

### **Policy H6 Affordable housing tenure**

- A The following split of affordable products should be applied to residential development:
- 1) a minimum of 30 per cent low-cost rented homes, as either London Affordable Rent or Social Rent, allocated according to need and for Londoners on low incomes
  - 2) a minimum of 30 per cent intermediate products which meet the definition of genuinely affordable housing, including London Living Rent and London Shared ownership

- 3) the remaining 40 per cent to be determined by the borough as low-cost rented homes or intermediate products (defined in Part A1 and Part A2) based on identified need.

**B** To follow the Fast Track Route the tenure of 35 per cent of homes must meet the requirements set out in Part A. The Fast Track Route is also available to applicants that elect to provide low-cost rented homes in place of intermediate homes, provided the relevant threshold level is reached. Where affordable homes are provided above 35 per cent, their tenure is flexible, provided the homes are genuinely affordable (defined in Part A1 and Part A2), and should take into account the need to maximise affordable housing provision, along with any preference of applicants to propose a particular tenure.

- 4.6.1 The 2017 SHMA shows London's significant need for low-cost rental housing; however, the current national funding programme is focused on intermediate products which limits the Mayor's ability to require higher levels of low-cost rented accommodation. The **tenure splits** set out in this policy provide sufficient flexibility to be tailored to meet local needs as well as ensuring that new development delivers a minimum level of low-cost rented accommodation and intermediate accommodation, contributing to the delivery of mixed and inclusive communities. The minimums in Part A1 and Part A2 will be monitored and reviewed in 2021 and, if necessary, updated through Supplementary Planning Guidance, taking account of future affordable housing funding agreements.
- 4.6.2 There is a presumption that the **40 per cent to be decided by the borough** will focus on Social Rent and London Affordable Rent given the level of need for this type of tenure across London. However, it is recognised that for some boroughs a broader mix of affordable housing tenures will be more appropriate either because of viability constraints or because they would deliver a more mixed and inclusive community. The appropriate tenure split should be determined through the Development Plan process or through supplementary guidance.
- 4.6.3 The Mayor is committed to delivering genuinely affordable housing. Within the broad definition of affordable housing, the Mayor's **preferred affordable housing tenures** are:
- homes based on social rent levels, including Social Rent and London Affordable Rent
  - London Living Rent



- London Shared Ownership.

These are described in more detail below.

- 4.6.4 **London Affordable Rent** and Social Rent homes are for households on low incomes where the rent levels are based on the formulas in the Social Housing Regulator's Rent Standard Guidance. The rent levels for Social Rent homes use a capped formula and London Affordable Rent homes are capped at benchmark levels published by the GLA. Rents for both are significantly less than 80 per cent of market rents, which is the maximum for Affordable Rent permitted in the NPPF. More detail is contained within the Mayor's Homes for Londoners Affordable Homes Programme funding guidance<sup>61</sup>. These homes will be allocated in accordance with need (based on the borough's allocations policy).
- 4.6.5 **London Living Rent** (LLR) offers Londoners on average incomes a lower rent, enabling them to save for a deposit. The Mayor is introducing LLR as an intermediate affordable housing product with low rents that vary by ward across London. Where funded by the Greater London Authority, LLR will be a Rent to Buy product, with sub-market rents on time-limited tenancies, which will help households on average income levels to save for a deposit. As London Living Rent can be a step to homeownership, it can be considered as an affordable homeownership product.<sup>62</sup>
- 4.6.6 **London Shared Ownership** is an intermediate ownership product which allows London households who would struggle to buy on the open market, to purchase a share in a new home and pay a low rent on the remaining, unsold, share.
- 4.6.7 **Other affordable housing products** may be acceptable if, as well as meeting the broad definition of affordable housing, they also meet the London Housing Strategy<sup>63</sup> definition of genuinely affordable housing and are considered by the borough to be genuinely affordable.
- 4.6.8 Currently all intermediate rented products such as London Living Rent and Discounted Market Rent should be affordable to households on incomes of up to £60,000. Intermediate ownership products such as London Shared Ownership and Discounted Market Sale (where they meet the definition of affordable housing), should be affordable to households on incomes of up to £90,000. Further information on the **income caps** and how they are applied can be found

<sup>61</sup> <https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners-affordable-homes-programmes>

<sup>62</sup> Further details on LLR can be found in the London Housing Strategy

<sup>63</sup> Mayor of London, 2018, London Housing Strategy: [https://www.london.gov.uk/sites/default/files/2018\\_lhs\\_london\\_housing\\_strategy.pdf](https://www.london.gov.uk/sites/default/files/2018_lhs_london_housing_strategy.pdf)





in the Annual Monitoring Report. The caps will be reviewed and updated where necessary in the Annual Monitoring Report.

- 4.6.9 For dwellings to be considered affordable, **annual housing costs**, including mortgage (assuming reasonable interest rates and deposit requirements), rent and service charge, should be no greater than 40 per cent of net household income, based on the household income limits set out above. Boroughs should seek to ensure that intermediate provision provides for households with a range of incomes below the upper limit. For London Living Rent – please refer to the rent setting guidance provided on the GLA website.
- 4.6.10 In addition to the income caps, boroughs may set **other eligibility criteria** for the intermediate units, reflecting local housing need. However, any local criteria including income caps below the maximum amounts set out above, should automatically cascade out to the London-wide eligibility criteria within three months to ensure that units are not left vacant. Re-sales and re-lets should be available to those meeting the London-wide income caps and not be restricted by local eligibility criteria. Homes should be made available through the new Homes for Londoners online portal.
- 4.6.11 To follow the Fast Track Route, the tenure of 35 per cent of homes must adhere to the **tenure split** set out in [Policy H6 Affordable housing tenure](#). Where a scheme is delivering more than 35 per cent, the tenure of the additional affordable housing is flexible and should take into account the need to maximise affordable housing provision along with any preference of applicants to propose a particular tenure.
- 4.6.12 If, when assessing a scheme under the Viability Tested Route, the evidence demonstrates that the threshold cannot be met, the affordable housing tenure split in [Policy H6 Affordable housing tenure](#) should be considered as the starting point for negotiations. It will, however, be for the borough, and the Mayor where relevant, to decide if there should be a greater number of affordable homes, or fewer homes at a deeper discount. Therefore Section 106 agreements should stipulate the **tenure mix** for a scheme and this should be consistent with the assumptions in the viability assessment.