



Planning for affordable housing: Sharing good practice

April 2012

This report is based on two events held in February and March 2012 aimed at sharing good practice in relation to planning and affordable housing.

Contact

Welsh Local Government Association

The WLGA's primary purposes are to promote a better local government, its reputation and to support authorities in the development of policies and priorities which will improve public service and democracy. It represents the 22 local authorities in Wales, with the 4 police authorities, 3 fire and rescue authorities and 3 national park authorities as associate members.

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Published: April 2012

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ISBN: 978-1-906423-81-0

Introduction

This report is based on two events held in February and March 2012 aimed at sharing good practice in relation to planning and affordable housing. Welsh Local Government Association held the events in partnership with Community Housing Cymru, Royal Town Planning Institute and Chartered Institute of Housing. Both events were chaired by Sue Essex.

One event was held in north and one in south Wales, with approximately 70 attendees (not including speakers) from

all regions of Wales. They included local authorities, national parks, and registered social landlords (RSLs), planners and housing professionals, the Design Commission for Wales and Welsh Government.

The aim of the events was to share information on good practice and innovation already taking place, identify some of the opportunities and barriers to improving practice within the current environment and to consider how we can improve practice going forward.

Main points of discussion

The housing supply time-bomb

We face a housing supply time bomb in which need far outstrips supply. This will only get harder in the current economic climate, with house building decreasing. This provides the core context of current planning for affordable housing.

Supplying affordable homes that meet demand

We don't just need to supply more homes, but we need to supply the types of homes that will meet current and future demands. We need to respond to changing demographics and environmental demands.

A fundamental change in the way that developers cost projects is needed. The whole life costs of running a home, not just building it, should be considered from the start. Adaptations are more expensive than planning ahead and building it in.

What is affordable housing?

There's a great deal of misunderstanding about what 'affordable housing' means. Affordable housing includes social rented housing, but also other housing types available at below market cost, financed through means such as intermediate rents and shared ownership. As finance for new social housing declines, how can we find creative solutions to build other forms of affordable housing?

Affordable housing is currently defined in planning legislation but not housing legislation. The definition needs to have

some flexibility so that it can be applied meaningfully in different market areas. Definitions need to be compatible.

Negative perceptions

Affordable housing suffers from negative perceptions with strong resistance to new housing developments despite local need and high demand once they're built.

Local Members are crucial to planning for affordable housing but often reflect the negative perceptions of their communities. Their policy vision doesn't necessarily reflect the evidence on issues such as future projections, who needs support, how many houses are needed to meet local need. This tension is difficult to overcome, especially in the run up to election when constituents are undertaking campaigns against developments. Engaging politicians early in the process can help.

We need champions for affordable housing at a local level and Members and officers with responsibility for tackling housing supply.

Is there a way of using incentives to make new housing seem more attractive?

Fighting our corner when money is tight

Public and private finance is getting harder to come by, meaning that affordable housing will need to fight its corner against competing demands.

For lenders, affordable housing is simply not a priority in the current context. The easier it's made for lenders, the more likely it is they'll lend. This includes standard 106 agreements with standard clauses. Attracting lenders might mean flexibility on sale of a property not filled within 6 months, despite a conflict with 'perpetuity'.

Viability of developments with section 106 agreements is a big issue. LAs often lack the expertise needed to negotiate with developers or to be sure when there are genuine viability issues. Some are negotiating to reduce the amount of affordable homes but not abandon them. Cardiff has used the District Valuer, paid for by the developer, to give an impartial assessment of viability. Others have found early discussions, even before the land is purchased, have been really important.

Lots of things can affect the viability of a development, not just section 106 agreements. Local priorities will determine where affordable housing sits in this.

Land values and land release is critical to the viability of housing developments. Landowners still want top prices for their land and are willing to hold on to it until it's realised, for generations if need be. If land prices were lower, affordable housing and sustainability clauses might remain viable. Developers seem unwilling to challenge land prices and can be wary of open dialogue about this. A culture change is needed.

There's resistance to change from builders, insurers and individuals to adopt cheaper, quicker and more environmentally friendly (eg Ty Unos) methods of construction. If we could overcome this, there may already be financially viable solutions for increasing the supply of sustainable affordable housing.

The Community Infrastructure Levy, set out in the UK Localism Bill, will apply to Wales (as the Treasury has defined it as a tax). It's not yet clear if it will be possible to direct the levy towards affordable housing and if this would be given any different priority to other provisions required under CIL.

Attracting public funding to affordable housing will need strong advocacy. The Welsh Government has recently given an additional tranche of capital funding and further funds may become available. There are also initiatives such as the Wales Infrastructure Investment Plan. How is housing linking into these opportunities?

Many RSLs have been finding creative solutions to supply affordable housing despite the lack of grant funding available. Shared ownership and intermediate rents are examples. These are more expensive than social rent, but they are still cheaper than the open market and provide another option in difficult market conditions.

Regional collaboration

Regional collaboration is high on the agenda at the moment and potentially could be included within the new Bills. It's important to understand what can best be delivered regionally and what locally. There's a tension between having a set model for regional collaboration across all areas for simplicity and retaining flexibility so that collaboration is based on the most effective response to specific issues. This could be problematic if models of collaboration are set out in legislation.

The housing sector should be represented at the high level regional discussions.

Housing and planning are working together better but on more politically sensitive issue, like targets or affordable housing supply, collaboration remains a huge challenge.

Learning lessons on the LDP

Local Development Plans (LDPs) are guiding change on the ground. However, several authorities have struggled to convince Inspectors that their proposals for meeting housing need are justified given the apportionment of housing given and with regard to future projections, some of which are considered outdated. Cardiff and Wrexham have had the soundness of their LDPs queried on this basis.

It's essential to have evidence to support what you want to do. If you don't have the evidence, Inspectors will stick to the national policy, but not if you can evidence why the change is needed based on local circumstance.

Big developments (eg Bodelwyddan) are unpopular. It's hard to persuade people that these are needed to support the future of existing communities or that there is this housing need.

Examples of what's happening across Wales

Rhondda Cynon Taf (RCT)

In RCT, internal staff were trained to undertake the local housing market assessment rather than using external consultants. This has meant they have a much better understanding of the issues. They've introduced standard Section 106 agreements which have worked well and an Enabling Fund, the first in Wales, which was commended by the Inspector. A joint event between planners and housing officers locally has led to more effective working relationships.

Snowdonia National Park (SNP)

In developing its LDP, SNP initially used local housing market assessment to identify projected need. When the findings seemed unreasonably high and so Rural Housing Enablers undertook surveys to get a more accurate picture. At the end of the process, SNP were challenged on their ability to deliver. They had to make changes quickly in order to get it accepted, without being able to consult with members. Having the authority to do this was important in getting it agreed.

Draft guidance on securing mortgage access for affordable housing

The Welsh Local Government Association, Council of Mortgage Lenders and the Chartered Institute of Housing have worked with a stakeholder group to set out the difficulties mortgage lenders experience in financing affordable housing and have developed draft guidance for local authorities on best

practice to address these problems. The draft guidance is currently out for consultation.

Fairlake

Fairlake has been working to develop creative solutions to increase affordable housing supply despite lower levels of grant available. At Foxglove Meadows it has done this through blended solutions including shared ownership, intermediate rent and benchmark rent. This has allowed them to supply 30 new affordable homes with no grant. They're using shared ownership and intermediate rent to supply affordable homes on a range of sites, including homes specifically designed for older people. <http://www.fairlake.co.uk/news/shared-ownership-sales-success-at-foxglove-meadows/>

RTPI and CIH Planning for Housing Network

The RTPI and CIH run a virtual Planning and Housing Network across the UK and also host additional events in Wales. It aims to bring together professional planning and housing interests to raise awareness of the value of joint working, facilitate information sharing and provide a mechanism to raise the profile and understanding of each across the two sectors. <http://www.planningforhousing.org.uk/>

Moving Forward

- We need to strengthen the voice of affordable housing at national, regional and local levels.
- We should champion the successes achieved in housing, including through greater collaboration, and how it can deliver against current priorities.
- We need to increase awareness of what affordable housing means and its benefits for individuals and communities.
- WLGA and others should work with elected members to support them in being champions and leaders on increasing the supply of affordable housing.
- The Housing and Planning Bills may be an opportunity to tackle some of the difficult issues on housing supply such as incentives, what we mean by affordable housing and how to reflect 'whole life' costs on new developments.
- Local authorities should explore whether they could share expert resources in order to negotiate section 106 agreements with developers.
- High land values are a block to increasing affordable housing supply. Work is needed to explore potential solutions such as time-limited planning permission and macro-level interventions, particularly in light of the forthcoming Bills.
- Template section 106 agreements should attract more lenders.
- Housing should be integral to the Welsh Infrastructure Investment Plan.
- BREEAM and government should be encouraged to consider how they can enable more cost effective, sustainable construction.
- Housing and planning should continue to strengthen joint working, including on the more sensitive issues of regional supply where collaboration is more challenging.