov.uk/localplandocument

Blackpool Core Strategy
www.blackpool.gov.uk/corestrategy

Procedure

Consultation
www.blackpool.gov.uk/affordablehousingspd

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Key Principles

Level of contribution

1. A contribution towards affordable housing provision will be required from all developments (new-build and conversion schemes) creating a net increase of 3 dwellings or more.
2. Where an affordable housing contribution is required this should be provided as follows:
 - Developments comprising 15 dwellings or more, or on sites of 0.5 hectares or more, must include on-site affordable housing equivalent to a minimum provision of 30% of the total number of dwellings. Off-site provision or financial contributions towards the provision of affordable housing will be acceptable in lieu of on-site provision at the Council's discretion;
 - Developments comprising 3-14 dwellings, or on sites of less than 0.5 hectares, will require a financial contribution towards the provision of off-site affordable housing equivalent to 5% of the open market value of the dwellings.

Ensuring affordability

3. All proposals for affordable housing provision must demonstrate long-term affordability.

Tenure mix

4. Affordable housing tenure mix requirements vary across the Borough:
 - Defined inner areas - generally intermediate affordable housing for sale;
 - Elsewhere – generally a split of 80% social rented provision and 20% intermediate affordable provision available for either sale or rent.

Dwelling size and type

5. A mix of 2, 3 and 4 bed family homes will generally be expected. Flats and single-bedroom properties will only be acceptable in exceptional circumstances where the applicant can demonstrate specific need.

Specialist accommodation

6. Specialist needs housing must include affordable housing provision equivalent to 30% of the total number of dwellings.

Design and Phasing

7. It should not be possible to distinguish affordable housing from market housing on the basis of its appearance or positioning. In phased developments affordable housing provision should be delivered at the same time as market housing.

Application process

8. The Council will expect developers to engage in pre-application discussions to establish the specific affordable housing requirements for each site. Issues relating to economic viability and abnormal development costs should be raised at this stage.

Applications for schemes which include affordable housing provision should be accompanied by an Affordable Housing Statement. Where the affordable housing proposed is not in line with the SPD requirements, full and open viability appraisals and financial statements must be submitted.

The Council will secure affordable housing provision by requiring developers to enter into a Section 106 legal agreement.

These 8 key principles are explained in greater detail in the remaining document.

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Above: Affordable housing units at Saw Mills (Selbourne Road), Blackpool completed in March 2011.

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Affordable Housing Requirements

Level of Contribution

All new-build housing developments and residential conversion schemes creating a net increase of 3 dwellings or more will be required to make a contribution to increase Blackpool's supply of affordable housing.

Saved Policy HN8 of the current Blackpool Local Plan requires affordable housing provision equivalent to 30%¹ of the total number of dwellings on sites greater than 0.5 hectares or developments of more than 15 dwellings (including conversions).

To align with the National Planning Policy Framework and the Council's most recent housing assessments, draft Policy CS13 of the Core Strategy requires provision equivalent to a minimum of 30% of the total number of dwellings on sites of 0.5 hectares or more or comprising developments of 15 dwellings or more (including conversions).

In Blackpool a substantial proportion of new housing (nearly two-thirds) is developed on sites or as part of schemes which do not meet the 15 dwellings threshold², compromising the delivery of sufficient affordable housing to meet identified need. Therefore, draft Policy CS13 requires housing developments (including conversions) comprising 3-14 dwellings or on sites less than 0.5 hectares to make affordable housing contributions equating to 5% of the open market value of each dwelling created³.

Where it is proposed to convert a guest house into residential use and there is existing residential accommodation for the guest house owner(s), this will be deducted from the total number of dwellings being created when calculating the net increase. The Ash Sakula design study (2010) showed that a typical guest house conversion would create 3 dwellings or

less when applying the New Homes from Old Places SPD. In which case, a typical conversion should not trigger an affordable housing contribution when taking the owner(s) accommodation into account, as the net increase would be less than 3.

In calculating affordable housing numbers, the Council will round provision to the nearest whole number.

To avoid site areas being subdivided or otherwise reduced below the threshold size, the affordable housing requirements will apply to the composite or naturally defined largest developable area available, regardless of ownership or development phasing.

The Council will seek to ensure that affordable housing is provided on site where possible. However, there are some instances when off-site provision or a financial contribution in lieu of on-site provision would be preferable:

- where the application site is less accessible and has poor public transport links; or
- where off-site provision is a more effective way of delivering affordable housing to support Blackpool's regeneration. For example, where the surrounding area is dominated by social/affordable housing and so providing 100% market housing on-site would result in a better balance of housing tenure, or where the nature of the development would be inappropriate for on-site affordable housing provision (such as a flat development in the inner area, where affordable housing in the form of flats would be less desirable than family houses).

Developers are advised to approach the Council at the earliest opportunity to ascertain whether on- or off-site provision would best meet Blackpool's affordable housing and regeneration needs. No matter what mode of delivery, the level of affordable housing provision will be expected to equate to 30% of the overall development.

Details on calculating financial contributions are provided on page 12.

1 30% is based on the findings of the Housing Needs Study (2004) and the Fylde Coast SHMA (2008).

2 Blackpool Strategic Housing Land Availability Assessment (2011).

3 Supported by the SHMA (2008), which recommends a contribution towards affordable housing should be sought on all sites, regardless of size, to ensure equity.

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Ensuring Affordability

Affordable housing options available for sale must offer a genuine alternative purchase option for those who could not otherwise access the housing market, and must be genuinely affordable to households in the long term.

In determining whether proposed provision will be truly affordable, the Council will have regard to local incomes and house prices, and will ensure that initial rents and other charges are set at an agreed rate, and that on-going rents and charges are index linked. Proposals will need to demonstrate that effective arrangements are in place for sale and on-going management.

In order to ensure that affordable housing remains affordable to successive occupiers, the Council will ensure that 'staircasing' or sale receipts are recycled through one or more of the following mechanisms:

- legal agreements with developers;
- the Recycled Capital Grants Fund (applicable to RSLs).

The affordability of provision will be tested in relation to the Borough's median household income, which will be translated into a borrowing capacity based on maximum income multiples. The Government recommends that these be 3.5 times for a single-earner household and 2.9 times for a joint-earner household. The resulting borrowing capacity will be taken to equate to the affordable sale price range for that year.

Example: based on 2012 figures¹:

Median income = £22-£23,000

Single-earner household could borrow £23,000 x 3.5 = £80,500

Joint-income household could borrow £23,000 x 2.9 = £66,700

Affordable sale price range = £66,000 to £80,000.

Smaller properties would be expected to be made available for affordable sale at the lower end of the affordable sale price range, with larger properties at the higher end. Where a housing need and potential sales market can be demonstrated, it may be acceptable for very large properties to be sold above this range.

The Homes and Communities Agency has devised an affordability calculator which is available to download from its website².

Grant Funding

Where public subsidy is used to deliver affordable housing as part of a residential development (such as Homes and Communities Agency grant funding), 'additionality' in respect of the affordable housing provision must be demonstrated. This 'additionality' may take the form of:

- delivery of a greater number of affordable homes than would have been possible without a grant;
- delivery of affordable homes at a lower price to the purchasers (i.e. more affordable) than would have been possible without a grant.



Above: Affordable housing units on Talbot Road, Blackpool completed in November 2010.

1 Source: Lancashire County Council (May 2012)

2 <http://cfg.homesandcommunities.co.uk/affordability-calculator-and-guidance>

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Acceptable Tenure and Tenure Mix

The appropriate tenure, size and type of affordable housing provision on individual sites will be dependent on the regeneration priorities and housing needs of that particular area, and could include specialist supported housing if necessary.

Site specific requirements will be determined by:

- population needs¹
- site location within the Borough
- existing local context in terms of house types and sizes
- existing local tenure balance
- Blackpool's wider housing development programme
- specific economic viability considerations for individual sites (see page 14)

Social Rented

The Council will support social rented accommodation in appropriate locations. Social rented homes are generally owned by housing associations and local authorities and social rent levels are set through the national target rent regime. Social rented accommodation is the affordable housing tenure with the lowest costs for residents.

The majority of households who need affordable housing in Blackpool have very low incomes and cannot afford other affordable housing tenures without further financial assistance. Social rented housing directly addresses Blackpool's needs as set out in the Fylde Coast SHMA.

Intermediate Affordable Housing

(a) For Sale: The Council will support intermediate affordable housing for sale in appropriate locations. Home ownership options include:

- **Shared equity** where a conventional mortgage is complemented by a low cost loan, such as an equity loan arrangement, where the provider

will take an equal share of equity growth. There may be no charge or a low charge on the equity loan and restrictions to limit resale to eligible applicants. There are a number of existing shared equity products including Open Market HomeBuy, HomeBuy Direct and FirstBuy.

- **Shared ownership** (also known as New Build HomeBuy) where the purchaser buys an initial share (minimum 25%) in a home, usually provided by a Registered Provider (housing association or developer registered with the Homes and Communities Agency). The Registered Provider retains the remainder of the property and may charge a rent. The purchaser may buy additional shares ('staircasing') and in most cases the purchaser may buy the final share ('staircase out') and own the whole home.
- **Rent to Homebuy** where the purchaser rents a property for a maximum of 5 years prior to purchasing on a shared ownership basis.
- **Other** similar products may be considered as long as they comply with the definition of affordable housing provided in this SPD (page 2).

(b) For Rent: The Council will only support intermediate affordable housing for rent in appropriate locations where it would not be viable to deliver social rented accommodation or intermediate affordable housing for sale. Intermediate affordable rent levels are higher than social rent levels but lower than market rents.

Affordable Rented Housing

This is affordable housing that is not controlled by the national target rent regime, but can be let at rents no higher than 80% of the local market rent. The Council will only support the provision of affordable rented housing in appropriate locations where it would not be viable to deliver social rented accommodation or intermediate affordable housing for sale.

To meet Blackpool's needs, the required affordable housing tenure mix can be split geographically as follows:

¹ Detailed in the Housing Needs Assessment 2004, the Fylde Coast SHMA 2008 and annual reviews.

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Inner Areas

The general requirement is for intermediate affordable housing provision for sale to encourage home ownership and create more balanced and healthy communities. Social rented provision will only be accepted where it is required to replace existing poor quality stock. The inner areas are defined on the Blackpool Local Plan Proposals Map (<http://maps.blackpool.gov.uk>) and are largely dominated by the private rented sector.

Elsewhere

The general requirement is for a mix of 80% social rented and 20% intermediate affordable housing for sale or rent. This reflects the need for a range of affordable housing opportunities on sites across Blackpool, but also the unmet need for social rented provision and for this provision to be concentrated outside the inner areas to help rebalance the housing offer across the Borough. The detailed mix for each site will be determined in relation to the specific needs and context of the local area.

Dwelling Size and Type

The existing social rented stock in Blackpool is dominated by one-bedroom flats which account for 73% of all re-lets¹. The private rented sector is also known to be dominated by smaller units, particularly flats.

Half of all identified households in need of housing within Blackpool require two or more bedrooms, and yet this kind of housing accounts for only 27% of re-let stock.

There is therefore an overwhelming need for family housing for both social rent and intermediate affordable sale. Consequently, a mix of 2, 3 and 4 bedroom houses will be sought, with flats or one-bedroom accommodation only acceptable in exceptional circumstances where a specific local need can be demonstrated.

Specialist Accommodation

If a housing development comes forward for market housing which is designed to meet the specific needs of elderly people, disabled people, or others with special housing needs, the Council will require 30% of this provision to be affordable in accordance with the definition provided in this SPD (page 2).

The affordable provision will be expected to meet the Council's tenure mix requirements.

Particular attention will be paid to service and other charges to ensure that the accommodation is affordable and will remain so.

Design

The Council expects a high standard of design and residential amenity in all housing developments. Housing developments which include on-site affordable provision will be expected to be 'tenure-blind', in that it should not be possible to deduce the tenure of a property from its design, quality, size, location within a site, time of construction, or difference in access to services and amenities.

Affordable housing units should therefore be of a similar size and quality to open market housing and should appear as part of the overall development.

Phasing

Developers often wish to phase the delivery of housing on larger sites. Where this is the case, the Council will expect the provision of affordable housing to be phased in parallel with the delivery of market housing, and completed before the completion of the market housing. This will not only ensure that affordable housing is provided in a timely manner, but that it is also truly integrated into the overall scheme (often known as 'pepper-potting').

1 Fylde Coast SHMA 2008

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Securing Contributions

Affordable housing provision, or a contribution towards provision, will be secured through a legal agreement in accordance with Section 106 of the Town and Country Planning Act 1990 (as amended by section 12 of the Planning and Compensation Act 1991). This is commonly known as a Section 106 Agreement entered into by the developer and the Council. There is a charge, payable by the developer, for drafting and sealing such agreements.

Section 106 agreements will stipulate the type of affordable housing to be provided and the way in which it will be delivered. It will also include provisions to ensure the housing remains affordable in perpetuity. For financial contributions, such agreements set out the amount to be paid and when.

Calculating Financial Contributions

The costs of affordable housing schemes will be based on the agreed sale price of the dwellings (net of sales costs) on the open market. Commuted sum contributions will be based on the difference between this price and the amount an Affordable Housing Provider¹ in Blackpool is prepared to pay for the

purchase of the dwellings as affordable houses, for both social rent and intermediate sale. The Council will discuss these figures with applicants to ensure transparency in approach.

Financial contributions must provide sufficient funds to enable the equivalent value of on-site affordable housing to be provided off-site. Where there is no provision on site, the payments must reflect the fact that 100% of the on-site development will be market housing (compared to 70% when affordable housing is provided on-site).

Thus, for every 7 dwellings on site, commuted sum contributions must provide for 3 dwellings off-site. These figures will be adjusted to take any on-site provision into account.

Table 1 shows how commuted sum contributions would be calculated for different sites based on the formula:

$$\begin{array}{rcccl}
 & \text{A} & - & \text{B} & = & \text{C} \\
 \text{Open market} & & & \text{Price paid by} & & \text{Developer} \\
 \text{sale value net} & & & \text{an affordable} & & \text{contribution} \\
 \text{of sales costs} & & & \text{housing provider} & &
 \end{array}$$

Table 1: Calculation of Developer Contributions

| House Type | Dwelling Size (square metre) | Market Value of Dwelling (A) | Price paid by affordable housing provider (B) | | Developer Contribution (C) |
|-------------|------------------------------|------------------------------|---|-------------------|----------------------------|
| | | | Social Rented | Intermediate Sale | |
| 1 bed flat | | | | | |
| 2 bed flat | | | | | |
| 2 bed house | | | | | |
| 3 bed house | | | | | |
| 4 bed house | | | | | |

¹ Normally a Housing Association registered with the Tenants' Services Authority or the Council. It may also be, by Council agreement, other commercial developers who agree to provide and manage/sell affordable homes in accordance with the regulatory and financial requirements of the Tenants' Services Authority and the Homes and Communities Agency.

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Application Process

Pre-Application Discussions

Due to the diverse range of potential housing sites and the variations in housing need across the Borough, no two sites will have the same affordable housing requirements. Consequently, developers are strongly advised to approach the Council prior to submitting formal proposals for residential developments. This will allow the specific circumstances of every site to be taken into account at an early stage and may avoid abortive work and expense. Developers are advised that a charging structure applies to pre-application discussions.

To give developers more confidence in preparing proposals and the Council more confidence in assessing proposals, it is recommended that applicants work with an Affordable Housing Provider who has detailed knowledge and experience of Blackpool. A list of our main partners and their contact details is available on the Council website: www.blackpool.gov.uk

The Council will expect any concerns relating to the economic viability of affordable housing provision to be raised at pre-application stage. Where a developer believes that abnormal costs justify a more flexible application of affordable housing requirements, this must also be demonstrated at pre-application stage.

Submitting a Planning Application

The Council will expect all applications for housing developments which would be subject to an affordable housing requirement to be accompanied by an Affordable Housing Statement. This statement should set out the level of affordable housing or the financial contributions proposed, and explain how the developer proposes delivery. Where appropriate, either a draft Section 106 Agreement or a suggested Heads of Terms should be included to ensure transparency and enable a fully informed assessment of the scheme.

Where on-site affordable housing is proposed, the Council will expect to see this provision fully worked up as part of the submitted scheme. The Council will not be prepared to agree details of on-site affordable housing provision through condition where comparable details of proposed market housing, such as appearance or internal layout, have already been submitted as part of the application.

Where a developer proposes a level of affordable housing provision which is not in line with the requirements of this document, full and open viability appraisals and financial statements should be submitted.

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Key Questions

Is affordable housing provision viable in Blackpool?

As required by the National Planning Policy Framework, the Council has made an informed assessment of the economic viability of the targets and thresholds set out in this document, to ensure that the requirements do not have a significantly detrimental impact on the overall delivery of new housing in Blackpool.

Specialist valuation consultants have undertaken detailed research and evaluated the costs and revenues that a developer would ordinarily consider when financially appraising a development scheme. The model used takes a developer's target return and produces a residual land value that takes into account the requirements for different levels of affordable housing provision. These appraisals have been run assuming a developer's profit margin of 15% and 20% gross development value. Other considered costs include the payment of other planning contributions (such as for education or transport provision). In order for a development to be considered viable, it must support a residual land value which is sufficiently above the existing or alternative use value of the land to support purchase of the land at a price acceptable to the owner.

The assessment was based on 'normal market conditions'. Given the recent instabilities in the housing market, the assessment was based on the costs and values that prevailed in spring 2006. This period was the most stable for the residential property market in Blackpool in recent times in terms of sales volumes, average house prices, and construction costs. It was also supported by relative stability in the financial markets.

The assessment was based on sites of different sizes in a variety of locations across the Borough, using developments characteristic of these locations. Where possible, real schemes with planning permission were considered. To ensure a true test, affordable housing requirements of 30%, 15% and 0% were applied, and

different mixes of social rented and intermediate sale housing evaluated.

The results of the viability assessment demonstrate the affordable housing requirements in this document should be achievable. It is recognised that requiring developers to provide non-market housing or pay a financial contribution will result in a cost. However, the Council will expect developers to take affordable housing requirements into consideration and offset these costs by negotiating realistic land values with site owners.

What if I encounter abnormal development costs?

The Council recognises there may be circumstances which affect the feasibility of delivering affordable housing in line with this document on some sites. In these circumstances, negotiations will proceed on the assumption that the application site has been acquired at a price that reflects all known development costs. Only costs that can be proven to have been unforeseeable at the time of site acquisition will be taken into account.

Known costs include site demolition, preparation, retaining wall provision, infrastructure provision/diversion, piling, servicing, highway works, flood mitigation measures and decontamination. They also include other documented planning related financial contributions such as education, community facilities, public open space and sustainable travel. The onus is on the developer to negotiate a reasonable site acquisition price to off-set these requirements.

The onus will be on the applicant to demonstrate abnormal development costs through detailed and 'open book' financial assessments, and show that these additional costs:

- cannot be off-set by depreciated land value;
- were not known prior to purchase; and
- cannot be recouped in the open market sale price of the new homes.

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Financial statements will be treated in confidence but may be referred to property and financial consultants where there is a disagreement on appraisals. Where abnormal development costs can be demonstrated, a revised affordable housing target may be agreed.

What happens if the Open Market Value is disputed?

Where the applicant is not able to agree an open market value with the Council, or where the property is not sold on the open market, the necessary financial contribution will be based on a valuation by the Valuation Office (to be paid for by the developer).

What will financial contributions be used for?

All financial contributions will be held in an Affordable Housing Fund, which will be used for capital funding of affordable housing schemes within Blackpool. Revenue in the form of interest accrued on the Affordable Housing Fund will be used to fund additional affordable housing schemes within Blackpool, but may also be used to fund new research that will help inform the Council's approach to future affordable housing provision and independent assessments of costs and values that would help deliver affordable housing.

Where appropriate, financial contributions may be used to bring empty stock back into use as affordable housing, or to enable the continued use of existing stock as affordable housing. All Council driven affordable housing schemes will meet the aims of the Fylde Coast Housing Strategy and be in accordance with Blackpool's regeneration programme, this guidance and the National Planning Policy Framework.

When will financial contributions have to be paid?

Payment of financial contributions will normally be phased, with 80% to be paid on or before the commencement of development and the remaining 20% paid within 56 days of initial occupation.

What mechanisms are in place for monitoring and review?

The Council recognises that its approach to affordable housing provision will need regular updates to reflect changing market conditions and housing needs.

Particular attention will be paid to:

- Changes in house prices: the relationship between house prices and household incomes has a major impact on the extent to which households can access the open housing market. Changes in this relationship will dictate future requirements for affordable housing provision;
- Changes in household incomes: see above, changes in household incomes will dictate future target price ranges for affordable homes for sale;
- Wider regeneration priorities for the Council in particular progress towards current goals of creating more balanced and healthy communities within the inner areas;
- Trends in the demand for affordable housing, taking into account the availability of social housing re-lets, the effectiveness of different affordable home-ownership products, and the experience of affordable housing providers;
- Updates/reviews of housing needs assessments.

Progress of the affordable housing policy will be monitored by the number of affordable dwellings delivered through the planning system and reported in the Council's Annual Monitoring Report.

Affordable Housing

Supplementary Planning Document

Glossary

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| Affordability | The terms 'affordability' and 'affordable housing' have different meanings. 'Affordability' is a measure of whether housing may be afforded by certain households. 'Affordable housing' refers to particular products outside of the main housing market. |
| Affordable Housing | Housing provided with subsidy for people who are unable to resolve their housing requirements in the local housing market because of the relationship between housing costs and incomes. |
| Affordable Rent | A new form of affordable housing introduced in the June 2011 revision of PPS3 and defined as rented housing that is provided by a Registered Provider at no more than 80% of market rents. |
| Annual Monitoring Report (AMR) | A report prepared annually by the Council to monitor how effectively its planning policies are being implemented and the progress made with the project plan detailed in the Local Development Scheme. The AMR forms part of the statutory Local Plan. |
| Commuted Sum | A financial contribution paid by a developer to a local authority to provide a service or facility in connection with a development. This contribution takes away the developer's responsibility to provide the facility directly. |
| Core Strategy | The key Development Plan Document which sets out the long-term strategic priorities for the area and forms part of the statutory Local Plan. |
| Intermediate Affordable Housing | Housing at prices or rents which are above those of social rent but below market prices or rents. Intermediate affordable home ownership options provide homes for intermediate affordable sale at prices below market prices. Intermediate affordable rent properties are offered for rent at a cost which is higher than social rent and lower than market rent. |
| Local Plan | A spatial development plan produced by each local planning authority, made up of a folder of documents to guide and monitor development within that area. The Local Plan consists of Development Plan Documents (for example a Core Strategy DPD), Supplementary Planning Documents, a Statement of Community Involvement, Local Development Scheme (a plan setting out a timetable for producing Local Plan documents) and Annual Monitoring Report. |
| Market Housing | Private housing for sale or rent where the price is not controlled and is set in the open market. |
| National Planning Policy Framework | National policies on different aspects of planning produced by Central Government to inform local plan policy. The National Planning Policy Framework was introduced in March 2012 to replace existing Planning Policy Statements and Guidance Notes. |
| Open Market Value | The amount for which the developer will sell the property on the open market. |

Affordable Housing Supplementary Planning Document

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| Pepper-potting | The spread of affordable housing throughout a development so that such provision is intermixed with private housing rather than clustered in small groups. |
| Perpetuity | The requirement that affordable housing should remain within the pool of affordable housing stock for the foreseeable lifetime of the dwelling. |
| Regional Spatial Strategy (RSS) | A regional spatial plan prepared by the regional planning body setting out the region's planning policies to inform local plan policy. RSS are expected to be revoked shortly pending the outcome of environmental assessment. |
| Registered Social Landlord (RSL) | An independent, regulated, non-profit making organisation, with access to Government grants to build, improve and manage affordable housing for sale or rent. An RSL must be registered with and regulated by the current Government regulating authority. |
| Registered Provider | New terminology from the Homes and Communities Agency for RSL (see above) |
| Saved Local Plan Policy | The current Blackpool Local Plan 2001-2016 was adopted in June 2006. A number of Local Plan policies have been retained (saved) and will continue to be used when determining planning applications until such a time as they are ready to be replaced by policies in emerging Development Plan Documents (including policies in the emerging Core Strategy). |
| Section 106 Agreement | A legal agreement made under Section 106 of the Town and Country Planning Act 1990 between the Council and a land developer specifying works or sums of money that are necessary to make a development acceptable in planning terms. |
| Social Rented Housing | Housing provided at below open market costs for households in housing need. The rental charge for such housing is subject to national control and the accommodation is regulated with standards of good practice in relation to physical condition, management and allocation. |
| Supplementary Planning Document (SPD) | A document which provides guidance on local planning matters. These are generally area based (for example development briefs which deal with a specific geographical area or site) or topic based (for example a design guide or an affordable housing guide). SPDs form part of the statutory Local Plan and provide greater detail on policies contained in a DPD. |
| Staircasing | Where the occupier of a house in shared-ownership purchases additional percentages of the property to increase their share of the ownership. |
| Tenure | The nature of the way in which people own or rent their home, e.g. owner-occupied, private rented, or rented from Local Authority or Registered Social Landlord. |

Affordable Housing Supplementary Planning Document

Appendix 1 - Planning Policy

National Policy¹

The National Planning Policy Framework contains the main national policy on affordable housing provision, along with the accompanying document 'Delivering Affordable Housing' (2006) and Housing Green Paper 'Homes for the Future: More Affordable, More Sustainable' (2007).

Housing policy should deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities. Where there is an identified need for affordable housing, local plan policies should require this need to be met on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified.

Regional Policy²

The Regional Spatial Strategy for the North West of England (2008) provides a framework for development and investment in the region up to 2021.

Policies L3, L4 and L5 are particularly relevant. They require plans and strategies across the North West (particularly in coastal towns like Blackpool) to respond to any need to substantially restructure local housing markets; advocate housing provision which meets the needs of the population and is properly served by infrastructure and services; identify the housing requirement for Blackpool between 2003-2021; and require plans and strategies to set out a range of delivery mechanisms to secure the provision of affordable housing.

The North West Regional Housing Strategy (2009) emphasises the importance of affordable housing provision, and identifies three priorities:

- increase the quantity of stock, in line with relevant housing figures, to achieve the mix and range of housing sought in local communities;
- improve the quality and sustainability of existing stock;
- improve the connections between local people and an enhanced housing offer.

1 In March 2012 the National Planning Policy Framework replaced Planning Policy Statements and Guidance Notes.

2 Regional Policy is expected to be revoked shortly pending the outcome of environmental assessment.

Affordable Housing Supplementary Planning Document

Local Policy

Blackpool Local Plan

The current Blackpool Local Plan (2001-2016) was adopted in 2006. A number of policies were saved by direction in June 2009 and will remain until they are replaced by new Local Plan policies. Relevant saved policies are as follows:

Saved Policy HN5: Conversions and Sub-divisions

Proposals for the sub-division and/or change of use of existing buildings for residential use will be permitted providing:

- (a) units are all fully self-contained and satisfy the Council's floorspace and amenity standards
- (b) the building is not safeguarded for another use
- (c) the size and layout of properties proposed for single family or household use is consistent with such occupation
- (d) applications for the conversion of properties from other uses to residential use include appropriate proposals to establish residential character and maximise residential amenity.

Proposals for the conversion of existing dwellings or other buildings into houses in multiple occupation will not be permitted.

Inner Areas:

Within the defined Inner Areas proposals for conversion or sub-division for residential use involving extensions to the property or into the roof space will not be permitted.

Proposals for conversion or sub-division for residential use will not be permitted which would further intensify existing over-concentrations of flat accommodation and conflict with wider efforts for the comprehensive improvement of the neighbourhood as a balanced and healthy community.

Saved Policy HN6: Housing Mix

New housing development will be required to provide an adequate mix of house types and sizes taking into account the local context and the site characteristics:

- (A) Sites of greater than 1 hectare
a mix of house types and sizes will be required within the site.
- (B) Sites of between 0.2 and 1 hectare
a mix of house types and sizes should be provided within the site or the type of housing proposed should contribute towards the mix of housing provision in the wider local area.
- (C) Where a mix is required the Council will permit the provision of no more than 60% of the total number of dwellings to be of:
 - (i) any one house type (i.e. flats/terraces/semi-detached/ detached)
 - (ii) any one house size (i.e. number of bedrooms).
- (D) Flat developments including conversions

Inner Areas:

- (i) in developments creating up to 3 units not more than one of the units may have less than two bedrooms;
- (ii) in developments creating 4, 5 or 6 units not more than two of the units may have less than two bedrooms;
- (iii) in developments creating 7, 8 or 9 units not more than three of the units may have less than two bedrooms;
- (iv) in developments creating 10 or more units not more than one third of the units may have less than two bedrooms (with fractions of a unit counting a whole unit).

Within the defined Inner Areas, proposals for new flat developments will not be permitted which would further intensify existing over-concentrations of such accommodation and conflict with wider efforts for the comprehensive improvement of the neighbourhood as a balanced and healthy community.

Elsewhere in the Borough:

- (v) in developments creating 3 units, at least one unit containing two or more bedrooms should be provided
- (vi) in developments creating 4 or more units, at least 50% of the units should contain two or more bedrooms.

Affordable Housing

Supplementary Planning Document

(E) All new housing developments throughout the Borough will be required to be self-contained and satisfy the Council's floorspace and amenity standards.

Exceptions to the above requirements may be made for developments of sheltered or supported housing.

Saved Policy HN8: Affordable and Specialist Needs Housing

To make sufficient provision to meet the needs of Blackpool residents for affordable and specialist needs housing.

The Council will require new housing developments on sites greater than 0.5 hectares or of more than 15 dwellings to make provision of a minimum of 30% of the total number of dwellings as affordable housing comprising:

- On-site provision of affordable housing, either as discounted low cost social housing, shared ownership social housing or replacement social housing to rent;

or

- Off-site social housing provision to buy or rent directly linked to housing renewal action in Blackpool's housing priority neighbourhoods (to reduce the amount of poor quality rented accommodation).

Proposals for affordable and special needs housing including sheltered housing for the elderly should be located close to public transport, local shops and other community facilities, and provision should be mixed throughout the development site.

The Council will ensure that where discounted and affordable social housing is provided, it remains affordable to successive occupiers by:

- developers entering into a legal agreement
- imposing appropriate planning conditions on any consent granted
- ensuring that initial rents or sale prices are subject to agreement by the council and index linked thereafter.

Blackpool Core Strategy

The Revised Preferred Option was published in May 2012 for public consultation. It contains a number of policies which are proposed to replace saved policies in the current Blackpool Local Plan. The most relevant policy is:

Draft Policy CS13: Affordable Housing

1. All market and specialist housing developments including conversions creating a net increase of three dwellings or more will be required to make a contribution to increase Blackpool's supply of affordable housing, providing a mix of 2, 3 and 4 bed family housing of similar size and quality to open market housing. This affordable housing contribution should be provided as follows:

a. Where developments would comprise 15 dwellings or more, or on sites of 0.5 hectares or more, the minimum provision of affordable housing required is 30% of the total number of dwellings created. On-site provision will be sought where possible. Off-site provision or a financial contribution instead of on-site provision will be considered where the site is unsuitable for affordable housing, or where off-site provision is a more effective way of delivering affordable housing to meet Blackpool's regeneration objectives.

b. Where developments would comprise 3-14 dwellings, or on sites less than 0.5 hectares, then a financial contribution towards off-site affordable housing provision is required. This contribution will be set out in a Supplementary Planning Document.

2. The tenure mix requirements of the affordable housing units will be dependent on the location of the site. Within the defined inner areas, the general requirement will be for intermediate affordable housing provision for sale to encourage home ownership. Elsewhere, the general requirement will be for a mix of social rented and intermediate affordable housing for either sale or rent. Further detail on the tenure mix requirement will be set out in a Supplementary Planning Document.

3. A Supplementary Planning Document will also establish:

- Appropriate dwelling size, type and design of the affordable housing units;
- Phasing;
- Ensuring Affordability;
- Calculating financial contributions.

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