

Policy H5 Threshold approach to applications

- A The threshold approach applies to major development proposals which trigger affordable housing requirements (see paragraph 4.5.15 for scheme types with bespoke approaches).
- B The threshold level of affordable housing on gross residential development is initially set at:
 - 1) a minimum of 35 per cent; or
 - 2) 50 per cent for public sector land where there is no portfolio agreement with the Mayor; or
 - 3) 50 per cent for Strategic Industrial Locations, Locally Significant Industrial Sites and Non-Designated Industrial Sites appropriate for residential uses in accordance with [Policy E7 Industrial intensification, co-location and substitution](#) where the scheme would result in a net loss of industrial capacity.
- C To follow the Fast Track Route of the threshold approach, applications must meet all the following criteria:
 - 1) meet or exceed the relevant threshold level of affordable housing on site without public subsidy
 - 2) be consistent with the relevant tenure split (see [Policy H6 Affordable housing tenure](#))
 - 3) meet other relevant policy requirements and obligations to the satisfaction of the borough and the Mayor where relevant
 - 4) demonstrate that they have taken account of the strategic 50 per cent target in [Policy H4 Delivering affordable housing](#) and have sought grant to increase the level of affordable housing.
- D Developments which provide 75 per cent or more affordable housing may follow the Fast Track Route where the tenure mix is acceptable to the borough or the Mayor where relevant.
- E Fast tracked applications are not required to provide a viability assessment at application stage. To ensure an applicant fully intends to build out the permission, the requirement for an Early Stage Viability Review will be

triggered if an agreed level of progress on implementation is not made within two years of the permission being granted (or a period agreed by the borough).

F Where an application does not meet the requirements set out in Part C it must follow the Viability Tested Route. This requires detailed supporting viability evidence to be submitted in a standardised and accessible format as part of the application:

- 1) the borough, and where relevant the Mayor, should scrutinise the viability information to ascertain the maximum level of affordable housing using the methodology and assumptions set out in this Plan and the Affordable Housing and Viability SPG
- 2) viability tested schemes will be subject to:
 - a) an Early Stage Viability Review if an agreed level of progress on implementation is not made within two years of the permission being granted (or a period agreed by the borough)
 - b) a Late Stage Viability Review which is triggered when 75 per cent of the units in a scheme are sold or let (or a period agreed by the borough)
 - c) Mid Term Reviews prior to implementation of phases for larger phased schemes.

G Where a viability assessment is required to ascertain the maximum level of affordable housing deliverable on a scheme, the assessment should be treated transparently and undertaken in line with the Mayor's Affordable Housing and Viability SPG.

Scheme amendments – Section 73 applications and deeds of variations

H For schemes that were approved under the Fast Track Route, and schemes determined before the threshold approach that would have qualified for the Fast Track Route, any subsequent applications to vary the consent will not be required to submit viability information, providing the resultant development continues to meet the relevant threshold and the criteria in Part C.

I For schemes where the original permission did not meet the threshold or required tenure split, including schemes determined before the threshold approach that would not have qualified for the Fast Track Route, viability information will be required where an application is submitted to vary the consent, and the borough or the Mayor where relevant, consider this would materially alter the economic circumstances of the scheme. Such cases will be assessed under the Viability Tested Route.

- J Any proposed amendments that result in a reduction in affordable housing, affordability or other obligations or requirements of the original permission should be rigorously assessed under the Viability Tested Route. In such instances, a full viability review should be undertaken that reconsiders the value, costs, profit requirements and land value of the scheme.
- K The Mayor should be consulted on any proposed amendments on referable schemes that change the level of affordable housing from that which was secured through the original planning

- 4.5.1 Applicants are strongly encouraged to take the **Fast Track Route** by providing the threshold level of affordable housing and meeting other Development Plan requirements to the satisfaction of the borough.
- 4.5.2 The **Viability Tested Route** will assess the maximum level of affordable housing that a scheme can deliver in cases where the threshold level of affordable housing cannot be met and where fixed or minimum affordable housing requirements are not in place. It is possible that, via the viability assessment using the detailed methodology in the SPG, a greater affordable housing contribution than the threshold level will be found to be viable and thus will be required.
- 4.5.3 The percentage of affordable housing on a scheme should be measured in **habitable rooms**⁵⁷ to ensure that a range of sizes of affordable homes can be delivered, including family-sized homes. Habitable rooms in affordable and market elements of the scheme should be of comparable size when averaged across the whole development. If this is not the case, it may be more appropriate to measure the provision of affordable housing using **habitable floorspace**.⁵⁸ Applicants should present affordable housing figures as a percentage of total residential provision in habitable rooms, units and floorspace to enable comparison.
- 4.5.4 The thresholds set out in this policy have been informed by viability testing. This approach seeks to **embed affordable housing requirements into land values** and create consistency and certainty across London. The 35 per cent threshold level will be monitored and reviewed in 2021 to determine whether this threshold should be increased. Any changes to the threshold will be consulted on as part of an updated Affordable Housing and Viability SPG or through a focused review of the London Plan.

⁵⁷ [Habitable room](#) is defined in the [Glossary](#)

⁵⁸ [Habitable floorspace](#) is defined in the [Glossary](#)



- 4.5.5 The Mayor recognises that **public sector land** can play a significant role in meeting affordable housing need. The threshold for public sector land (land that is owned or in use by a public sector organisation, or company or organisation in public ownership, or land that has been released from public ownership and on which housing development is proposed) is set at 50 per cent to be considered under the Fast Track Route. This is because these sites represent an opportunity to meet a range of objectives, including making better use of sites, improving services and delivering more affordable housing. Moreover, as public assets, these landholdings should be used to deliver development and outcomes that are most needed by – and matter most to – the public.
- 4.5.6 Public sector land also represents an opportunity to deliver homes that can meet the needs of London's essential workers who maintain the function and resilience of the city, such as those working in health, fire, police, transport and support services. Where there is an agreement with the Mayor to deliver at least 50 per cent across the portfolio of sites, then the **35 per cent threshold should apply to individual sites**.
- 4.5.7 Given the difference in values between **industrial** and residential development, residential development proposals that would result in a net loss of industrial floorspace capacity⁵⁹ on Strategic Industrial Locations, Locally Significant Industrial Sites or Non-Designated Industrial Sites are expected to provide at least 50 per cent affordable housing to follow the Fast Track Route. If this is not possible, detailed viability evidence will be needed to justify a lower level of affordable housing.
- 4.5.8 Where the level of affordable housing offered meets the criteria of Part C, this should normally be considered as meeting the maximum amount of affordable housing which can be delivered through Section 106 (subject to an Early Stage Review Mechanism).
- 4.5.9 Where a scheme meets the threshold level of affordable housing, but the borough, and/or the Mayor where relevant, are not satisfied that the other

⁵⁹ Floorspace capacity is defined here as either the existing industrial and warehousing floorspace on site or the potential industrial and warehousing floorspace that could be accommodated on site at a 65 per cent plot ratio, whichever is the greater. For the purposes of [Policy H5 Threshold approach to applications](#), this floorspace-based approach applies to sites used for utilities infrastructure or land for transport functions that are no longer required. However, it is recognised that some surplus utilities sites are subject to substantial decontamination, enabling and remediation costs. If it is robustly demonstrated that extraordinary decontamination, enabling or remediation costs must be incurred to bring a surplus utilities site forward for development, then a 35 per cent affordable housing threshold could be applied, subject to detailed evidence, including viability evidence, being made available.

relevant Development Plan requirements and or obligations for the scheme are met, then the applicant can be asked to provide detailed viability information and be required to follow the **Viability Tested Route**.

- 4.5.10 To incentivise schemes with a high proportion of genuinely affordable housing, schemes that propose **75 per cent or more genuinely affordable housing** may be considered under the Fast Track Route whatever the affordable housing tenure mix, where supported by the borough and, where relevant, the Mayor. This should be determined on a case-by-case basis having regard to the housing need met by the scheme and the level of public subsidy involved.
- 4.5.11 All schemes are expected to maximise the delivery of genuinely affordable housing and make the most efficient use of available resources to achieve this objective. Where **grant or other public subsidy** is available and would increase the proportion of affordable housing, this should be utilised. The higher proportion of affordable housing should be set out in the Section 106 agreement as being subject to grant availability, alongside the proportion viable without grant. Funding will be available on a tariff basis, details of which are set out in the Mayor's Homes for Londoners: Affordable Homes Programme 2016-23.⁶⁰ Applications for schemes of 150 units or more must evidence that they have sought grant to increase levels of affordable housing. Generally, this will be through evidenced discussions with the local authority and registered providers of social housing. Further detail is provided in the Affordable Housing and Viability SPG.
- 4.5.12 The Mayor has provided detailed **guidance on viability assessments** in his Affordable Housing and Viability SPG. This is a material planning consideration for planning applications in London. The Mayor will follow this guidance on referable applications and strongly encourages boroughs to follow it for all applications. Providing a standardised approach helps streamline the system and reduces uncertainty. The aim of a viability assessment is to establish whether the proposed level of affordable housing and other contributions are the maximum that can be reasonably supported or whether further obligations or a greater level of policy compliance could be achieved.
- 4.5.13 The **Existing Use Value Plus (EUV+)** approach to determining the benchmark land value is based on the current use value of a site plus an appropriate site premium. The benefit of this approach is that it clearly identifies the uplift in value arising from the grant of planning permission because it enables comparison with the value of the site without planning permission. The EUV+

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<https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners-affordable-homes-programmes>

approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used. An alternative approach should only be considered in exceptional circumstances which must be robustly justified by the applicant and/or the borough in line with the Mayor's SPG.

- 4.5.14 **Viability Review mechanisms** should be applied to all viability tested applications at early and late stages in the development process (and mid-term reviews in the case of longer phased schemes) to ensure that affordable housing delivery is maximised as a result of any future improvement in viability. Further guidance is provided in the Affordable Housing and Viability SPG.
- 4.5.15 Some schemes are not suitable to follow the Fast Track Route. These schemes must follow the **Viability Tested Route**. This includes:
- applications which propose affordable housing **off-site or a cash in lieu contribution** (as set out above)
 - applications for schemes that involve the **demolition of existing affordable dwellings** which should follow the approach set out in Policy H8 Loss of existing housing and estate redevelopment
 - schemes claiming the **vacant building credit**.
- 4.5.16 Policy H11 Build to Rent, Policy H13 Specialist older persons housing, Policy H15 Purpose-built student accommodation and Policy H16 Large-scale purpose-built shared living set out specific affordable housing approaches in those types of development.