

# Public Examination of the Development Management Local Plan

## London Borough of Lewisham response to Inspector's agenda item 4 regarding DM7 Affordable rented housing

*It will be necessary to discuss the extent to which the Council's proposed modifications may or may not be in/out of conformity with the REMA to the London Plan.*

Planning Policy – February 2014

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### Council response

#### **1. Introduction**

- 1.1 The Council's response to the Inspector's initial queries (dated the 13<sup>th</sup> January 2014) stated that in the weeks preceding the Examination, the Council will continue to consider the issue of affordable rent and will continue discussions with the GLA, with an aim of reaching an agreement, if at all possible, prior to the start of the Hearings.
- 1.2 This paper provides an update, sets out the suggested modifications now proposed by the Council and explains the reasoning for these changes below.
- 1.3 On the 7<sup>th</sup> February 2014 the Council sent the GLA some further suggested modifications and sought to create a more balanced policy that seeks to maximise affordable rent provision within the limits of the local context by:
  - deleting Clause 2, a, b, and c of DM7.
  - adding new Clauses 2 and 3 to incorporate the preferred wording suggested by the GLA, whilst at the same time recognising that homes need to remain genuinely affordable for people on low incomes.
  - retaining text in paragraph 2.75 (now 2.77) that does not prescribe rigid rent levels and sets this on a case by case basis.
  - adding new text in paragraph 2.75 (now 2.77) so that it refers to:
    - rents being set on a case by case basis.
    - the requirement to maximise affordable housing output.
    - rents for smaller homes of up to 80% of the market rent whilst meeting local and borough-wide housing needs.
    - meeting the full objectively assessed housing needs for the area.
  - retaining text in paragraph 2.75a (now 2.78) that puts the onus on the developer to submit an independent financial viability appraisal.
  - removing some superfluous text from paragraph 2.75 (now 2.77) and clarifying text in paragraph 2.75a (now 2.78).

1.4 On the 7<sup>th</sup> February 2014 the Council received the Inspector’s agenda that highlights the need to clarify how the new paragraphs 2.75 and 2.75a fit into the current paragraphs 2.73 and 2.77. The Council feels that the new paragraphs do not conflict with the content of the existing justification text but that there would be merit in re-ordering the paragraphs. The Council is now proposing that:

- the existing paragraph 2.75 be deleted,
- subsequent paragraphs are renumbered,
- new paragraphs 2.75 and 2.75a be relocated at the end of the justification text and renumbered as 2.77 and 2.78.

1.5 On the 13<sup>th</sup> February 2014 the GLA responded back, stating that they are concerned that the Council’s approach is still not in general conformity with London Plan policy to maximise affordable housing output. Instead, the GLA have made suggestions to alter the wording and these are listed in the first column. The second column states whether the Council agrees or not with the GLAs proposed wording. It shows that the Council would like to uphold it’s position with regard to points 1, 3, 5, 7 and 9. These will be explained in more detail during the Hearing.

What the GLA propose	Whether the Council agrees
❶ in Clause 2 – removing “ <del>will take account of a range of issues</del> ” and replacing with “ <b><u>make the best use of available resources</u></b> ”.	No - seeks to retain “will take account of a range of issues”. The GLA are being inconsistent by removing wording that they initially proposed. Available resources are only one consideration that needs to be taken into account alongside, mix of tenure, location etc. By retaining the words the policy will be more flexible.
❷ in Clause 2 - removing “ <del>genuinely</del> ”.	Yes, agree to remove “genuinely” as it does not add significantly to the content of the policy.
❸ in Clause 3 – removing “ <del>at or around target rent levels</del> ”.	No - seeks to retain these words. The GLA are being inconsistent by removing wording that they initially proposed and other Local Authorities are proposing this wording too. It is needed in order to address the issue of local affordability.
❹ in paragraph 2.75 (now 2.77) - removing “ <del>this</del> ” and replacing with “ <b><u>these</u></b> ”	Yes, agree to change to “these” as it helps clarify the meaning of the policy.
❺ in paragraph 2.75 (now 2.77), second bullet - removing “ <del>seeking rents for smaller homes (1 or 2 bedrooms) of up to 80% of the market rent whilst</del> ”.	No - seeks to retain these words as it is not restricting affordable rented homes, but rather reiterating the national policy position as outlined in Annex 2 of the NPPF.
❻ in paragraph 2.75 (now 2.77), second bullet - removing “ <del>borough-wide</del> ” and	Partially agree. Agrees to include the words “and strategic” but feels this should be

replacing with " <b><u>strategic</u></b> ".	balanced by retaining "borough-wide" instead of "local and", in order to reduce repetition.
⑦ in paragraph 2.75 (now 2.77), third bullet - removing " <del>meeting the full objectively assessed housing needs for the area</del> ".	No - seeks to retain these words as the NPPF does not specify that strategic housing needs should take priority over local housing needs (also acknowledged by the Inspector's Report on the REMA).
⑧ in paragraph 2.75 (now 2.77), first half of the fourth bullet - removing " <del>ensuring provisions are made to remain at an affordable price</del> " and replacing with " <b><u>ensuring it remains affordable</u></b> ".	Yes, agree to change these words, given their minor nature.
⑨ in paragraph 2.75 (now 2.77), second half of the fourth bullet - removing " <del>for instance retaining rent levels in perpetuity</del> ".	No - seeks to retain these words as it is inconsistent for the GLA to object at this stage, given that they did not previously object. Also, households on low incomes will require affordable homes in the future and therefore it is not unreasonable to retain rent levels in perpetuity.

1.6 The wording for DM7 and the justification text that the Council now proposes for consideration at the Hearing is shown in section 2 below.

1.7 On 14<sup>th</sup> February 2014 the Council received the Affordable Rent Study, a consultants report that was commissioned by the Council and undertaken by pod LLP, to enable a better insight into the issue of local affordability. This will shortly appear in the Council's Submission Library and will be circulated to the Inspector and the objectors (the GLA and Signet Planning) for information.

## 2. Suggested modifications

2.1 The Council now proposes the following modifications for consideration at the Hearing.

~~Strikethrough text~~ = original text in DM7 Submission version to be deleted.

Normal text = original text in DM7 Submission version to be retained.

**Black bold underlined text** = modifications proposed by the Council on 7<sup>th</sup> February that are to be retained.

~~Strikethrough bold text~~ = modifications proposed by the Council on the 7<sup>th</sup> February, that are now to be deleted.

**Reversed text** = modifications proposed by the Council on 7<sup>th</sup> February that are to be retained, despite objection by the GLA.

**Grey highlighted text** = modifications proposed by the GLA on the 13<sup>th</sup> February, agreed by the Council.

~~Grey strikethrough text~~ = deletions proposed by the GLA on the 13<sup>th</sup> February, agreed by the Council.

~~Grey reverse strikethrough text~~ = modifications proposed by the GLA on the 13<sup>th</sup> February, that the Council does not agree with.

## **DM Policy 7**

### **Affordable rented housing**

1. The Council will require new residential development to provide on site affordable housing in accordance with Core Strategy Policy 1.

~~2. If providing affordable rented housing:~~

~~a. the percentage of dwellings designated for this tenure shall be negotiated with the~~

~~Council to ensure homes are genuinely affordable for households on low incomes~~

~~b. rents should not exceed 'target rents' for dwellings of 3 bedrooms or more and~~

~~c. such dwellings are to remain at 'target rent' levels in perpetuity.~~

**2. When considering the affordable housing mix, the Council will take account of a range of issues, make the best use of available resources to maximise the delivery of affordable housing whilst ensuring that homes remain genuinely affordable for people on low incomes and schemes remain viable.**

**3. When providing affordable rented housing, priority will be given to delivering family homes (3 or more bedrooms) at or around target rent levels.**

2.73 Core Strategy Policy 1 (CSP1) sets out a clear policy on affordable housing for the borough over the plan period. CSP1 requires housing development on qualifying sites (10 or more dwellings) to provide as much affordable housing as is financially viable. The starting point for negotiations is a contribution of 50%. The Core Strategy defines two types of affordable housing: social rented and intermediate housing. The required tenure mix is 70% social rented and 30% intermediate housing.

2.74 The Council carried out a number of studies to support its approach and the Core Strategy requirements are based on a balance between meeting the need for more affordable housing in and ensuring schemes are viable and can be delivered. Evidence underpinning the Core Strategy looked at housing need and viability, specifically the Lewisham Housing Market Assessment and the Affordable Housing Viability Study. The studies highlight the need for more affordable housing in Lewisham, particularly more social rented housing and also highlight the low average incomes of those in housing need.

~~2.75 Where the policy minimum requirement cannot be met, applicants are required to submit a financial appraisal to demonstrate why provision cannot be delivered. The Council assesses the financial appraisal and the proposed scheme on a case by case basis.~~

~~2.76~~ **2.75** Since the Core Strategy was adopted in June 2011 the government has made changes to the definition and delivery of affordable housing. This has now been reflected through the NPPF and these changes have also been included in recent amendments to the London Plan.

~~2.77~~ **2.76** A category tenure called 'affordable rented housing' is now included within the NPPF definition of affordable housing. This new tenure is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable rent is subject to rent controls that require a rent of no more than 80% of the local market rent. Tenancy can range from two years to a lifetime, and will be offered by registered providers of social housing through the usual letting and nomination process to new tenants. The introduction of this new

tenure was driven by reductions in the availability of capital grant funding and not by the ability of local households to afford the new rent levels.

**2.77 Affordable rent levels wholly set at 80% of market rent would be unaffordable for many of the Borough's residents in need of social housing, given their low average incomes. Policy DM7 does not prescribe rigid rent levels, as these should be set on a case by case basis. Key considerations include:**

- **addressing the requirement to maximise affordable housing output, whilst taking into account other policies in the Core Strategy,**
- **seeking rents for smaller homes (1 or 2 bedrooms) of up to 80% of the market rent whilst meeting local and borough-wide and strategic housing need,**
- **meeting the full objectively assessed housing needs for the area,**
- **ensuring it remains affordable for future eligible households, for instance retaining rent levels in perpetuity, and**
- **taking account of the location within the borough, the area's tenure mix and site characteristics.**

**2.78 Applicants are required to submit an independent financial viability appraisal, the costs of which should be borne by the applicant. It should address:**

- **the mix of units available for social rent and affordable rent,**
- **the mix in dwelling sizes and types,**
- **the mix of affordable rent levels,**
- **how the housing scheme as a whole will remain affordable, and**
- **that the scheme has been properly costed and is deliverable.**

**The Council will assess the financial viability appraisal and the proposed scheme on a case by case basis.**