

Policy H4 Delivering affordable housing

- A The strategic target is for 50 per cent of all new homes delivered across London to be genuinely affordable. Specific measures to achieve this aim include:
- 1) requiring major developments which trigger affordable housing requirements⁵⁰ to provide affordable housing through the threshold approach ([Policy H5 Threshold approach to applications](#))
 - 2) using grant to increase affordable housing delivery beyond the level that would otherwise be provided
 - 3) all affordable housing providers with agreements with the Mayor delivering at least 50 per cent affordable housing across their development programme, and 60 per cent in the case of strategic partners⁵¹
 - 4) public sector land⁵² delivering at least 50 per cent affordable housing on each site and public sector landowners with agreements with the Mayor delivering at least 50 per cent affordable housing across their portfolio
 - 5) industrial land appropriate for residential use in accordance with [Policy E7 Industrial intensification, co-location and substitution](#), delivering at least 50 per cent affordable housing where the scheme would result in a net loss of industrial capacity.
- B Affordable housing should be provided on site. Affordable housing must only be provided off-site or as a cash in lieu contribution in exceptional circumstances.

⁵⁰ All major development of 10 or more units triggers an affordable housing requirement. Boroughs may also require affordable housing contributions from minor housing development in accordance with [Policy H2 Small sites](#)

⁵¹ Strategic partners are affordable housing providers who commit to deliver ambitious development programmes through a flexible partnership with the Mayor. Each partnership involves at least 1,000 new housing starts, with at least 60 per cent of them genuinely affordable.

⁵² Separate affordable housing requirements apply to estate regeneration schemes on public sector land, which are set out in [Policy H8 Loss of existing housing and estate redevelopment](#).

- 4.4.1 **Delivering more genuinely affordable housing**⁵³ is a key strategic issue for London. Meeting the need for circa 43,500 affordable homes per year, as established in the 2017 Strategic Housing Market Assessment, will require an increase in affordable housing contributions from all sources. All schemes are expected to maximise the delivery of affordable housing and make the most efficient use of available resources. This is critical to enabling London to meet the housing needs of its workforce and maintain the function and resilience of the city.
- 4.4.2 Past approaches have not adequately met levels of housing need. To provide greater certainty, speed up the planning process and increase affordable housing delivery, the Mayor is adopting a **threshold approach to viability**. This means that schemes meeting or exceeding the threshold without public subsidy,⁵⁴ and consistent with the requirements in Part C of Policy H5 Threshold approach to applications, are not required to submit viability information. The threshold approach was first introduced in the Mayor's Affordable Housing and Viability SPG. It provides the opportunity to move away from protracted viability debates, create certainty in terms of affordable housing requirements, embed the requirements into land values, and offer a clear incentive for developers to increase affordable housing delivered through the planning system above the level in planning permissions granted in recent years.
- 4.4.3 Schemes that do not meet this threshold, or require public subsidy to do so, will be required to submit detailed viability information which will be scrutinised and treated transparently. **Comprehensive review mechanisms** will be applied to schemes that do not meet the relevant threshold as set out in Part B of Policy H5 Threshold approach to applications, in order to ensure that affordable housing contributions are increased if viability improves over time.
- 4.4.4 Schemes are expected to deliver at least the threshold level of affordable housing without **grant or public subsidy** and to increase this proportion through the use of grant and other subsidy, where available. Only where there are clear barriers to delivery and it is fully justified through detailed viability evidence, in line with the methodology and assumptions set out in Policy H5 Threshold approach to applications and the Mayor's Affordable Housing and Viability SPG, should a lower level of affordable housing be considered.

⁵³ The NPPF defines affordable housing for planning purposes. Within this broad definition, sections 4.6.3 - 4.6.9 of this Plan set out the Mayor's preferred affordable housing tenures and other genuinely affordable housing products

⁵⁴ Public subsidy includes grant, public loans (including the Mayor's London Housing Bank) and any public land at a reduced cost



- 4.4.5 Given the extent of housing need identified for affordable housing in the 2017 SHMA, the delivery of overall housing targets should not be relied on as a reason for reducing affordable housing delivery or other policy requirements, subject to the approach in this policy, Policy H5 Threshold approach to applications and Policy DF1 Delivery of the Plan and Planning Obligations. In previous years where there has been a relaxation in affordable housing and other planning requirements this has typically led to higher land values, rather than an increase in housing delivery. Whilst the Plan sets out a clear approach for significantly increasing housing delivery in London, the London SHMA has identified that **65 per cent of London's need is for affordable housing**. Therefore, it is crucial that residential and mixed-use development contributes directly towards the provision of affordable housing and other policy requirements that support the delivery of sustainable development.
- 4.4.6 The Mayor expects all affordable housing providers to deliver as much affordable housing as possible. **Affordable housing providers with agreements with the Mayor** should deliver at least 50 per cent affordable housing across their development programme and, in the case of strategic partners, 60 per cent. Affordable housing commitments by these providers are not planning requirements that can be applied to individual sites as the commitments are only achievable if the affordable housing providers have the flexibility to use their resources strategically to maximise affordable housing provision across London.
- 4.4.7 **Public sector land** 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. The Mayor expects that residential proposals on public land should deliver at least 50 per cent affordable housing on each site. Public sector landowners with an agreement with the Mayor may provide 50 per cent affordable housing across a portfolio of sites provided at least 35 per cent affordable housing is provided on each site, with the required affordable housing tenure split on the initial 35 per cent.
- 4.4.8 Most **industrial land** fulfils a vital role in supporting London's economy. However, it is occasionally deemed appropriate for residential uses. In these circumstances, there is potential for a significant difference in value between the two uses. The Mayor expects that residential proposals on industrial land should deliver at least 50 per cent affordable housing where the scheme would result in a net loss of industrial capacity.
- 4.4.9 Affordable housing should be delivered on site to help deliver mixed and inclusive communities providing choice to a range of Londoners. Affordable housing should only be accepted as an **off-site contribution** in exceptional circumstances where it can be robustly demonstrated that affordable housing

cannot be delivered on-site or where an off-site contribution would better deliver mixed and inclusive communities than an on-site contribution.

- 4.4.10 **Cash in lieu** contributions should be used in even more limited circumstances,⁵⁵ and only where there is detailed evidence to demonstrate that on-site affordable housing delivery is not practical, off-site options have been explored but are not acceptable and that accepting a cash in lieu contribution will not be detrimental to the delivery of mixed and inclusive communities.
- 4.4.11 In each case, the approach must result in **additional affordable homes**, meaning the funding should not be used for affordable units that would otherwise have been delivered. It should also take account of the fact that all sites are expected to deliver at least the threshold level of affordable housing and any cash in lieu or off-site contribution should deliver units in addition to this.
- 4.4.12 Cash in lieu contributions should be held in a **separate affordable housing pot**, where resources can be pooled and ring-fenced to enable greater, or more appropriate, new provision to be made off-site. This should either be on an identified site or as part of an agreed programme, in compliance with the statutory tests for use of planning obligations.⁵⁶
- 4.4.13 To avoid incentivising off-site provision or in lieu contributions, agreements for this should provide no financial benefit to the applicant relative to on-site provision and should include **review mechanisms** in line with the Viability Tested Route. The policy target for schemes delivering off-site affordable housing or in lieu contributions is 50 per cent affordable housing provided across the main site and any linked sites when considered as a whole.
- 4.4.14 Boroughs must have in place **monitoring arrangements** to ensure that the additional homes are delivered. As per Policy H7 Monitoring of affordable housing, the Mayor requires information on off-site and cash in lieu delivery as part of the data collection for the Annual Monitoring Report.

⁵⁵ For exceptions see Policy H2 Small sites and Policy H16 Large-scale purpose-built shared living.

⁵⁶ Community Infrastructure Levy Regulations 2010, Regulation 122(2): http://www.legislation.gov.uk/uksi/2010/948/pdfs/uksi_20100948_en.pdf

