

Note on implementation of affordable housing policy in Westminster in the interim period between the adoption of the Core Strategy and the adoption of City Management Plan

1. Introduction

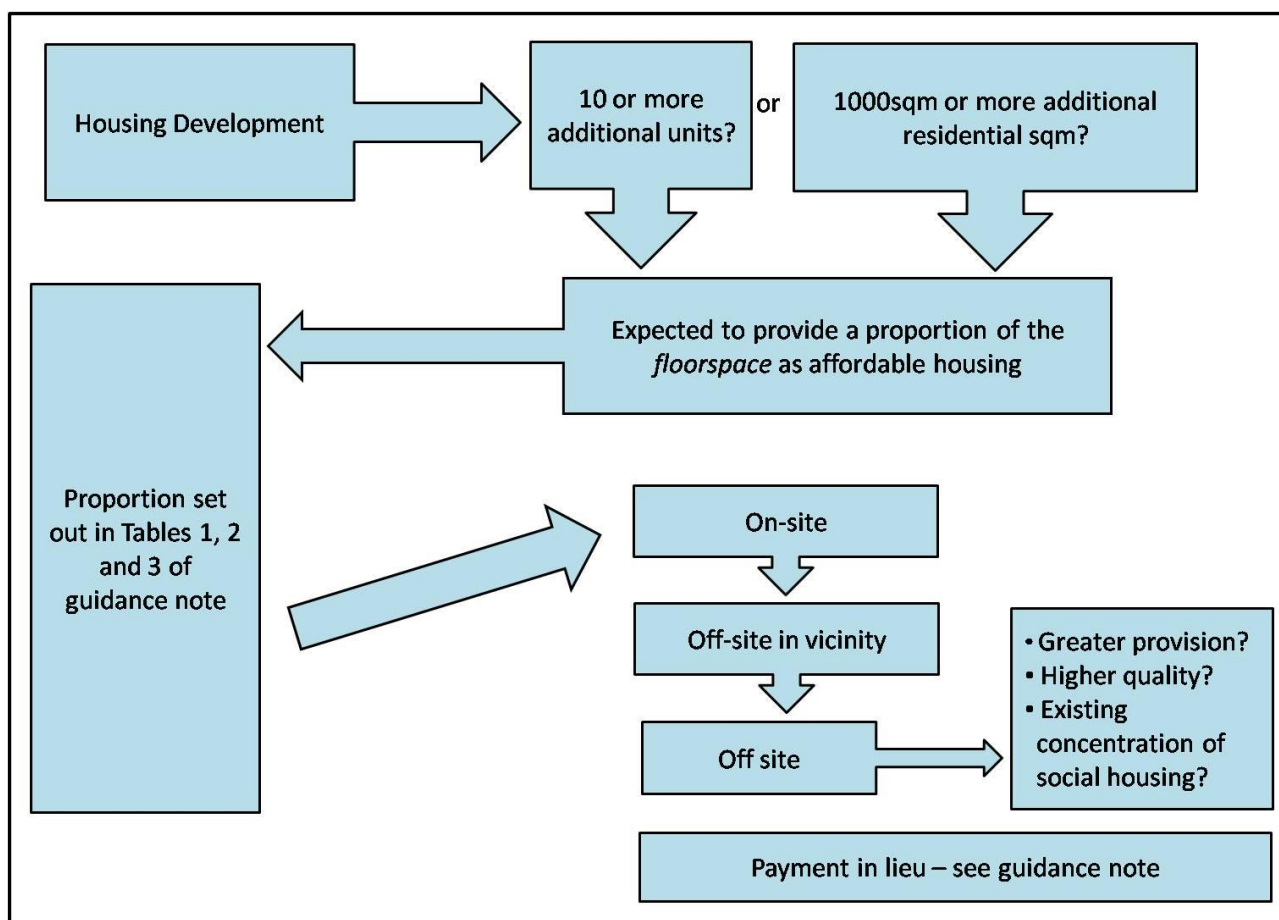
- 1.1 This note is intended to clarify the position regarding the **application** of affordable housing policy in the period between adoption of the City of Westminster Core Strategy (26 January 2011) and the adoption of the City Management Plan (anticipated mid 2012). In this period the Core Strategy affordable housing policy CS16, must be applied alongside tables 3.1 – 3.3 of UDP policy H 4. The note does **not** contain ‘new’ policy it is simply meant as a guide to the way the Council will apply the saved UDP policy alongside the Core Strategy policy.
- 1.2 This note sets out the proportion of floorspace which will be sought for different schemes in this interim period, based on the staircasing proportions in UDP policy H4 Tables 3.1 – 3.3.
- 1.3 It also addresses how payments in lieu of affordable housing, and payments in lieu of residential floorspace in Mixed Use schemes will be calculated.

2. Background

- 2.1 For some time the housing market in Westminster has favoured the development of large and sometimes very large homes. This has meant that the UDP Affordable Housing policy (which has a unit threshold and a proportional requirement calculated in units), has not always achieved a fair and appropriate amount of affordable housing in association with developments. The Core Strategy Affordable Housing policy CS16 addresses this issue by introducing a 1,000 sq m floorspace threshold at and above which all residential developments will be required to provide affordable housing floorspace.
- 2.2 The Inspector in her report into the Core Strategy supported the new threshold set out in policy CS16. Paragraph 56 of her report states ‘I conclude that the threshold in Policy CS16 is justified and practical, and should assist flexibility and delivery from small sites.’ In reaching her view, the Inspector relied on the Affordable Housing Viability Assessment (DTZ, July 2010). This study supports the Core Strategy thresholds and use of a floorspace proportion, and suggests a stepped approach to the floorspace proportions and maximum proportions for different areas/use values. The actual proportions of affordable housing floorspace sought in different schemes will be set out in the City Management Plan (CMP).
- 2.3 The Inspector’s report also says in paragraph 56 ‘The Council produced an interim implementation note to demonstrate how policy would be applied between adoption of the Core Strategy and adoption 12 months hence of the CMP.’ The Core Strategy was adopted on 26 January 2011. This note replaces the original note referred to by the Inspector and has been prepared in order to add clarity to the original note.

2.4 Both CS16 and UDP policy H 4 recognise that it is sometimes not practical or viable for the affordable housing to be provided on-site. In such circumstances, CS16 states that the affordable housing should then be provided off-site in the vicinity, and sets out circumstances where off-site beyond the vicinity may be acceptable. When this cascade of options has been fully explored and proved impractical or unfeasible, the council will consider accepting a Payment in Lieu of affordable housing. UDP policy H4 (paragraph. 3.34) sets out the two circumstances in which the requirement for affordable housing may be waived in favour of a payment to the Council’s Affordable Housing Fund: a) if it is not possible for the affordable housing to be transferred to and managed by an RSL, and b) if the viability is reduced to the extent that the ability to deliver a residential scheme is compromised. It is recognised that in some schemes at or marginally above the thresholds of 1,000sq m additional floorspace, or 10 additional units (when the floorspace is less than 1,000 sq m), the considerations set out in UDP paragraph. 3.34 a) and/or b) may apply and that a Payment in Lieu may be more appropriate.

Application of policy CS16 Affordable Housing



3. How the UDP and Core Strategy policies will be applied together

- 3.1 Prior to the adoption of the detailed CMP affordable housing policy, the City Council, when assessing proposals, will use the thresholds set out in Core Strategy policy CS16, in combination with the unit proportions set out in adopted UDP policy H4 (UDP tables 3.1 - 3.3). This note translates the unit requirement into floorspace and (for larger schemes) takes into account the maximum floorspace proportions suggested in the DTZ Affordable Housing Assessment. The major change in this interim period from UDP policy affects i) small developments (i.e. schemes of less than 10 units which are 1000 sq m plus). These will be required to provide affordable housing; and ii) very large developments. These will generally be required to provide a greater number of units as the requirement will be based on a proportion of floorspace, rather than a percentage of units.

4. Government changes to affordable housing

- 4.1 The new 'Affordable Rent' tenure and government changes to housing finance both in terms of investment and rent and benefit levels will need to be taken into account in the CMP affordable housing policy. However, as some of these changes come into affect from 1 April 2011 it is considered prudent to alert developers that grant funding for affordable housing will be substantially reduced, if available at all, and mainly be aimed at 'Affordable Rent' properties. **Therefore developers when purchasing land and drawing up schemes should presume nil grant.**
- 4.2 Affordable Rents will need to meet a range of household incomes in order to address the needs of those who cannot afford market housing. In due course Westminster will set out our priorities for affordable housing requirements in order to ensure that new affordable housing can meet the range of identified local needs. As in the UDP, the advice of the Housing Department must be sought. In view of the proposed introduction of the Affordable Rent tenure from 1 April 2011, developers are strongly advised to liaise with the Housing Development Manager at the pre-planning stage to discuss affordability guidelines (Fergus Coleman, Housing Development Manager 020 7641 2129).

5. Thresholds

- 5.1 The new threshold in Policy CS16 has been applied from adoption of the Core Strategy on 26 January 2011. **The threshold is 1,000 sq m net increase in residential floorspace OR 10 or more additional units where the increase proposed is less than 1,000 sq m.**

For example, the threshold which applies in the following scenarios is as follows:

- 3 units /1,200 sq m increase – *floorspace threshold applies*
- 11 units /780 sq m increase - *unit threshold applies*

- 15 units/2,000 sq m increase - *floorspace threshold applies*

- 20 unit/1,500 sq m increase – *floorspace threshold applies*

6. Proportion of affordable housing sought

6.1 Where the affordable housing threshold is met or exceeded, the affordable housing provision will be sought as a proportion of floorspace (as set out in Policy CS16). The specific proportion sought will still rely on the Unitary Development Plan Policy H4, and in particular UDP Tables 3.1 to 3.3. However, the unit figures in these tables have needed to be translated into floorspace figures, in order to implement the adopted Core Strategy Policy CS16.

6.2 In order to assess the proportion of affordable housing floorspace sought and therefore convert UDP Tables 3.1 – 3.3, we have applied the following assumptions:

- **A housing unit = 100sqm** (*representing a reasonable size home – see Reasoned Justification for Core Strategy policy CS16*)
- **An affordable housing unit = 80sqm** (*recognising that affordable homes tend to be smaller than market homes in Westminster*)

6.3 These assumptions have been used to convert the unit requirements contained in UDP Tables 3.1 – 3.3 to a **gross external floorspace** requirement as set out in Tables 1, 2 and 3 below. Tables 1, 2 and 3 are derived from UDP Tables 3.1 – 3.3, but altered to reflect the new threshold and floorspace proportion as set out in Core Strategy policy CS16.

6.4 Prior to the adoption of the detailed CMP policies, the proportion of floorspace sought on individual sites will be expected to comply with Tables 1, 2 and 3 below.

7. Maximum floorspace proportions

7.1 It is recognised that in Westminster floorspace proportions will, for most schemes, yield a higher number of affordable units than the same proportion based on units. The DTZ Affordable Housing Viability Assessment examined this issue and concluded that the 30% maximum unit requirement in the CAZ and 50% outside CAZ, set out in the UDP, would, if converted directly to a floorspace requirement, in many cases be too onerous and thereby threaten viability. The Assessment suggested appropriate maximum floorspace proportions (see Section 7 of the Affordable Housing Viability Assessment). These ‘maximum proportions’ of floorspace have been included in Tables 1, 2 and 3 below. Hence, the maximum percentage of floorspace required in Tables 1 - 3 below, is lower than the maximum percentage units of units set out in UDP tables 3.1 – 3.3.

7.2 The maximum floorspace proportions of affordable housing sought indicated in the Affordable Housing Viability Assessment are:

- sites in Core CAZ, Paddington Opportunity Areas and named streets in Marylebone and Fitzrovia will not exceed 25% floorspace (as opposed to 30% in the UDP)
- sites outside Core CAZ, Paddington Opportunity Areas and named streets in Marylebone and Fitzrovia, where the proposal relates to land having a low existing use value will not exceed 35% floorspace (as opposed to 50% of units in UDP)
- sites outside Core CAZ, Paddington Opportunity Areas and named streets in Marylebone and Fitzrovia, other than land having a low existing use value (Table 2) will not exceed 35% floorspace (as opposed to 50% of units in UDP).

7.3 The floorspace requirements set out in the staircasing in Tables 1 - 3 below, have been adjusted in order to ensure that no floorspace requirements exceed the maximum floorspace proportions considered viable in the Affordable Housing Viability Assessment.

Table 1 Sites in Core CAZ, Paddington Opportunity Areas and named streets in Marylebone and Fitzrovia	
Additional floorspace/units (floorspace is gross external sq m)	Floorspace Requirement (in sq m)
10 – 11 units but < 1,000 sqm	80 sq m
12 – 14 units but < 1,000 sqm	160 sq m
15 + units but < 1,000 sqm	240 sq m
1,000-1,199	80 sq m
1,200-1,499	160 sq m
1,500-1,799	240 sq m
1,800-1,999	320 sq m
2,000-2,199	400 sq m
2,200-2,399	480 sq m
2,400-2,499	560 sq m
2,500+	25%

Table 2 Sites outside Core CAZ, Paddington Opportunity Areas and named streets in Marylebone and Fitzrovia, where the proposal relates to land having a low existing use value	
Additional floorspace/units (floorspace is gross external sq m)	Floorspace Requirement (in sq m)
10 units but < 1000 sq m	80 sq m
11 units but < 1000 sq m	160 sq m
12 -13 units but < 1000 sq m	240 sq m
14 units but < 1000 sq m	320 sq m
15 + units but < 1000 sq m	350 sq m
1,000 - 1,099	80 sq m
1,100 - 1,199	160 sq m
1,200 -1,399	240 sq m
1,400 -1,499	320 sq m
1,500 -1,599	400 sq m
1,600 -1,799	480 sq m
1,800 - 1,899	560 sq m
1,900 - 2,099	640 sq m
2,100 - 2,299	720 sq m
2,300 - 2,499	800 sq m
2,500+	35%

Table 3 Sites outside Core CAZ, Paddington Opportunity Areas and named streets in Marylebone and Fitzrovia, other than land having a low existing use value (Table 2)	
Additional floorspace/units (floorspace is gross external sq m)	Floorspace Requirement (in sq m)
10 -11 units but < 1,000 sqm	80 sq m
12 – 14 units but < 1,000 sqm	160 sq m
15 - 17 units but < 1,000 sqm	240 sq m
18 – 19 units but < 1,000 sqm	320 sq m
20 + units but < 1,000 sqm	350 sq m
1,000-1,199	80 sq m
1,200-1,499	160 sq m
1,500-1,799	240 sq m
1,800-1,999	320 sq m
2,000-2,199	400 sq m
2,200-2,399	480 sq m
2,400-2,499	560 sq m
2,500-2,899	640 sq m
2,900-3,199	720 sq m
3,200-3,499	800 sq m
3,500-3,899	880 sq m
3,900-3,999	960 sq m
4,000-4,099	960 sq m
4,100-4,199	1,040 sq m
4,200-4,399	1,120 sq m
4,400-4,499	1,200 sq m
4,500-4,699	1,280 sq m
4,700-4,799	1,360 sq m
4,800-4,999	1,440 sq m

5,000-5,099	1,520 sq m
5,100-5,299	1,600 sq m
5,300-5,399	1,680 sq m
5,400-5,599	1,760 sq m
5,600-5,699	1,840 sq m
5,700-5,799	1,920 sq m
5,800-5,999	2,000 sq m
6,000 +	35%

8. Examples:

The affordable housing required in the following cases are as follows:

- **3 units /1,200 sq m increase (in Core CAZ):**

Floorspace threshold applies = 160 sq m affordable flsp

- **11 units /780 sq m increase (in Core CAZ):**

Unit threshold applies = 80 sq m affordable flsp

- **15 units/2,000 sq m increase (outside Core CAZ not low existing use value)**

Floorspace threshold applies = 400 sq m affordable flsp

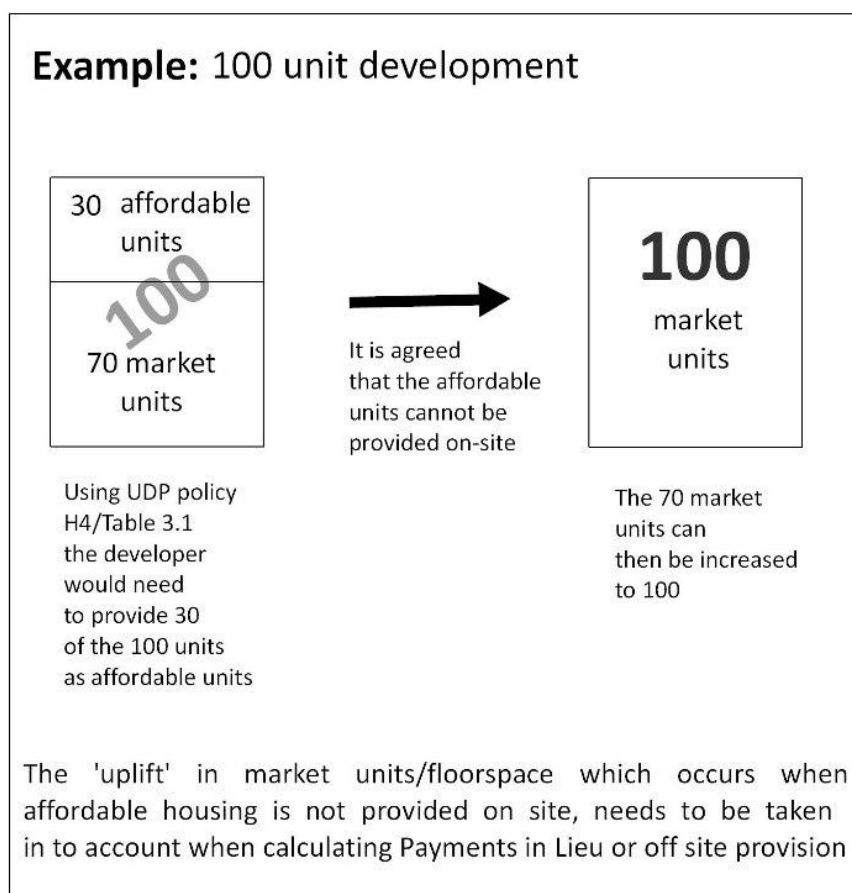
- **20 unit/1,500 sq m increase (outside Core CAZ low existing use value)**

Floorspace threshold applies = 400 sq m affordable flsp.

NB. The City Management Plan (CMP) will set out floorspace proportions for affordable housing which, following consultation, may differ from the requirements set out in Tables 1 - 3 above.

9. Calculation of Payments in Lieu (PiL)

- 9.1 Core Strategy policy CS16 only allows for payments in lieu of affordable housing provision where the council considers it is not practical or viable to provide it on site or, failing that, off-site. In those circumstances, where these options have been proved impractical or unfeasible, Payments in Lieu will be acceptable.
- 9.2 Prior to the adoption of the CMP, the PiL will be calculated as per the UDP formula, but the unit requirement will be converted to a floorspace requirement as per Tables 1 - 3 above. The per unit sum is updated annually on 1 April to reflect changes in land values that have occurred in the preceding 12 months. It is currently (2011/12) £195,000 per unit, and £260,000 in schemes in the higher value areas of Knightsbridge, Belgravia, Mayfair and St James.
- 9.3 The methodology set out below will be used to calculate payments in lieu of on-site provision of affordable housing. As with the UDP formula, the methodology below factors in the increased amount of on- site market housing that will arise from having no (or partial) on-site affordable housing. This is the **% increase in market flsp (c)** in the examples below.
- 9.4 The methodology for calculating PiL is likely to change in the City Management Plan.



- 9.4 The calculations below use the per unit sums agreed for **1 April 2010 – 31 March 2011**.

Formula						
(a)	x	(b)	x	(c)	=	PiL
<p>no of affordable units required</p> <p>Based on appropriate table 1, 2 or 3 to determine amount of affordable housing flsp required, then divide by 80 sq m (to represent the average gross external flsp of an a/h unit).</p>		<p>per unit sum</p> <p>From April 2010 £185,000 per unit (£247,000 per unit in high value areas (see Map 3.7 in the UDP))</p>		<p>% increase in market flsp</p> <p>i) Increase in market flsp from not providing affordable onsite (same as amount of affordable housing flsp that would have been provided – see (a));</p> <p>ii) Divided by the amount of market floorspace expected had a/h been provided on site (total flsp minus affordable flsp that would have been provided (see (a));</p> <p>iii) Multiplied by 100</p>		

Example 1:						
3 units /1,200 sq m additional residential flsp inside Core CAZ not in higher value area						
(a)	x	(b)	x	(c)	=	PiL
<p>no of affordable units required</p> <p>Table 1: Affordable Floorspace Requirement = 160sq m</p> <p>160 divided by 80 = 2 a/h units</p>		<p>per unit sum</p> <p>£185,000</p>		<p>% increase in market flsp</p> <p>i) Increase = 160 sqm (1,040sqm to 1,200sqm)</p> <p>ii) 160 divided by 1,040</p> <p>iii) x 100</p> <p>= 15.4%</p>		
2	x	£185,000	x	1.15	=	£425,500
				(% increase expressed as a number)		(£426,000 rounded)

Example 2:						
15 units/2,000sq m additional residential flsp outside Core CAZ not in low existing use value area						
(a)	x	(b)	x	(c)	=	PiL
no of affordable units required Table 3: Affordable Floorspace Requirement = 400sq m 400 divided by 80 = 5 a/h units		per unit sum £185,000		% increase in market flsp i) Increase = 400sqm (1,600sqm to 2,000sqm) ii) 400 divided by 1,600 iii) x 100 = 25.0%		
5	x	£185,000	x	1.25 (% increase expressed as a number)	=	£1,156,250 (£1,156,000 rounded)

Example 3:						
25 units/5,000sq m additional residential flsp inside Core CAZ in higher value area						
(a)	x	(b)	x	(c)	=	PiL
no of affordable units required Table 1: Affordable Floorspace Requirement = 1,250sq m 1,250 divided by 80 = 15.625 a/h units		per unit sum £247,000		% increase in market flsp i) Increase = 1,250sqm (3,750sqm to 5,000sqm) ii) 1,250 divided by 3,700 iii) x 100 = 33.8%		
15.625	x	£247,000	x	1.34 (% increase expressed as a number)	=	£5,172,000 (£5,171,563 rounded)

Example 4:

5,300 sq m additional residential flsp outside Core CAZ not in a low existing use value area *with* 800 sq m a/h flsp on-site

<p>Step 1</p> <p>Amount of affordable floorspace required</p> <p>Table 3: Affordable Floorspace Requirement = 1,680 sqm</p>	<p>Step 2 (c)</p> <p>% increase in market flsp</p> <p>i) Increase = 880 sqm (3,600sqm to 4,500sqm)</p> <p>ii) 880 divided by 3,600</p> <p>iii) x 100</p> <p>= 24.3%</p> <p>= 1.24</p> <p>(% increase expressed as a number)</p>	<p>Step 3</p> <p>'new' total amount of affordable floorspace required</p> <p>(policy requirement multiplied by % increase in market flsp)</p> <p>1,680 sqm x 1.24</p> <p>=2,083 sqm</p>	<p>Step 4</p> <p>shortfall in affordable floorspace</p> <p>(‘new’ total amount of affordable required minus actual provision)</p> <p>2,083 – 800</p> <p>=1,283 sqm</p>	<p>Step 5</p> <p>Shortfall in affordable units</p> <p>1.283 ÷ 80 =</p> <p>16.0375 units</p>	<p>Step 6</p> <p>per unit sum</p> <p>£185,000</p>	<p>Step 7</p> <p>PiL</p> <p>16.0375 multiplied by £185,000</p> <p>=</p> <p>£2,966,937.5</p>		
1,680 sqm	1.24	2,083 sqm	= 1,283 sqm	16.0375	X	£185,000	=	£2,967,000 (rounded)

10. Mixed Use

10.1 Core Strategy Policy CS1 Mixed Use in the Central Activities Zone seeks an equivalent amount of residential floorspace on-site where proposals increase the amount of commercial floorspace, where the council considers this to be appropriate and practical. Prior to the adoption of the CMP, in cases where it is not considered appropriate or practical to provide the residential requirement on-site, the approach set out in paragraph 1.66 -1.68 of UDP policy CENT 3 and paragraphs. 2.30 – 2.32 of UDP policy COM 2, will be used. The unit sums will be as set out in paragraph. 9.2 above.

This interim policy application is offered without prejudice to the eventual policies within the City Management Plan, which need to be subject to the appropriate consultation and examination.

March 2011