


Oxford Core Strategy Examination Statement of Oxford City Council		www.oxford.gov.uk  OXFORD CITY COUNCIL
C/M5/4	Matter 5 – Housing Issue 4 – Affordable housing	

i) What is the basis of the 50% benchmark figure in policy CS25?

The current Local Plan figure is 50% (CD7/6, Policy HS.5) which was adopted in 2005 based on evidence of need and viability. The Core Strategy is taking forward this policy because of the continuing high need for affordable housing in Oxford (Strategic Housing Market Assessment Appendix B, CD14/5) and the ability of sites to deliver it.

ii) What is the justification for a percentage figure higher than that of the RSS?

The South East Plan says (CD10/1, Policy CO3) that at least 40% of all new housing in the Central Oxfordshire sub-region should be affordable but it also says (in para 22.16) that it is an indicative target. As this is a target for all housing delivered, and because many sites in Oxford are small and would not deliver any affordable housing, this implies that the target on an individual site-by-site basis should be higher than 40%.

The need for affordable housing in Oxford is very high and the very recent Centre for Cities report has shown Oxford to be the least affordable city in the country (see Appendix 1).

The SEP Panel Report (CD8/8, para 22.100) did not want to see a weakening of Oxford's current 50% affordable housing provision and recommended the inclusion of wording changes accordingly. The Panel Report stated that the wording should be amended to "at least 40%" because (among other reasons) "the "at least" terminology should avoid any weakening of the negotiating position within Oxford city".

iii) What is the overall target for the City?

The City Council's target for affordable housing is 200 dwellings annually for at least the next 3 years. This is a corporate target used as a monitoring benchmark. Calculations of the schemes in the development pipeline suggest that with the 50% requirement, this target should be achieved.

iv) What evidence is there of the viability/feasibility that has led to the policy approach?

Background Paper E (CD5/13) goes into detail with regard to viability. In summary, two viability studies have been undertaken which show that 50% is viable on the majority of sites. The first was dated 2004 (CD14/4) for the Local Plan Inquiry and was accepted as sound evidence base by that Inspector. The second was for the Planning Obligations SPD dated 2007 (CD14/2).

Further evidence is that developments have been proposed, and permitted and developed, which generally achieve 50%. Appendix 2 shows an analysis of all planning permissions that include affordable housing in Oxford and the percentages achieved. It is evident that 50% is viable and therefore realistic and achievable. Even just prior to the adoption of the Local Plan there was one site, Land West of Leafield Road, that achieved 52.6% on appeal. This development is now completed. With regard to the site that achieved 33.3% (153/155/157 Iffley Road), the applicant provided financial viability evidence that a greater proportion of affordable units would make the development unviable which is unsurprising on a site with fewer than 10 dwellings (the size of site triggered the affordable housing requirement). Whilst the number of sites appears small, this is unsurprising and a reflection of the character of Oxford and the small size of sites coming forward.

50% is becoming the 'norm' in many local authorities in the South East. It is proposed by South Oxfordshire, and adopted by West Oxfordshire and other authorities outside of Oxfordshire including the recently adopted Core Strategies of Reading and Richmond upon Thames.

v) Were these exercises realistic and appropriately carried out, particularly bearing in mind current economic difficulties?

It is accepted that the viability studies were conducted when market conditions were better. Market conditions fluctuate and viability studies are only a snapshot so it would always be difficult to keep up with the current situation. So the most sensible way to approach the development of an affordable housing policy is to use evidence of average/normal market conditions and set the policy at that benchmark, but ensure that there is flexibility within the policy to allow for times when the market conditions are more difficult which the Affordable Housing SPD (CD7/9) is clear on.

If a study were undertaken now it would be likely to show only a lower percentage being viable on a number of sites. But setting an affordable housing percentage based on that would mean that when the market improves, sites would not be delivering the most they could achieve resulting in wasted opportunities. The Core Strategy has a 20-year life span and policies must endure.

vi) Does the policy properly reflect the guidance in PPS3?

As per paragraph 29 of PPS3 (CD11/3), the Core Strategy sets a plan-wide target reflecting economic viability. The Affordable Housing SPD (CD7/9) sets out specific tenure targets, the review of which will reconsider and update these. The size and type of affordable housing is determined by the Affordable Housing and Balance of Dwellings SPDs (CD7/14), the latter of which was based upon the detailed Balance of Dwellings Study (CD14/3) and has neighbourhood specific targets. The Development Management DPD (DMDPD) will review thresholds and delivery mechanisms and work on this has already commenced with a view to adopt in October 2011. The thresholds are currently set out in the Local Plan and this policy is saved until the DMDPD is adopted.

vii) Does the policy provide suitable flexibility to allow for viability and site circumstances to be taken into account?

Absolutely. Policy CS25 says that “generally a minimum of 50%” is required and that the Affordable Housing SPD (CD7/9) provides further details on the implementation of the policies. The SPD was adopted in 2006 and will continue to support the Core Strategy policy, and will be revised and updated alongside the DMDPD.

The SPD allows developers to submit evidence of non-viability following which the Council will negotiate the level and type of affordable housing down to a point that makes the development viable. An example of this is the appeal at St Ebba's¹ where the level of affordable housing was negotiated down to a point that made the development viable. The SPD does not set a minimum level of affordable housing so no matter how bad the economic situation becomes, the SPD allows for it. The City Council is willing to negotiate, so in practice there should be no site prevented from coming forward due to non-viability as a result of the affordable housing policy. The forthcoming DMDPD and review of the SPD will carry forward this approach.

viii) What is the justification for requiring affordable housing from commercial developments?

Background Paper E (CD5/13) goes into some detail on the justification. In summary, there is a huge need for affordable housing in Oxford and a proportion of those employed by businesses in Oxford are unlikely to be able to afford housing in Oxford. 47.4%² of Oxford's workforce commute in from outside of Oxford and so providing more affordable housing as a result of new commercial development

¹ Appeal reference: APP/G3110/A/06/2031506

² *Travel to work in Oxfordshire comparisons between 1991 and 2001* (Aug 2004) Oxfordshire County Council

would help more people live closer to their place of work. The principle of taking contributions towards affordable housing from commercial development to mitigate this pressure was established in the Local Plan (CD7/6, Policy HS.7). The Local Plan Inspector accepted that contributions could be sought where the need for affordable housing is directly related to the development proposed and that this could occur where there would be an acknowledged creation of jobs for lower paid workers for which there was no affordable housing (CD7/7, paras 7.3.40-7.3.42). A similar policy was also accepted by the West End AAP inspector and adopted (CD7/5, Policy WE17).

ix) Does this approach have any national/regional support?

The Local Plan policy originally emerged from a consultation document that accompanied the Planning Green Paper called 'Reforming Planning Obligations: Delivering A Fundamental Change' (DTLR, Dec 2001) which stated at para 2.7 that "*We consider that local authorities should be able to seek a contribution towards affordable housing, either in cash or in kind, from a wide range of development proposals, including commercial schemes*" and this was carried forward in 'Reforming Planning Obligations: the Use of Standard Charges' (ODPM, Oct 2004) an extract of which is at Appendix 3.

Whilst there is no current guidance specifically detailing this type of contribution nor preventing it, planning obligations may be sought provided that they accord with the policy tests in Circular 5/05.

x) Would it hinder the achievement of the required commercial development?

Background Paper E (CD5/13) goes into detail on the viability of contribution from commercial development. In summary, the Affordable Housing SPD sets out the implementation of the policy and says that there should be a contribution towards providing affordable housing for between 1% and 5% of the employees. The Planning Obligations Viability Study (CD14/2) tested the contribution from commercial development and revealed that with the addition of planning obligations, some sites would come close to being unviable. On this basis the lower percentage for contributions is currently sought, with a view to moving towards the higher 5% should market conditions indicate that this would be possible during reviews of the SPD. The contribution is intended to be sought only from large developments so as not to deter small businesses so an indicative threshold of 2,000m² is given in the SPD.

As with any type of development requiring any type of contributions, developers are expected to take into account contributions when assessing the viability of schemes and when purchasing development sites. The similar policy in the Local Plan has been adopted since 2005 and so it is established and not a particularly new

concept, especially to local developers. There is continued developer interest in employment sites which suggests that the level of contribution is not deterring them.

An example of a site where Policy HS.7 has been successfully been applied is DHL, Sandy Lane West (Application number 07/02809/FUL). The policy was applied to where there was an increase in floorspace and a change of use that would have increased employee/workspace density. A sum of £67,968 was received which equated to 1% level of contribution.

xi) Is the approach to key worker housing appropriate?

Yes. Oxford has a considerable number of employers of key workers so the Core Strategy ensures that key workers have the widest variety of opportunities to access the housing market. Key workers can access the housing market in Oxford through:

- (a) Affordable 'social rented' housing by qualifying through the normal housing register route (Policy CS25, forthcoming DMDPD and Affordable Housing SPD review);
- (b) Affordable 'intermediate' housing schemes such as Home Buy (Policy CS25, forthcoming DMDPD and Affordable Housing SPD review);
- (c) Specialist key worker housing (self-contained units) and staff residential halls (non self-contained) often built by key worker employers, whereby affordability is not controlled but occupancy is restricted to key workers. (There is no policy specifically promoting this type of development but likewise there is not one preventing it - forthcoming DMDPD for local key worker definitions);
- (d) Market housing.

The Core Strategy allows for each of these types of development. Key workers can be specifically housed in affordable housing, as long as it is affordable by the PPS3 (CD11/3) definition. So if a developer provides key worker housing that is affordable as part of the overall required affordable housing of the right tenure mix then no further affordable housing is required.

But self-contained specialist key worker housing developments (which is generally not affordable by the PPS3 definition) must only be in addition to affordable housing provision because it is not generally affordable in the PPS3 and South East Plan sense. Whilst their occupancy would be restricted to key workers giving them the opportunity for housing, it does not guarantee their affordability and therefore does not address the main problem. In recent years there have been a few developments in Oxford for specialist key worker development with occupancy restricted to key workers but with no affordability criteria. There have been 3 sites in Oxford containing specialist self-contained key worker units for the NHS (Chartwell Flats, Ivy Lane Flats and Arthur Sanctuary House) where the employer has applied to

vary the condition to expand the occupancy restrictions. This is most likely because the units are not being at affordable levels, not because there is a shortage of NHS key workers seeking accommodation in Oxford.

There is such a huge need for affordable housing coupled with a shortage of land so there should not be a policy approach which allows developments to deliver housing where none is affordable by definition. Also, allowing a development for only one type of occupier would not be delivering a mixed and balanced community. We recognise that there is a need for key worker housing but at the same time there is a need for housing for all types of workers and with limited land availability in Oxford, not everyone can be specially provided for. Key worker housing would be available through the four opportunities listed in (a)–(d) which actually gives more housing options than for non-key workers.

xii) Does the policy CS25 relate to student accommodation?

Page 57 of the Core Strategy Proposed Changes to the Submission is clear that the policy only refers to developments of self-contained units so Policy CS25 does not apply to non self-contained student accommodation. However, with regard to self-contained student accommodation, it is a little more complex.

Paragraph 39 of the adopted Affordable Housing SPD (CD7/9) states that self-contained student accommodation will be expected to provide affordable housing. The reason for this was to avoid self-contained units being converted into normal market housing and thus avoiding the affordable housing requirement.

Oxford has had a number of applications for student accommodation which have include self-contained units and the question has arisen over whether or not affordable housing should be expected through the current Local Plan affordable housing Policies HS.4 and HS.5. The City Council sought legal advice on this which concluded that the issue of whether or not affordable housing can be sought from developments offering self-contained accommodation depends on the nature and purpose of the accommodation being provided.

The legal opinion says that *"If it is being provided by the educational institution itself (e.g. University of Oxford or Oxford Brookes University) or by a developer for a named educational institution and that educational institution has responsibility for managing it and has criteria for its occupants related to their student status it should not be expected to provide affordable housing. As occupancy would be managed and other bodies would have responsibility for making that accommodation available only to those meeting the requisite criteria in the same way as non self-contained student accommodation...if, on the other hand, self-contained student accommodation were provided on a wholly speculative basis without any*

reference to meeting the need of a named institution, the issue would need to be assessed as to whether it is properly student accommodation or rather self-contained units of residential accommodation". The legal opinion goes on to say that " the City Council may still be met with the counter argument that conditions or an obligation could secure its use for student accommodation and prevent its conversion to market housing. However, in the absence of meeting the particular need of a specified educational institution it is possible that the imposition of such a condition would not be appropriate or be likely to be varied or removed on application or appeal and the accommodation eventually used for other purposes. In such circumstances seeking affordable housing from the development would seem more capable of being justified" .

On the basis of this legal opinion, the Policy would only be required from self-contained student accommodation if it were a wholly speculative development not for a named institution.

Cities Outlook 2009

Housing is a key part of urban labour markets

During 2008 we have highlighted how labour market policies that have a narrow focus on skills and employment are only half the story. Our *Home Economics*³⁰ report called for infrastructure and investment to support local labour markets and to help get people into jobs. Provision of appropriate, affordable and flexible housing in the right places, and investment in transport infrastructure to

link people to jobs, is essential to enable people and economies to fulfil their potential. Table F below shows the variation in affordability in different UK cities, which has a direct impact on their ability to attract skilled people – often from mobile global labour pools – to meet local business needs. The Southern cities with greater population pressures are facing much more significant affordability constraints.

Table F:
Housing affordability ratio 2007³¹

10 least affordable cities			10 most affordable cities		
1	Oxford	13.1	54	Dundee	6.4
2	Bournemouth	12.4	55	Doncaster	6.3
3	London	11.8	56	Stoke	6.3
4	Cambridge	11.7	57	Wigan	6.2
5	Brighton	10.7	58	Grimsby	6.2
6	Worthing	9.8	59	Barnsley	6.1
7	Aldershot	9.8	60	Blackburn	6.0
8	Norwich	9.7	61	Rochdale	6.0
9	Crawley	9.7	62	Hull	5.7
10	Hastings	9.6	63	Burnley	5.3
United Kingdom Average			9.5		

Source: DCLG 2008 for 2007 housing prices and ONS 2008 for 2007 wages. Own calculations for urban areas. Affordability ratio calculated as mean house prices/annual average earnings. (Belfast excluded from table due to lack of data)

³⁰ Gibb, K, O'Sullivan, T & Glossop, C (2008): *Home Economics: How housing shapes city economies*. Centre for Cities

³¹ English Cities plus Belfast, Edinburgh, Glasgow, Aberdeen, Dundee, Cardiff, Swansea and Newport

Appendix 2 - Affordable housing delivery analysis

All sites granted planning permission post-Local Plan adoption in Nov 2005 with affordable housing (Full or outline permission only, excludes 100% affordable housing RSL developments)						
Site	Permission number	Date of permission	Total dwellings permitted	Affordable dwellings permitted	Percentage affordable	Build status
Territorial Army Site	07/02261/FUL	27/6/2008	72	36	50%	Under construction
Beenhams	06/01099/FUL	7/2/2008	21	10	47.6%	Under construction
153/155/157 Iffley Road	07/00340/FUL	3/3/2008	9	3	33.3%	Under construction
Travis Perkins	04/02259/OUT	14/3/2006	57	29	50.8%	Outline
Westgate	06/01211/FUL	9/3/2007	127	64	50.4%	Not started
St Nicholas House	04/01106/OUT	23/6/2006	19	9	47.4%	Outline

Appendix 3 - Extract from 'Reforming Planning Obligations: the Use of Standard Charges' (ODPM, Oct 2004)

Reforming Planning Obligations: the Use of Standard Charges

- 3.33 With the creation of regional and sub-regional housing partnerships and the preparation of regional and sub-regional housing strategies, driven by the Housing Corporation in pursuit of better value for money and assured delivery, the idea of pooling s106 affordable housing contributions has come onto the agenda. This is especially so in London, and, potentially, also within other large conurbations. Despite enquiries, the team is not aware of any local authorities that have pooled contributions to date. Relatively few local authorities are taking payments in lieu and, where they are, they are using them to meet needs locally within the Borough.
- 3.34 One area where pooling of funds and sub-regional or regional provision would have a clear logic is in the provision of housing for key workers. Here decisions about where to live are primarily based on travel to work times and housing markets, and housing needs bear no relationship to administrative boundaries.

LEVYING AFFORDABLE HOUSING OBLIGATIONS ON COMMERCIAL DEVELOPMENT

- 3.35 There are effectively two approaches emerging: the mixed use approach (long standing in Westminster and now starting to be applied elsewhere) and direct financial contributions.

Mixed Use Approach

- 3.36 Many local authorities are now actively promoting mixed use development rather than single use developments on accessible urban sites. Some have specific policies to require mixed use development on commercial sites and then a contribution to affordable housing from all such developments providing 15 or more dwellings.

Financial Contributions

- 3.37 Encouraged by the Planning Green Paper and the draft London Plan, some planning authorities are now exploring the prospect of financial contributions from commercial developments towards affordable housing.
- 3.38 A policy of seeking financial contributions from commercial development for key worker housing is potentially consistent with the existing national policy framework on planning obligations if it can be clearly demonstrated that housing supply and needs are being adversely affected within the travel to work area. To be consistent with policy, any such contributions should of course comply with the tests in Circular 1/97.

Issues Requiring Further Research

- 3.39 Further work is needed in order to establish whether set levels of affordable housing contribution on commercial sites would render developments unviable. It would be useful to take Oxford, Camden and other local authorities pursuing a mixed use or financial contribution approach as case studies to examine the impacts that these policies are having on the local economy and opportunities for regeneration.
- 3.40 The Local Development Framework would also have to examine the case for exceptions, both in respect of thresholds and where there are stronger economic or planning priorities to promote employment uses. There is a strong body of opinion for instance in London, including local authorities, that would not wish to dilute the strength of commercial areas which underpin the role of London as a world city.

Basis for Levying Affordable Housing Obligations on Commercial Development

- 3.41 In order to be consistent with other planning obligations, any affordable housing contributions would be related to the amount of commercial floorspace, with a credit system for any floorspace that is being replaced or affordable housing provided on-site.

CONCLUSIONS

- 3.42 Certain local authorities in London and the South East are developing innovative approaches in relation to the provision of affordable housing as part of mixed tenure housing developments. Because of the very strong presumption in favour of on-site provision of affordable housing, few authorities have a rigorously enforced policy for collecting in-lieu financial contributions for affordable housing. These can exceed £50,000 per unit of market housing provided.
- 3.43 This good practice is generally applicable in other areas of high house prices and demand and is compatible with a system of Standard Charges. In areas of low house prices, which often have a surplus of social housing, few authorities seek affordable housing provision as part of mixed tenure developments. Most housing schemes in those localities could not afford to make significant financial contributions to affordable housing.
- 3.44 Very few authorities insist on affordable housing provision or contributions from commercial, principally office, development. This strict policy approach is only likely to be applicable in high value town centre locations, but would benefit from further research. Many other authorities are generally promoting mixed use developments. Where these include market housing, the authority's normal affordable housing policies apply.