

# AFFORDABLE HOUSING

## DEVELOPING WESTMINSTER'S LOCAL PLAN



# Foreword

**Cllr Robert Davis DL**

Delivering enough affordable housing to meet need is a London-wide problem. Westminster has a good track record of affordable housing delivery but it is still a challenge. Westminster is inherently one of the most expensive places in the country in which to rent or purchase a home due to its position at the heart of the capital and prices for residential properties in excess of £1 million are commonplace. Parts of Westminster have always been beyond the means of many, which is acceptable only as long as there are some parts which were *more* affordable. However, with house prices in Westminster rising very steeply and the entry cost of a home now on average 27 times the average wage in Westminster, delivery of more housing units which are affordable is imperative and a pragmatic approach is necessary.

Delivering affordable housing is not simply about numbers of units, but creating mixed and balanced communities too, and an affordable housing policy in Westminster has to be about making the most of the opportunities available for affordable housing and getting the best value possible in the face of a finite source of - very expensive - land.

This booklet sets out the Council's proposed planning approach to meeting the high and ever growing demand for affordable housing within Westminster. The Council is also currently working on its overall housing strategy, and ultimately our planning policy will also need to contribute to meeting that strategy. It introduces how the council intends to operate a credits system to bring more flexibility into the system for housing developers so they can optimise the development opportunities in the city to create a mix of market, social and intermediate housing.

These are extremely important issues, and I look forward to receiving a wide range of comments on our proposals.



**Councillor Robert Davis DL**  
**Deputy Leader, Westminster City Council**  
**Cabinet Member for Built Environment**

## Introduction

The policies covered in this booklet are:

- Strategic Policy S14 – Optimising Housing Delivery
- Strategic Policy S16 – Affordable Housing
- City Management policy CM16.1 – Meeting the Range of Affordable Housing Needs
- City Management policy CM49.3 –Credits

Other policies on housing (need, delivery and quality) are not dealt with in this booklet. They were addressed in an earlier booklet published in March 2014. You can view the Housing Need, Delivery & Quality booklet on our website at: <https://www.westminster.gov.uk/westminsters-city-plan-city-management-policies-revision>

We would welcome your views on proposed new policy wording, which is shown as underlined or identified as an entirely new policy. Adopted policy is shown in **bold** and is not intended to be altered as a result of this consultation.



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## Trends & Insights

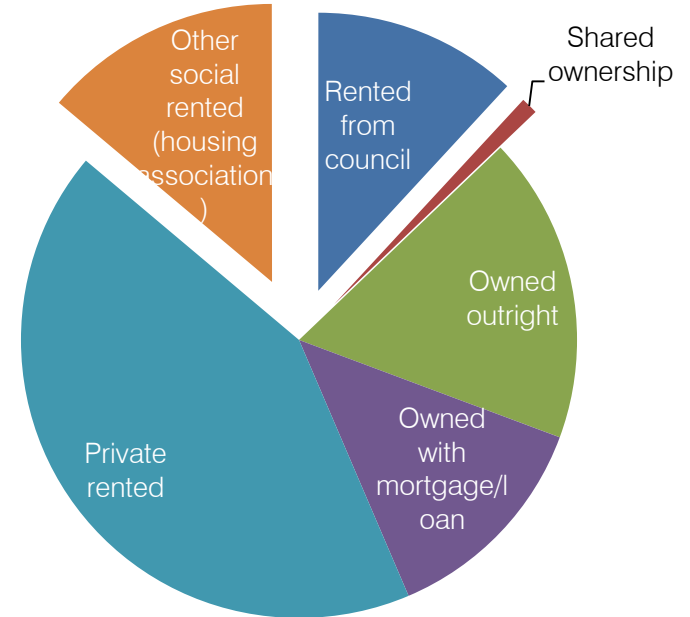
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# WHAT IS AFFORDABLE HOUSING?

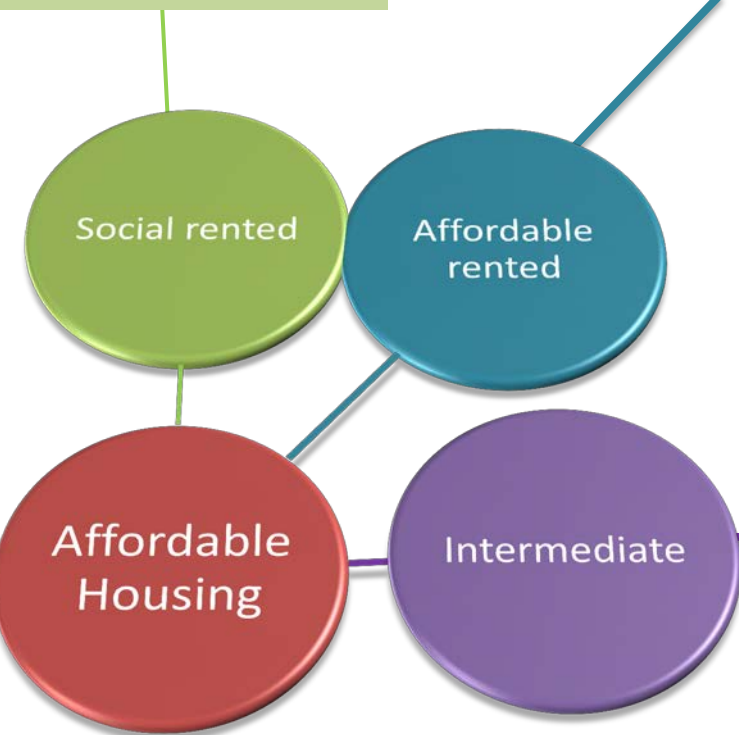
Just over a quarter of residents in Westminster live in a type of affordable housing:



Homes let by the local authority or a Registered Provider to households eligible for social rented housing and subject to rent controls that require a rent of no more than 80% of the local market rent (inclusive of service charges).

Homes for sale or rent at a cost above social rent but below market rent levels. Westminster welcomes a diverse range of intermediate products e.g. shared ownership, joint equity. Eligibility for an intermediate home is based on annual household income between £18,100 and £80,000. In reality there is an overlap between social rented and intermediate households in Westminster because of the criteria used for placing households on the waiting lists in properties.

Homes owned by Westminster City Council or a Registered Provider (defined on page 2) and let for a reduced (target) rent determined through the national rent regime.



## Key Questions

1. Westminster has recently tended to deliver housing which falls at the two ends of the price spectrum – affordable housing and housing that costs in excess of £1 million. In this context, is there also a role for trying to deliver less expensive market housing, perhaps around £700,000?
2. If so, how would these values be achieved? What type of housing would we be seeking to provide? If the housing was very small to achieve that value range, and most likely to be used as pied-a-terres would this be acceptable?
3. In a high value city such as Westminster, are there other housing models? Can we be more creative to stimulate the market to respond to those squeezed out?

**“Housing provided to eligible households whose needs are not met by the market”**

**“Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.”**

NPPF 2012

The Council has a statutory duty to provide accommodation for households deemed to be in housing need. Eligibility for social rented and affordable rented housing in Westminster is determined by the Council's Allocation Scheme. Details of the Council's allocations scheme can be found here: [http://transact.westminster.gov.uk/docstores/publications\\_store/2013%20Housing%20Allocation%20Scheme.pdf](http://transact.westminster.gov.uk/docstores/publications_store/2013%20Housing%20Allocation%20Scheme.pdf). But as with all London and many UK authorities demand for affordable housing far outstrips supply in Westminster:

**Current Priority for Intermediate Housing\***

- 1. Social housing tenants, armed forces personnel, ex-family quota (sons and daughters of council tenants and leaseholders)
- 2/3. Homeless households, council waiting list
- 4. Westminster residents
- 5. People working in Westminster

*\* The Council's emerging Housing Strategy will review and may revise these priorities.*

**REGISTERED PROVIDERS**

Housing associations are independent charities, bodies of trustees or companies established for the purpose of providing low-cost social housing for people in housing need on a non-profit-making basis. Any trading surplus is used to maintain existing homes and to help finance new ones. They may also run shared ownership schemes to help people who cannot afford to buy their own homes outright.

Housing associations provide a wide range of housing, some managing large estates of housing for families, while the smallest may perhaps manage a single scheme of housing for older people.

Much of the supported accommodation in England is also provided by housing associations, with specialist projects for people with mental health or learning disabilities, with substance misuse problems (drugs or alcohol), the formerly homeless, young people, ex-offenders and women fleeing domestic violence.

A Registered Provider (RP), is the term given to housing associations and who are registered and regulated by the Homes and Communities Agency. More information about RPs can be found on the HCA website:

[http://transact.westminster.gov.uk/docstores/publications\\_store/2013%20Housing%20Allocation%20Scheme.pdf](http://transact.westminster.gov.uk/docstores/publications_store/2013%20Housing%20Allocation%20Scheme.pdf).

3,500 households are registered with 'Homeownership Westminster' for intermediate housing in the city.

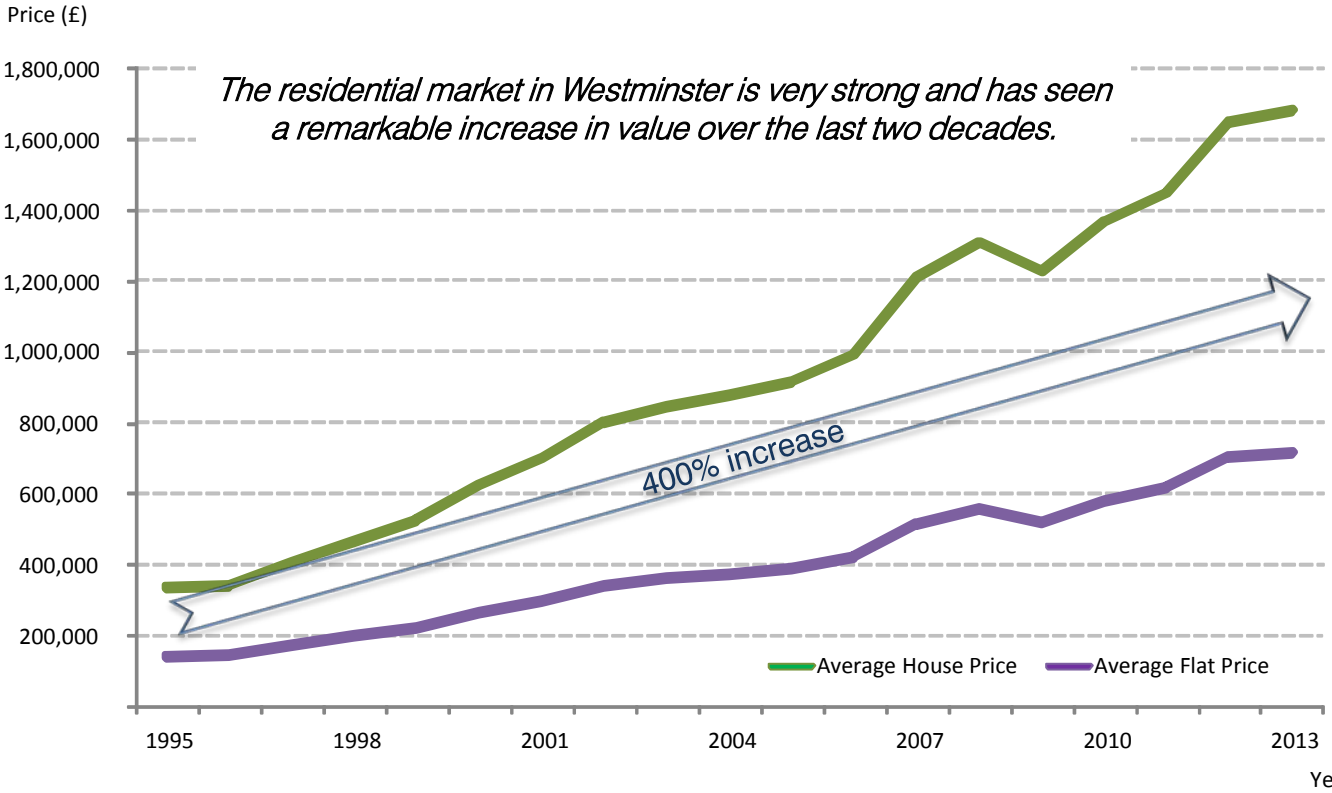
4,200 households in priority need on the waiting list for social housing.

Backlog of 5,180 households in affordable housing need. The greatest need is for homeless households (over a third) and for 2 beds (a third)

**Some Registered Providers operating in Westminster:**

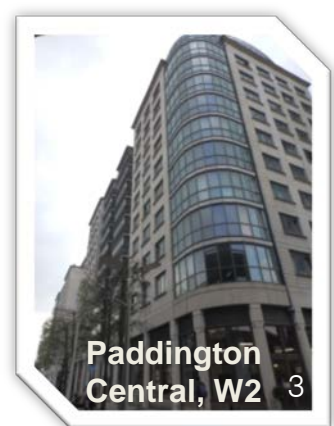
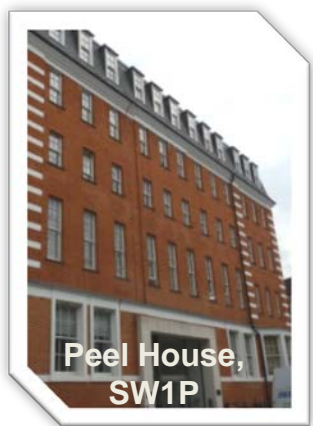
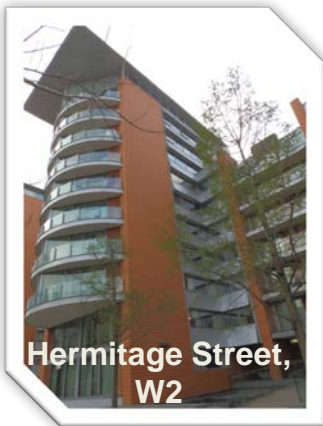
- A2 Dominion
- Central and Cecil
- Family Mosaic
- Genesis
- L&Q
- Network Housing
- Notting Hill Housing
- Octavia Housing
- One Housing Group
- Peabody
- Sanctuary Housing
- Soho Housing
- Walerton and Elgin Community Homes
- Westminster Community Homes

# REGISTERED PROVIDERS



Increases in sales values in the residential market has a knock-on effect on land and property and existing use values and makes the delivery of affordable housing increasingly difficult. The high price of land in Westminster means that RPs are generally unable to purchase land in the city. Westminster consequently relies heavily on private housing development to provide opportunities for affordable housing in partnership with RPs, with such developments accounting for 84% of new affordable homes in Westminster. To meet the high and growing demand for affordable housing in Westminster, it is essential that the policy approach continues to require appropriate amounts of housing, but with enough flexibility to ensure that where developers can demonstrate provision is not possible, the next best option is secured.

Despite challenges to deliver affordable housing in Westminster, when they are built, the design is of a very high quality as these show:



# WHY IS AFFORDABLE HOUSING DELIVERY IMPORTANT IN WESTMINSTER?

## 1. HOUSE PRICES

*"Local authorities should ensure that their local plan meets the full, objectively assessed needs for market and affordable housing in the housing market area"*

Para 47 NPPF 2012

*"Every part of the housing market is impacted by the ever-reducing average household size, which leads to a need for more housing units... The failure of supply to keep up with demand for housing units has increased prices faster than salaries, making purchase increasingly unattainable."*

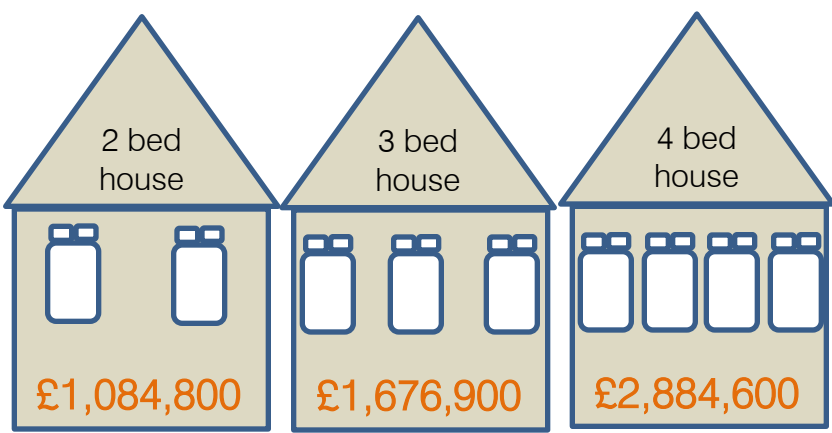
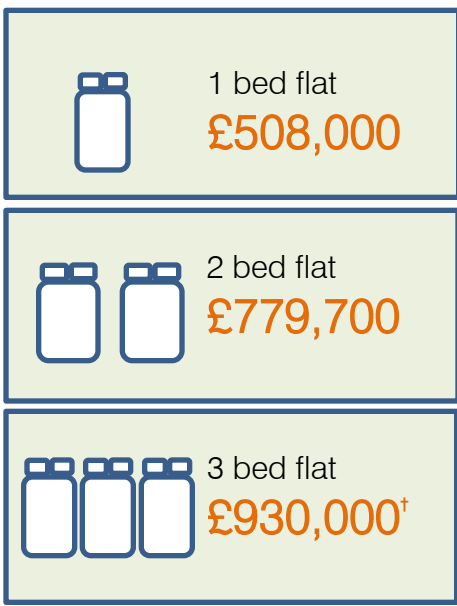
University of Westminster, 2014

Overall London average for buying £513,519\*\*

Westminster is one of the most expensive places in the country in which to rent or purchase a home.

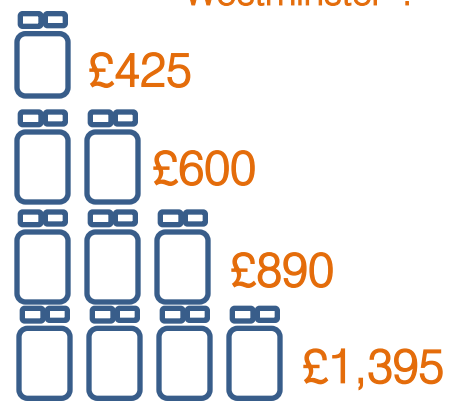
Overall London average for renting £530\*\*

### Average Market Prices in Westminster\*



(New housing is much less common in Westminster but does occur)

### Average weekly rents in Westminster\*:



*"Communities mixed and balanced by tenure and household incomes should be promoted across London"*

Policy 3.9, London Plan

The benefits that a mix of affordable and market housing have are explored later, on page 10.

\*Source: Hometrack. Three months to March 2014

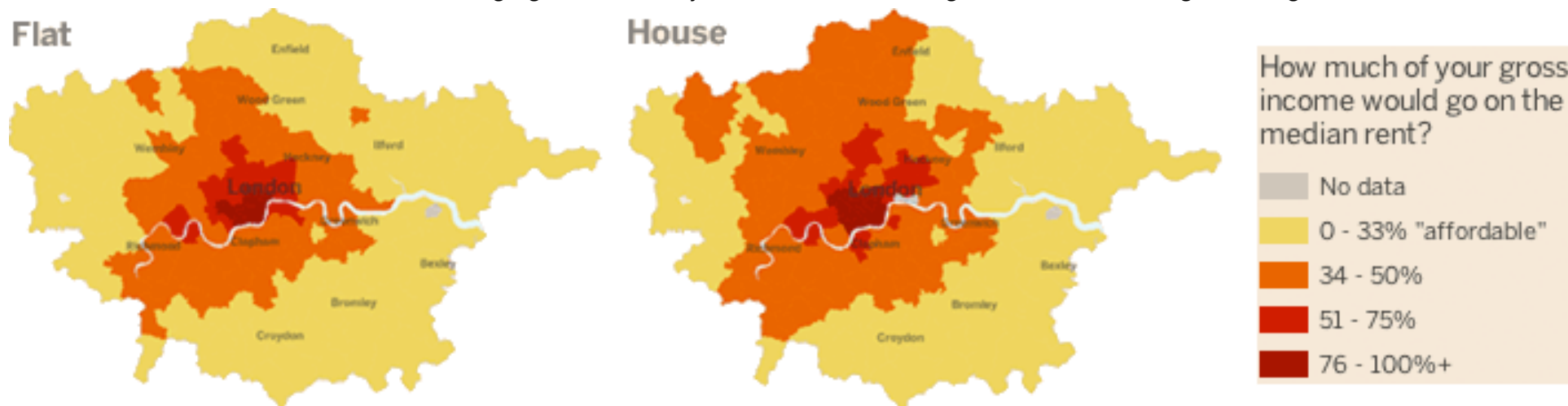
\*\*Source: London Property Watch April 2014

<sup>†</sup>Source: Median asking price for a 3 bed flat as listed on Rightmove.com



## 2. HOUSEHOLD INCOMES

Westminster is not unique when it comes to unaffordable housing in London. The two maps\* below show how affordable a 2 bed flat and a 2 bed house are across London based on the average graduate salary of £22.4k and housing costs not exceeding 33% of gross household income.



Banks generally only lend about 60-75% of the value of the property\*\* leaving prospective buyers with the challenge of finding 25-40% of the property value as a deposit. Although it is not expected that many first-time buyers could afford to purchase a home in Westminster, it helps to put prices in context, together with the average Westminster wage:

	Average Westminster household	Single first time buyer	First time buyer couple	Median London Household Income
Household income in Westminster	£43,326	£16,060 (London living wage)	£32,120 (London living wage)	£35,740
Average flat (including 4% stamp duty costs)	£810,888 (2 bed)	£528,320 (1 bed)	£528,320 (1 bed)	£810,888 (2 bed)
25% deposit	£202,722	£132,080	£132,080	£202,722
75% loan monthly repayments	£2,068	£2,068	£2,068	£2,068
% of salary spent on mortgage	<b>57%</b>	<b>155%</b>	<b>77%</b>	<b>69%</b>
40% deposit	£324,355	£211,328	£211,328	£324,355
60% loan monthly repayments	£1,626	£1,626	£1,626	£1,626
% of salary spent on mortgage	<b>45%</b>	<b>121%</b>	<b>61%</b>	<b>55%</b>

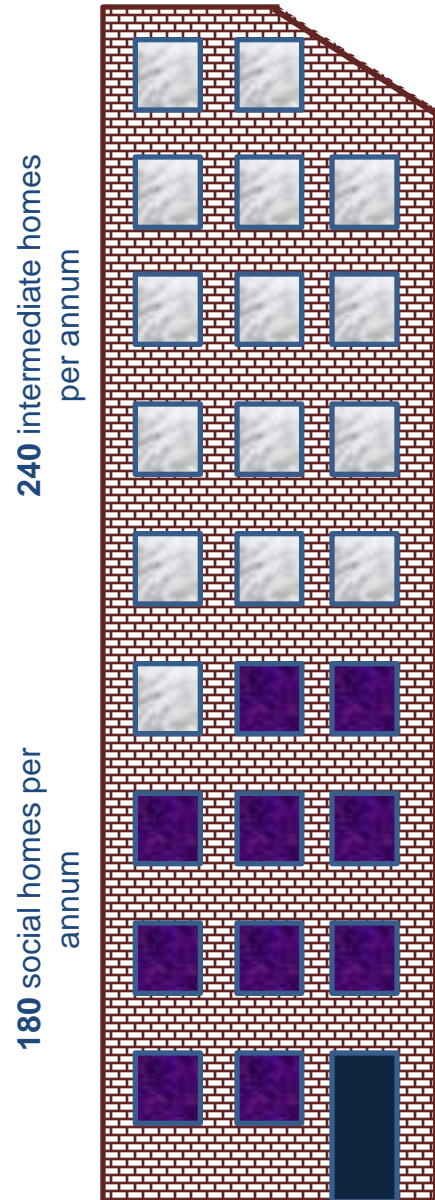
Sources: \*Financial Times

\*\*Local Housing Market Assessment 2014

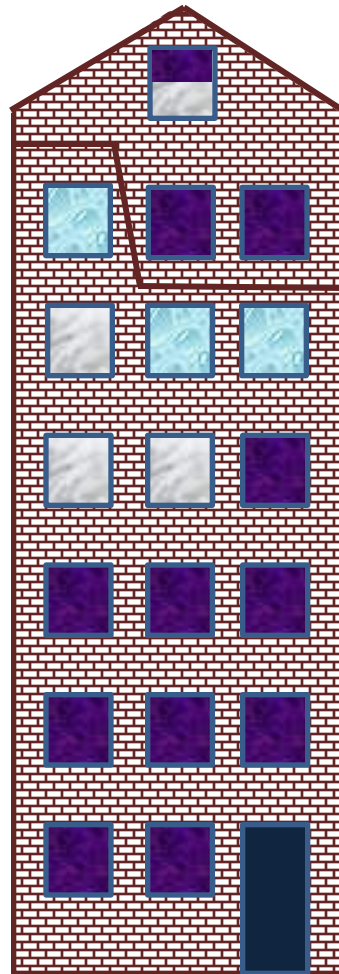
Generally spending 40% of net household income on housing costs is the benchmark for affordability.

## NEED

420 affordable units needed per annum



## PAST DELIVERY

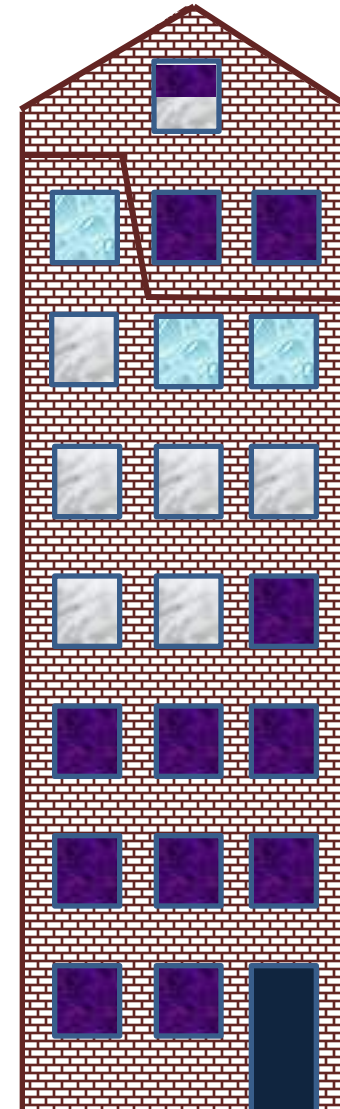


An average of **198** conventional affordable units were delivered per annum made up of **159** social homes and **39** intermediate homes (on average over past 17 years).

A further **58** non-self contained units were delivered on average per annum, which are considered to be non-conventional affordable housing (past 17 years).

An average of **63** spot acquisitions have also added to the affordable housing stock per annum made up of **52** social homes and **10** intermediate homes (on average over past 5 years).

## FUTURE PROJECTIONS



**255** affordable units would be delivered per annum based on new housing target of 1,068, made up of **153** social homes and **102** intermediate homes based on current 60:40 split

A further **58** non-self contained units and **63** spot acquisitions per year would contribute a further 121 units p.a. bringing the total to an estimated **376** or **90%** of the need, but with a different mix..

# AFFORDABLE HOUSING PROVISION

There are 25,000 existing affordable homes in Westminster

Over 1,600 new affordable homes are in the development pipeline, a 6.5% uplift on the current stock

Over 3,000 new affordable homes have been built since 1997, 22% of all new housing

## Examples of recent affordable housing developments

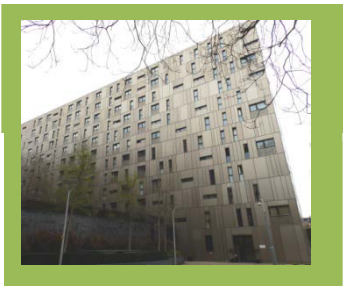
**Peabody Avenue**

55 affordable units, completed 2011



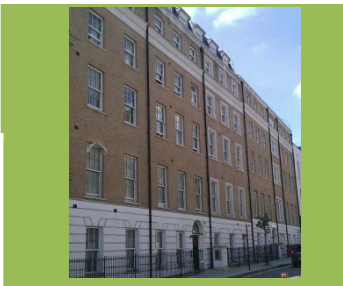
**Grosvenor Waterside**

267 affordable units, completed 2012

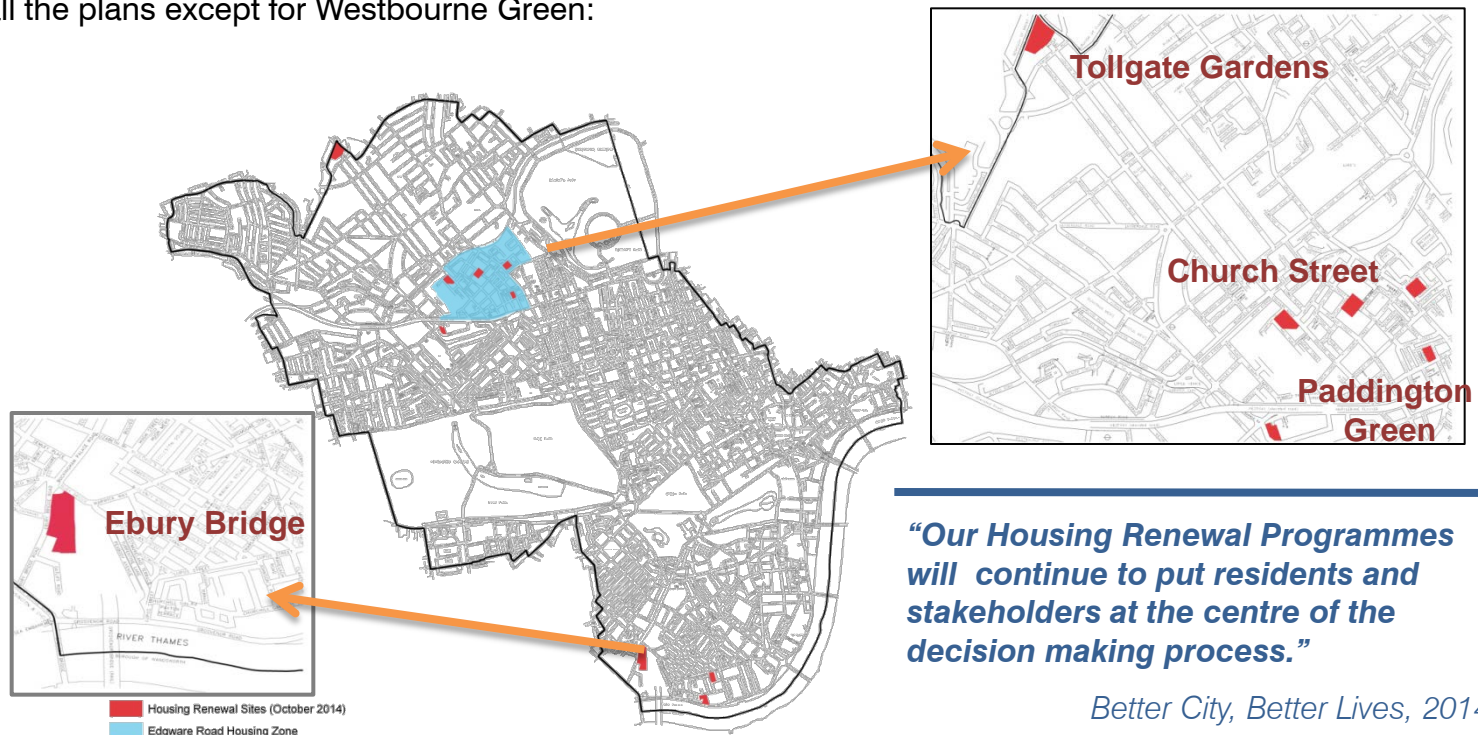
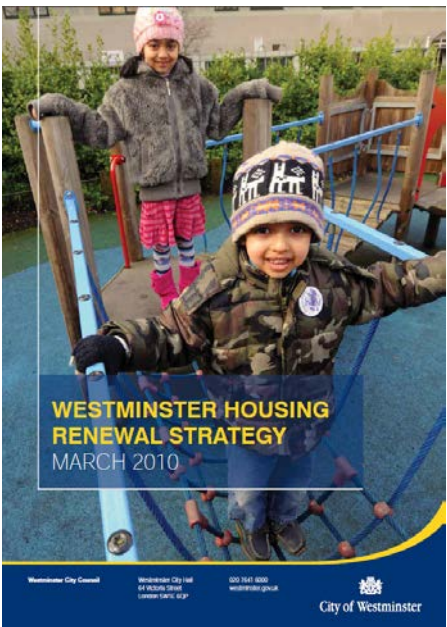


**Seymour Place**

66 affordable units, completed 2012



Large scale plans are being prepared for the regeneration of five council housing estates and residents have voted in favour of all the plans except for Westbourne Green:



**“Our Housing Renewal Programmes will continue to put residents and stakeholders at the centre of the decision making process.”**

# AFFORDABLE HOUSING PROVISION

The table to the right shows that the adopted policy approach has had some success in securing affordable housing to meet strategic targets in the Unitary Development Plan, Core Strategy and City Plan.

The strategic target for Westminster is currently 30% of all new residential units. This is different to the proportion of affordable housing sought on individual sites, which are based on floorspace and relate to the type and location of development (see page 23).

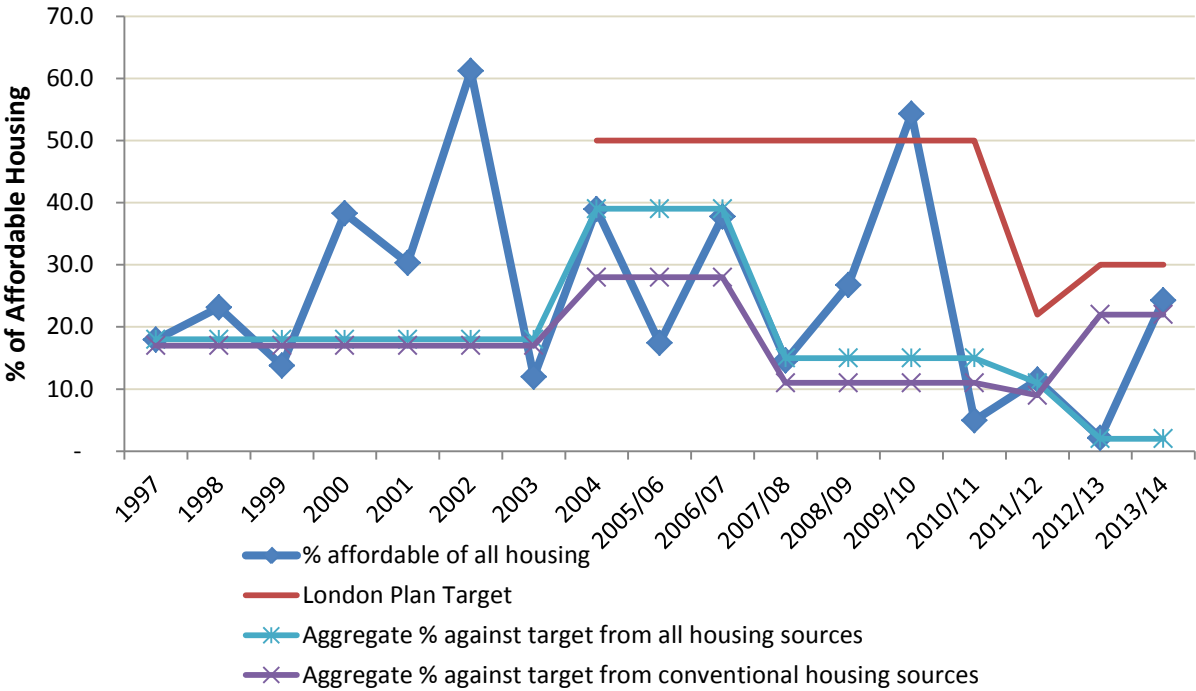
Total affordable housing delivery for 1997-2013/14 was 3,362 affordable units. This is equivalent to 22% of all conventional housing units delivered in Westminster. However, these figures do not include spot acquisitions (where affordable housing providers buy market homes, usually on council estates, and provide them as affordable housing). This programme has provided an equivalent 7% which brings the provision closer to the 30% delivery target.

The new Housing Strategy will help guide affordable housing provision and the new City Plan will reflect this strategy.

Year	Strategic AH target	AH achieved *	AH achieved*
1989 - 1996	None	547	23%
1997 - 2003	“a proportion”	1,812 (2,156)	17% (18%)
2004 - 06/07	50% (London Plan)	480 (1,001)	28% (39%)
2007/08 - 10/11	50%	786 (901)	11% (15%)
2011/12	22%	72 (112)	9% (12%)
2012/13 - 13/14	30%	212 (182)	22% (2%)

\* The housing target is actually housing from all sources, including non-self contained housing and bringing vacant homes back into use. The figures in brackets show delivery taking *all* housing sources into account, not just conventional housing. The figure *not* in brackets only relate to conventional housing.

The impact of the previous affordable housing policy was monitored and analysed to arrive at the current strategic target of 30%. The stepped requirements which are based on a proportion of the floorspace (page 23) will maximise the delivery of affordable housing units, and Westminster’s contribution towards the Mayor’s annual target of 13,200 units across London.



**723 affordable units are currently under construction on 30 sites across Westminster.**

## HOW MUCH AFFORDABLE?

The London Plan doesn't set borough level affordable housing targets: *"boroughs and other relevant agencies and partners should, seek to maximise affordable housing provision and ensure an average of at least 13,200 more affordable homes per year"* (London Plan Policy 3.11) – which is approximately 38% of all housing needed over the plan period. In the Draft Further Alterations to the London Plan the amount of new affordable homes required rises to 17,000– approximately 35% of total housing required in the next 20 years.

In April 2014 the Mayor published its updated Housing Strategy which set out a number of ambitions for affordable housing in London including:



- ❖ Delivering 17,000 affordable homes per year (40% low cost home ownership: 60% rented);
- ❖ Halving the number of overcrowded affordable properties;
- ❖ Funding for larger family homes;
- ❖ Greater priority to working households for lettings;
- ❖ Extended funding for increased provision for older people's housing;
- ❖ Encouraging Registered Providers to consider fixed term tenancies to encourage mobility;
- ❖ Environmental retrofitting of all London's affordable housing by 2020.

Westminster has an adopted strategic target for 30% of all new housing units to be affordable and this is considered to be a realistic target to aspire to even in the face of reduced public subsidies and will contribute to the ambitions of the London Plan. It was decided to set the target at 30% based on:

- 5-15 year housing supply schedule of developable sites and associated discussions with landowners and developers.
- evidence that housing in central London has a strong demand as an investment and has not suffered the stagnation in the market experienced by more outlying areas of London and the UK more widely.
- conversion of office to residential use is a growing trend and a substantial source of housing and the mixed use policy brings forward new residential floorspace alongside any commercial development over 200sqm within the Central Activities Zone, – both of which include requirements for affordable housing, where the residential development is of sufficient scale.
- impact of the reduction in Mayoral funding, leading to a possible reduction in affordable units on some development sites.
- impact of City Plan Policy S16 which requests affordable housing in terms of a proportion of floorspace on developments over 1000sqm; and
- delivery of the Council's Housing Renewal Strategy to build new homes on its housing estates.

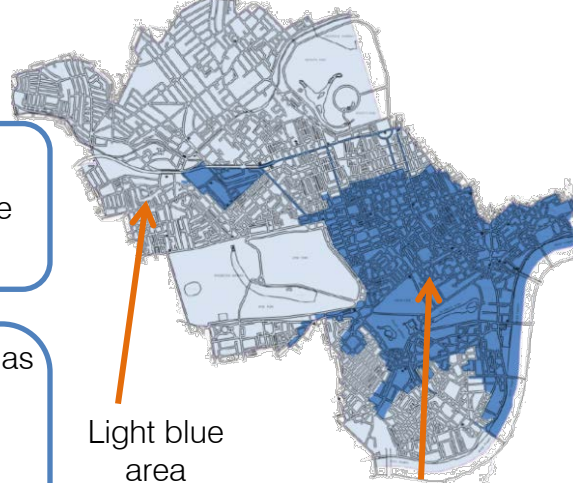
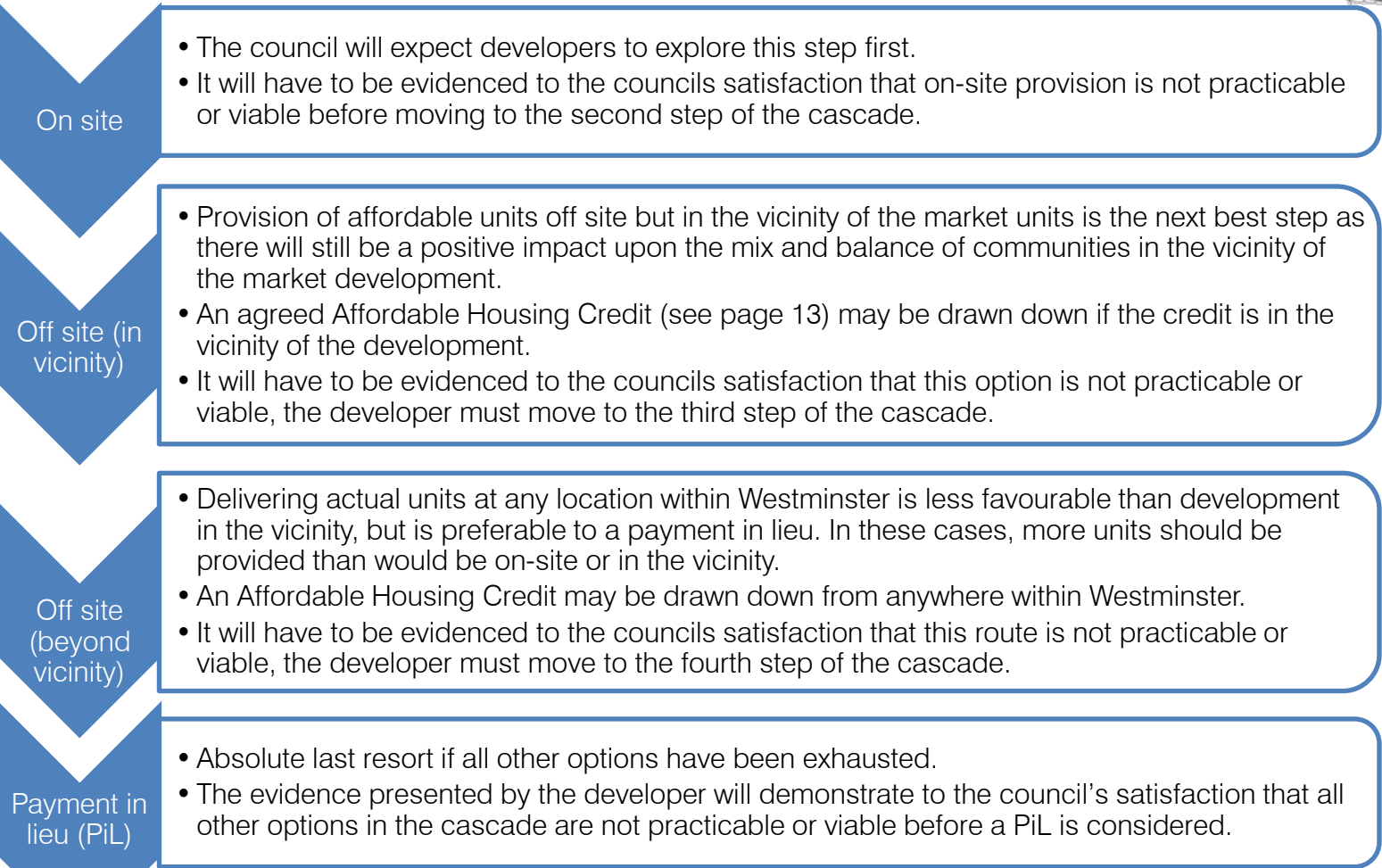
The City Council will continue to monitor performance against this target and keep affordable housing delivery under review.

# CURRENT POLICY CASCADE FOR AFFORDABLE HOUSING

If a development proposes 10 or more additional units, or over 1,000sqm of additional residential floorspace a proportion of that floorspace is expected to be affordable.

The proportion that is required is as a percentage of the market housing proposed which is calculated based on (i) the location of the development (whether it is inside or outside the dark blue area on the map below) and (ii) the total amount of new residential floorspace.\*

## Affordable Housing Cascade



Light blue area where up to 35% of new residential floorspace is required to be affordable.

Dark blue area: Core CAZ, Paddington, Named Streets where up to 25% of new residential floorspace is required to be affordable.

**Each stage of the cascade must be fully explored to the council's satisfaction before the next stage will be considered.**

\*A full explanation of the affordable housing calculation process is given in the [Interim Note on the application of the Affordable Housing Policy](#).

# THE REQUIREMENT FOR ON SITE AFFORDABLE HOUSING

Paragraph 50 of the NPPF states that local authorities should set policies for meeting affordable housing needs on site, unless off-site or a payment in lieu can be robustly justified. The council faces a big challenge when it comes to delivering affordable housing in Westminster owing to high existing use values which need to be overcome in order to bring development forward. It is also important to note that generally more affordable housing units can be delivered in lower value areas. Questions arise as to the right balance between maximising the total number of affordable houses delivered and ensuring affordable housing is located across the city, including in more affluent areas.

Placing a range of affordable housing alongside market housing and creating mixed and balanced communities has many sociological and economic benefits:



## Economic benefits of different types of housing

Research by Ramidus Consulting has shown that *prime* property owners (homes worth over £5 million) collectively contribute around £2.3 billion a year to the UK economy on their household expenditure alone.

A cost benefit analysis of an intermediate property in Westminster by the University of Westminster shows the economic and social value of the development is approximately £600,000 per year – taking into account money spent in the local economy, and the impact on the local community (through volunteering, charitable giving and civic participation).

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*Commit to Central London's Future to Benefit Britain: Provide the homes that Central London needs for its workers and modern workspaces for its business*

*Building Central London's Future: A Manifesto for Growth, City and Westminster Property Associations*

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*"Diversity and creativity are drivers of innovation and growth at the local and national levels. Intermediate tenure properties change the composition of the local workforce, ensuring continued diversity of economic activities and local communities"*

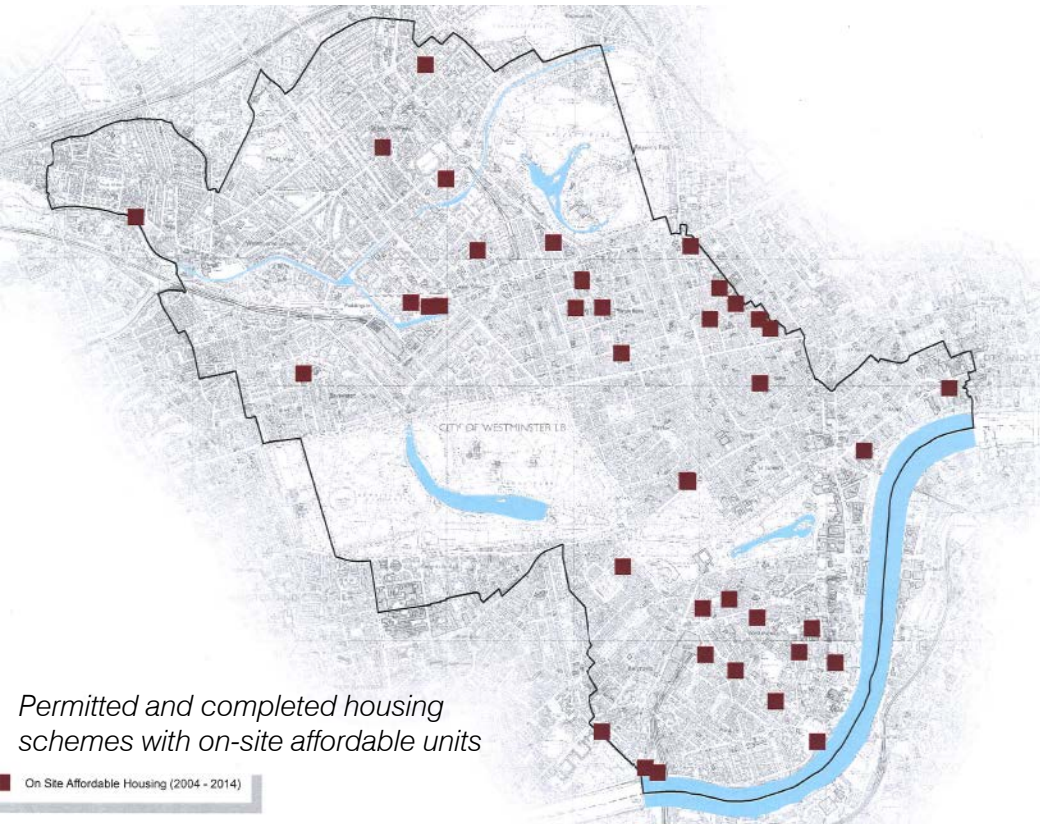
*University of Westminster, 2014*

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Social and intermediate housing improves the composition of the local workforce, ensuring continued diversity of economic activities and local communities.

Westminster benefits from a very diverse economy including jobs with lower pay. These employees are unable to afford market properties in the area. Businesses benefit from a diverse employee base including people who live more locally. This is especially important for jobs with late/early shifts when public transport out of the city is less frequent.

# THE REQUIREMENT FOR ON SITE AFFORDABLE HOUSING



52% of all schemes which required affordable housing in the last ten years failed to achieve any affordable units on- or off-site, resulting in payments in lieu. However, 42 residential schemes *did* provide on site affordable housing – totalling a significant 1,443 units across the city.

As the map to the left shows, these schemes are spread widely across Westminster and are not all concentrated in areas of lower land value. Although this equates to only about a quarter of all schemes where affordable housing was required, it clearly demonstrates the effectiveness of the policy approach in securing a range of tenures across the city as a whole.

There is no doubt that more affordable housing is needed. It is recognised that greater numbers of affordable units could be delivered in less affluent areas. In Westminster, these include areas which already have a high concentration of affordable housing and have lower land values. However, we are required to seek on-site affordable housing both by national and London-wide policy, followed by off-site affordable housing if on-site is not possible, and only as a last resort a payment in lieu.

However, even without this top-down requirement, the City Council would still wish to apply this cascade. As these homes have to go *somewhere*, it is unreasonable to suggest that they should be provided in areas that already support the greatest amount of affordable housing. Research has found that social and economic problems are greatly exacerbated at higher levels of affordable housing, and therefore localised deprivation. While the removal of the priority of on-site may lead to more units being developed there because of the lower values, it would not be creating or maintaining mixed and balanced communities, but instead an uneven dispersal of tenures across the city, with residents missing out on all the benefits of mixed tenure living.

In recognition that on-site delivery is not always financially viable or practicable, the cascade remains to ensure that residential developments can still come forward, with delivery off-site if on-site is not achievable, or a payment in lieu as a last option.



# AFFORDABLE HOUSING CREDITS

Affordable housing credits are where new affordable housing is built and then used against a planning requirement generated by a later scheme. Credit schemes have already been carried out in Westminster on an *ad hoc* basis, and are provided for in the London Plan. These schemes have delivered better outcomes because the affordable housing has been delivered much earlier than it would have been if it had been forced to wait until the host scheme had been ready to be built. It also meant that the affordable housing delivered could be shared between a number of different sites which were all delivered at different times. A potential negative is that using credits may fail to create mixed and balanced communities, and for this reason it is proposed that they are treated the same as off-site provision in the cascade – they are essentially the same as off-site provision in everything but timing. Credits are preferable to a payment in lieu because they provide the actual housing early on in the development process, and there is a limit as to how many sites can be found by the council to spend accumulated payment in lieu monies.

The purpose of the policy set out in this booklet is to provide a policy framework for managing a credit system, building on the lessons learnt from the *ad hoc* examples already delivered. This will provide certainty for developers in their investment decisions and speed up the planning process by setting out clear standards and requirements. It also enables developers to provide affordable housing over and above their requirements and designate the additional units for future development, benefitting the council with the early delivery of those affordable units.

Credits may be traded. However, the city council needs to be sure that the value of the credit does not escalate between when it is developed and when it is drawn down. This will be achieved by attaching a nominal value\* to each credit when it is registered. The developer could trade premium price credits if they choose to, but only the agreed nominal value will be considered by the council when assessing viability of schemes. The nominal value will be part of the viability assessment for the credit scheme.

Care also needs to be taken as credits can distort the market in lower value areas, because the value of the credit site becomes that of the host site (say Mayfair). This ‘value creep’ makes it even more difficult to deliver affordable housing in Westminster. For this reason the value of a credit site should be in the context of the existing use, and a policy compliant scheme on that site.

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***“The credit concept conceived and implemented openly, transparently and within lawful land use planning parameters, offers the opportunity to deliver more housing faster.”***

*Planning in London, 2009*

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**1 Affordable Housing Credit = 1 SQM** of completed affordable floorspace which can be ‘banked’ by a developer and ‘drawn out’ at a later date to comply with affordable housing policy requirements.

On-site provision of affordable housing will still be the priority for new developments and developers will have to demonstrate that on-site is not practicable or viable before the draw down of credits is considered.

\*A nominal value is a fixed value per unit which rises in line with inflation and reflects only the cost of the actual delivery (land and construction) of the affordable unit.

# AFFORDABLE HOUSING CREDITS

## Key Questions

4. How can the policy operate to ensure that the difference in value between the provision of affordable housing in a high value scheme and its provision on another lower value site is spent on affordable housing delivery, rather than pushing up values on credit sites and therefore going to landowners? Is this an appropriate aim? What realistic alternative is there?
5. When looking at the nominal value of credits, is a site-by-site assessment more appropriate, or the setting of broad value bands?
6. The purpose of the credit scheme is to bring forward affordable housing earlier than it would otherwise come forward. How can the policy ensure that a credit scheme is bringing forward additional affordable housing that would not otherwise be delivered, and ensure mixed and balanced communities? How can we be sure that the funding for credits is reinvested in affordable housing?
7. How would the nominal value be agreed?
8. Could the council act as a 'clearing house' matching developers with the outstanding credits? What role could the council have in encouraging joint ventures between developers and registered providers to ensure additionality?

*Fermoy Road: Winner of 2013 RIBA London Award*



*Examples of Affordable Credits schemes which have been piloted in Westminster*

32 affordable homes sold at a 20-30% discount of market value. Cost of selling the land held as a credit by the developer against future affordable obligations

74 affordable homes which can be 'drawn down' by the developer against future affordable obligations

*Wilton Plaza: Shortlisted for London Planning Award (Best Place to Live) 2010*



## AFFORDABLE HOUSING CREDITS IN PRACTICE

Developer applies for permission to build affordable housing and to register that floorspace as affordable housing credits.

Permission is granted and the affordable housing floorspace is registered as credits, with a 'nominal value' attached to them.

Affordable housing is built and made ready for occupation and the credits are now eligible to be drawn down.

Developer applies for permission to build market housing which triggers a requirement for affordable housing.

It is demonstrated to the council's satisfaction that on-site affordable housing is not practicable or viable.

Affordable housing credits can be drawn down to satisfy the affordable housing requirements for the market housing.

A maximum of 50 units at each new development site can be registered as a credit.

From the date of registration, the credits will have a lifespan of 7 years.

Another developer may buy and use the credits against their own market development.\*

On-site cannot be provided so the Affordable Housing Cascade allows for credits to be drawn down as an equivalent to off-site.

A developer can also deliver the affordable housing requirement off-site if they do not own any credits.

See Key Question 18 on page 31

*\*If a developer chooses to pay over the agreed nominal cost of a credit, that premium will not be taken into account in future viability assessments.*

## PAYMENTS IN LIEU

The per unit sum (the amount payable per unit of affordable housing required) was originally calculated as the land cost element of the Housing Corporation's Total Cost Indicator (TCI). It was then updated every year to take account of changes in land and construction costs.

Because the Housing Corporation stopped publishing TCIs in 2005, the City Council has annually updated the last published TCI figure using advice from consultants to reflect land price inflation based on the percentage increase in house prices in Westminster using the Land Registry as shown in the table to the right.

The percentage increase was originally used as an amount that would be viable in most cases to avoid viability assessments on every scheme. However this is standard practice now. The payment in lieu figure needs to be a useful guide, but viability is also important.

Year	Per unit sum	% increase on previous year
2005/06	£125,000	-
2006/07	£134,000	7%
2007/08	£147,000	10%
2008/09	£179,000	22%
2009/10	£179,000	0%
2010/11	£185,000	3%
2011/12	£195,000	5%
2012/13	£215,000	10%
2013/14	£229,000	7%
2014/15	£251,000	10%

### Key Questions

9. Where it is agreed that a scheme cannot meet its payment in lieu in full, should sales values be reviewed at a later date? If there is a significant increase in the sales values, the council could share any "super-profit" with the developer up to a level of policy compliance? If so, what should "super-profit" be considered to be and what proportion of that "super-profit" be appropriate whilst still ensuring adequate incentive to developers?
10. Is the percentage increase in land value used for annual assessment of the payment in lieu an appropriate measure for affordable housing delivery in the face of average price of just a one bed flat in Westminster now exceeding £500,000?
11. We previously calculated the affordable housing requirement by unit, and therefore the PiL is currently calculated in the same way. As we now take a proportion of the *floorspace* not units, should the payment in lieu also be calculated as floorspace? If so, how do we translate into a floorspace figure?

## PAYMENTS IN LIEU – ALTERNATIVE MODELS FOR CALCULATION

The council is considering whether there are other, more appropriate methods which could be used as the basis for the payment in lieu calculation. Views are sought on a number of options (A-F below) or any other options which may come forward through this consultation. The City Council is looking for a payment in lieu that:

1. Reflects the actual cost of delivering the affordable homes through the Affordable Housing Fund, and
2. Is cost neutral compared to on-site, off-site or credits.

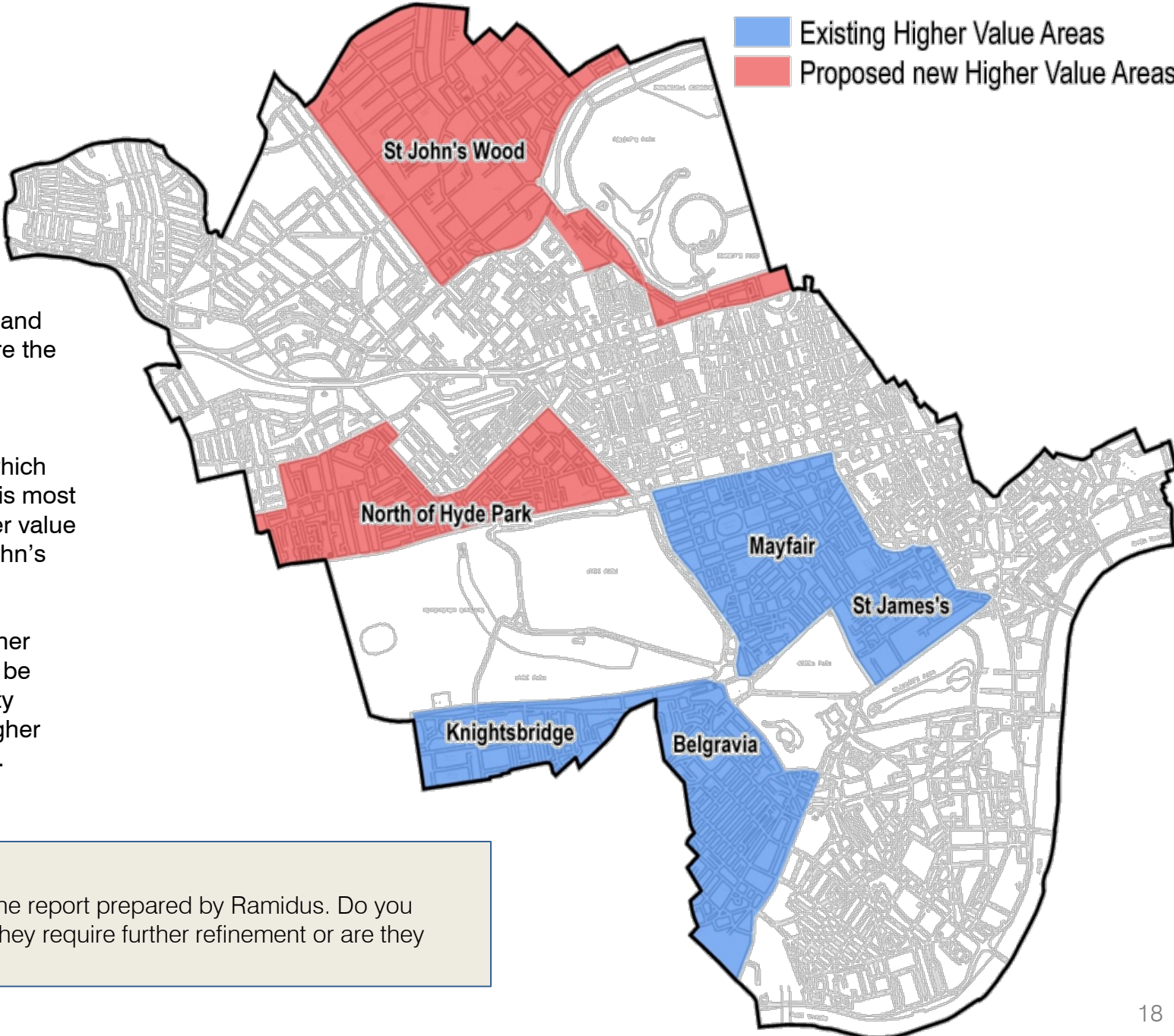
Possible options:

- A. Base the payment in lieu figure on the cost of land and construction to take account of the true cost of delivering the homes. The increase in cost of land would continue to be calculated based on house price increases, and after initial assessment of the average build cost for affordable housing in Westminster, this figure would be increased annually in line with the cost of construction indices published by the Department of Business Innovation & Skills. Each year the new cost of land (increased by the percentage change in house prices) and the new cost of construction would be added together to arrive at the per unit sum.
- B. Use the average price per square metre for a residential unit in Westminster (uplifted in the higher value areas) and add on the cost of constructing an affordable unit.
- C. Use viability assessments for each scheme to calculate the maximum value that can be captured from each scheme up to the maximum amount of floorspace required (up to a maximum of 25% or 35% depending on location).
- D. Use a set value per habitable room required depending on location (a method used by other boroughs).
- E. Use a set value per square metre of affordable floorspace required.
- F. Use the national All-in Tender Price Index published by the Building Cost Information Service of the RICS, as is used by the Community Infrastructure Levy.

# PAYMENTS IN LIEU

## Higher Value Areas

Existing Higher Value Areas  
Proposed new Higher Value Areas



There are four higher value areas (Knightsbridge, Mayfair, St James's and Belgravia) in the current policy where the per unit sum is 33 1/3% higher.

Following research into the prime residential market in Westminster, which has revealed where prime property is most prevalent in the city, two more higher value areas (north of Hyde Park and St John's Wood) are proposed.

In these new and in the existing higher value areas, the payment in lieu will be higher than across the rest of the city acknowledging the considerably higher value of residential floorspace there.

**Key Question**

12. The new areas are based on the report prepared by Ramidus. Do you agree with the new areas? Do they require further refinement or are they high value across the area?

# AFFORDABLE HOUSING FUND

Money is paid into to the Affordable Housing Fund (AHF) in lieu of (a) on-site and off-site affordable housing and floorspace and (b) residential floorspace to offset increases in commercial floorspace as required by the mixed use policy.

The AHF is administered by the City Council's Director responsible for housing and is used for the provision of new affordable housing in Westminster. The AHF plays an essential role in the provision of additional affordable housing in Westminster by contributing towards the funding for the Housing Renewal Programme and bridging the 'funding gap' between the GLA funding for new affordable units in Westminster and the Registered Providers (RPs) actual costs of those additional units.

From April 2012, the HCA (Homes and Communities Agency) London functions were devolved to the Greater London Authority (GLA). The GLA have indicated that grant is unlikely to be available for future schemes secured by s106 agreements and that local authorities should assume zero grant for such schemes.

The AHF is, therefore, essential to delivering new affordable homes in Westminster in this new funding environment. The AHF also provides a wider range of affordable housing choice in the City, including the provision of intermediate housing and will play an increasingly important role in delivering the government's new Affordable Rent tenure (see page 1 for definition of this tenure), in the light of the reduced Mayoral grant.



## Key Question

13. Given the difficulties in meeting Westminster's entire affordable housing need within the borough, and the London-wide nature of the housing market, what role could affordable housing provided outside Westminster play in making up the shortfall?

# THE FUTURE OF THE AFFORDABLE HOUSING FUND

## Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a charge on development that creates residential units or new build floorspace.

The money generated can be only used to support infrastructure such as transport schemes and schools that the council, local community and neighbourhoods require to help accommodate new growth from development. This means that planning permissions, planning appeals, enforcement appeals and permitted development could potentially be liable to pay the levy. CIL is a non-negotiable charge payable per square metre for eligible developments and in part replaces the Section 106 (S106) Planning Obligation regime.

Westminster anticipates adopting a CIL in April 2015. Under the current system when a developer presents a housing development for which affordable housing is required, a package of planning obligations are negotiated to make the development acceptable in planning terms e.g. a financial contribution towards transport, new schools, open space etc. The amount of affordable housing (or payment in lieu) required also forms part of the negotiated package of planning obligations.

Once Westminster's CIL is in place the negotiations for contributions to infrastructure will cease to take place – as the set CIL charge per square metre will replace most of the infrastructure payments which previously would have been negotiated. The developer will have to pay the amount of CIL which is required or the development will not be able to commence. Affordable housing is not captured within the Levy and is therefore still negotiable. Negotiations will still take place for section 106 contributions to affordable housing, which is therefore seen as the 'pressure valve' in development viability and there is a risk that because no other obligations will be able to be reduced through negotiation to ensure policy compliant levels of affordable housing are provided, that less units or a lower payment will have to be accepted by the council if the development is to viably proceed. It is noted that Registered Providers must pay for the affordable units, they are not provided for free, and therefore the ability for Registered Providers to afford the units is a key element of viability.

## The Mixed Use Policy

The adopted mixed use policy currently requires an equal amount of new residential floorspace alongside new commercial floorspace in the Central Activities Zone over certain thresholds. Where the full or partial amount of residential floorspace required by the policy cannot be provided, the amount of *affordable* housing which should have been provided by the development to satisfy City Plan Policy S16 is calculated and a payment into the Affordable Housing Fund is required in lieu of the provision. Affordable housing is closely related to the provision of commercial floorspace because a range of housing options for people who work in Westminster is needed to support businesses, including those who work anti-social hours or shifts, and contributes to the pool of available labour.

Mixed use developments account for almost 20% of payments into the AHF. The policy approach is currently under review as Westminster has had three successive years of significant losses of offices and there are more, substantial losses in the pipeline. The Mixed Use/Office to Residential consultation booklet (available to view on our website: <https://www.westminster.gov.uk/westminsters-city-plan-city-management-policies-revision>) has introduced a number of options for the future of the mixed use policy, which may significantly reduce the amount of money coming into the AHF through payments in lieu when mixed use development takes place - changes to both policies need to be considered in tandem.



# THE FUTURE OF THE AFFORDABLE HOUSING FUND

## OPPORTUNITY LOSS FROM THE PRIME HOUSING MARKET

Recent evidence published by the council has demonstrated the extent and nature of the prime residential market in Westminster – the report found that the prime market in Westminster makes up a very small proportion of housing transactions (around 8%) but owners of prime property contribute a very significant sum of money into the local economy – a conservative estimate is approximately £2.3 billion annually. The off-plan sale of prime property in Westminster has also facilitated housing development in the city, as well as associated affordable housing units and section 106 payments towards affordable housing, and necessary infrastructure. Westminster, together with Kensington and Chelsea has always had a role in meeting the market demand for prime housing and are uniquely placed to do so. There is a strong case therefore *not* to develop any policies that would specifically aim to restrict the prime residential market in Westminster.

However, inevitably development for the prime housing market can lead to opportunity losses in terms of housing numbers. While the evidence indicates that there is no *clear* relationship between the floorspace size of a property and the price paid, there will be times when a development results in a lost opportunity for greater housing delivery because super-sized units are delivered to meet demand from prime buyers.


For example, One Hyde Park (shown below) has an approximate density of 96 units per hectare, whereas the London Plan density matrix indicates a site in a high public transport accessibility location such as this should have a density in excess of 140 units per hectare.

Although the council does not want to discourage prime development from taking place in Westminster, it would be perverse for no action to be taken when super-size prime units are developed at the expense of a greater number of smaller units, particularly in the face of a challenging emerging housing target of 1,068 units per year. Therefore it is suggested that a payment in lieu be made on sites with super-sized units to mitigate against the opportunity loss for:

- more homes,
- provision of accommodation to meet the needs for market housing within Westminster
- New Homes Bonus for the benefit of the community, and
- a greater contribution towards meeting the housing target.

### Key Questions

14. Should the City Council also look at a policy that requires a range of housing sizes on all sites over a certain threshold, not just super-sized units?



***“In meeting demand for Prime property in Westminster, it is inevitable that there will have been missed opportunities to deliver homes of smaller unit sizes”***  
Ramidus, 2014

# RECOMMENDATIONS

This varies the policy suggestions in the Housing Need, Delivery and Quality booklet issued in March 2014.

The units per hectare lower limit has been increased for the central area to better reflect the excellent public transport accessibility.

We have previously consulted on the use of the CAZ boundary for the purpose of determining appropriate density ranges. The consultation comments on this matter are being considered and the use of the CAZ boundary is included here in the interim period while the policy is re-drafted.

The floorspace figure for individual units ensures that super-sized units are not 'masked' by a large number of very small units in the same development resulting in a density within the ranges specified in the table. It is double the London Plan minimum floor area for a 4 bedroom house, and 4 times the nominal value used for a housing unit in the City Plan e.g 1,000sqm is considered to have the capacity to accommodate 10 housing units for the purposes of the affordable housing threshold.

If a building is listed, the higher density ranges may not be appropriate if the development would have an adverse impact on the historic character of the building. For example, where a listed house that has been converted to flats is being de-converted back to the original dwelling house, but that exceeds 400sqm. In very rare cases there may also be instances where a lower density is required to be in keeping with the character and appearance of the Conservation Area.

**POLICY S14: OPTIMISING HOUSING DELIVERY**  
 The council will work to achieve and exceed its borough housing target set out in the London Plan.

The number of residential units on development sites will be optimised, and should conform to the following density ranges\*:

	<u>Habitable rooms per hectare</u>	<u>Units per hectare</u>
<u>Inside Central Activities Zone</u>	<u>650-1100</u>	<u>140-405</u>
<u>Outside Central Activities Zone</u>	<u>200-700</u>	<u>45-260</u>

Residential developments at a density lower than those shown above, or individual houses or flats that exceed 400sqm, will be subject to a payment in lieu of the shortfall in housing units, except where the council considers that the significance of a heritage asset would otherwise be compromised. These will be calculated in the same way as the payment in lieu for Affordable Housing and will be made to the Affordable Housing Fund.

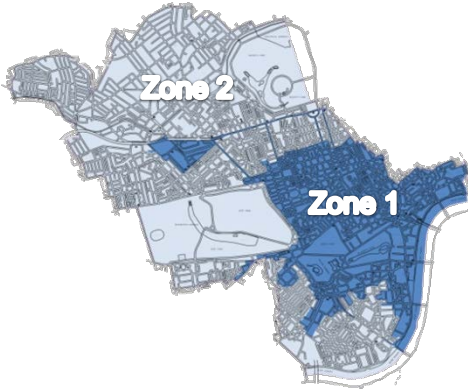
The best vehicle for delivery of the payment in lieu of housing is to use it to deliver affordable housing for which there is a significant and unmet need, and which cannot always be provided when it is sought due to site and viability constraints.

The shortfall will be calculated as the number of additional units that would be required to achieve the required density, or in the case of an individual housing unit, the amount of floorspace that exceeds 400sqm. This will also depend on the way in which we calculate the PiL for affordable housing – see page 17 above.

\* This is based on London Plan Table 3.2 (excluding PTAL ratings of 0-1)

This is adopted policy and also a recommendation of the Prime Residential Market in Westminster report by Ramidus.

Affordable housing requirements have a significant influence on the likelihood of development sites being identified and brought forward by landowners and developers and have been set at levels which are considered viable in most cases and are therefore unlikely to discourage development.



A very similar approach has been in operation since 2010 and has worked well.

In some parts of Westminster land has an extremely high existing use value – which means that purchasing land for redevelopment is very expensive. Although profits are likely to be high for new housing development in these areas, the initial high cost of land means that for the development to remain viable, a lower proportion of affordable housing must be provided than would be possible elsewhere in the city.

**POLICY S16 AFFORDABLE HOUSING**  
**Affordable** Housing and floorspace that is used, or was last used as affordable housing will be protected.  
 The council will work with its partners to facilitate and optimise the delivery of new affordable homes, which will be equivalent to at least aim to exceed 30% of all new homes.  
 Proposals for housing developments of either 10 or more additional units or over 1,000 sqm additional residential floorspace (**Gross Internal Area**) will be expected to provide a proportion of the floorspace as affordable housing as set out in Table 16.1:

Net residential floorspace (GIA)	Proportion of affordable floorspace required		
	Affordable housing is in Zone 1	Affordable housing is in Zone 2	Affordable housing has a LEUV
1000 - 1249	10%	10%	10%
1250 - 1499	12.5%	12.5%	15%
1500 - 1749	15%	15%	20%
1750 - 1999	17.5%	17.5%	25%
2000 - 2249	20%	20%	30%
2250 - 2499	22.5%	22.5%	35%
2500 - 2999	25%	25%	35%
3000 - 3499	25%	27.5%	35%
3500 - 3999	25%	30%	35%
4000 - 4499	25%	32.5%	35%
4500+	25%	35%	35%

**Table 16.1: Proportion of residential floorspace required as affordable housing**

Some of this housing will be delivered by developers, some by other means e.g. Housing Renewal projects. It will not all be new housing e.g. spot acquisitions.

The use of GIA instead of Gross External Area (GEA) brings the affordable housing policy in line with Westminster's forthcoming Community Infrastructure Levy charging schedule.

Land with a low existing use value (LEUV) will be assessed on a site by site basis. It has a steeper staircasing because AH provision is more viable than on sites with higher existing use values. LEUV is defined as sites with no existing buildings or limited built development (e.g. car park, sub-station etc) by the general standards of the locality, and sites for which there is little effective demand for their current use other than by their present or most recent occupier.

Incremental increases in the proportion of affordable floorspace required (by 2.5% between each floorspace band in zones 1 and 2, and by 5% on sites with a LEUV) reflects the lower economies of scale on smaller sites.

The expectation is that the price paid for a site will reflect the council's planning policies and affordable obligations – a development proposal made unviable by an inflated price paid for land will not be an acceptable reason to grant planning permission. This is because the contribution levels in the policy have already been viability tested. The council may prefer to leave a site in its current use/form rather than accept a non-policy compliant development because of viability where that use meets other objectives, such as providing employment. For example the council may prefer to keep offices that contribute towards the UK economy rather than accept housing that doesn't meet need.

## POLICY S16 AFFORDABLE HOUSING CONTINUED

The affordable housing will be provided in accordance with the cascade below. Applicants are required to demonstrate to the council's satisfaction ~~Where the council considers~~ that ~~this it~~ is not ~~appropriate, practical practicable~~ or viable ~~to provide the floorspace required (in whole or in part), based on evidence presented by the applicant at each step of the policy cascade before they can move to the next.~~

The affordable housing will be provided on site.

The affordable housing ~~should~~ will be provided:

- off-site in the vicinity of the host development or
- by a draw down of the required amount of Affordable Housing Credits (Policy CM16.2) in the vicinity of the market development.

The affordable housing will be provided:

- off-site ~~provision~~ beyond the vicinity of the market development or
- by a draw down of the required amount of Affordable Housing Credits (Policy CM16.2) beyond the vicinity of the market development. ~~will only be acceptable where the council considers~~

Either case will only be acceptable where the council considers that the affordable housing provision ~~greater and:~~

- provides more affordable housing than would be possible on- or off-site in the vicinity;
- is of a higher quality than would be possible on- or off-site in the vicinity; and
- ~~where it~~ would not add to an existing localised high concentration of social housing ~~as set out in City Management policy.~~

A payment in lieu (PiL) will be made to the council's Affordable Housing Fund.

The Strategic Policy wording has been changed from 'practical' to 'practicable' to more accurately reflect the meaning of the policy – it will need to be demonstrated that on-site delivery is incapable of being put into practice (impracticable)

This is adopted policy. There may be exceptional circumstances where the council considers on-site is not appropriate.

This is adopted policy. 'Vicinity' is not defined to allow for flexibility when dealing with different site circumstances / availability.

The host development is the one which forms the original application triggering the requirement for affordable housing and which is first assessed for whether it can provide on-site affordable housing in whole or part..

Proposals for off-site provision of affordable housing must be agreed with the council at application stage.

See page 25

The payment in lieu policy is under development (see page 17).

# Existing concentrations of social housing

This map shows where social rented housing is concentrated across the city. The areas with over 50% social rented housing are shown in dark blue.

If on-site or off-site affordable housing in the vicinity is not possible, the council would prefer for units to be provided off-site beyond the vicinity rather than a payment in lieu, however it is also important to ensure mixed and balanced communities are created across the city. In particular the council is aware that parts of Westminster already have a high proportion of social rented housing.

Building affordable housing in such locations can exacerbate problems associated with mono-tenure estates and the council will therefore resist more social housing in such locations. This map gives an **indication** of the areas which are likely to be unsuitable for more social housing, but it is not definitive. Sites within areas with over 50% affordable housing are much less likely to be appropriate for additional affordable housing, but it will depend on the exact site location and circumstances. Similarly sites on the boundary of these areas may also not be appropriate for meeting off-site provision. It will be for the council to determine if the site's specific location is unsuitable. It is therefore strongly advised that applicants who propose off-site affordable housing in such areas seek pre-application advice to determine whether the Council considers it suitable.

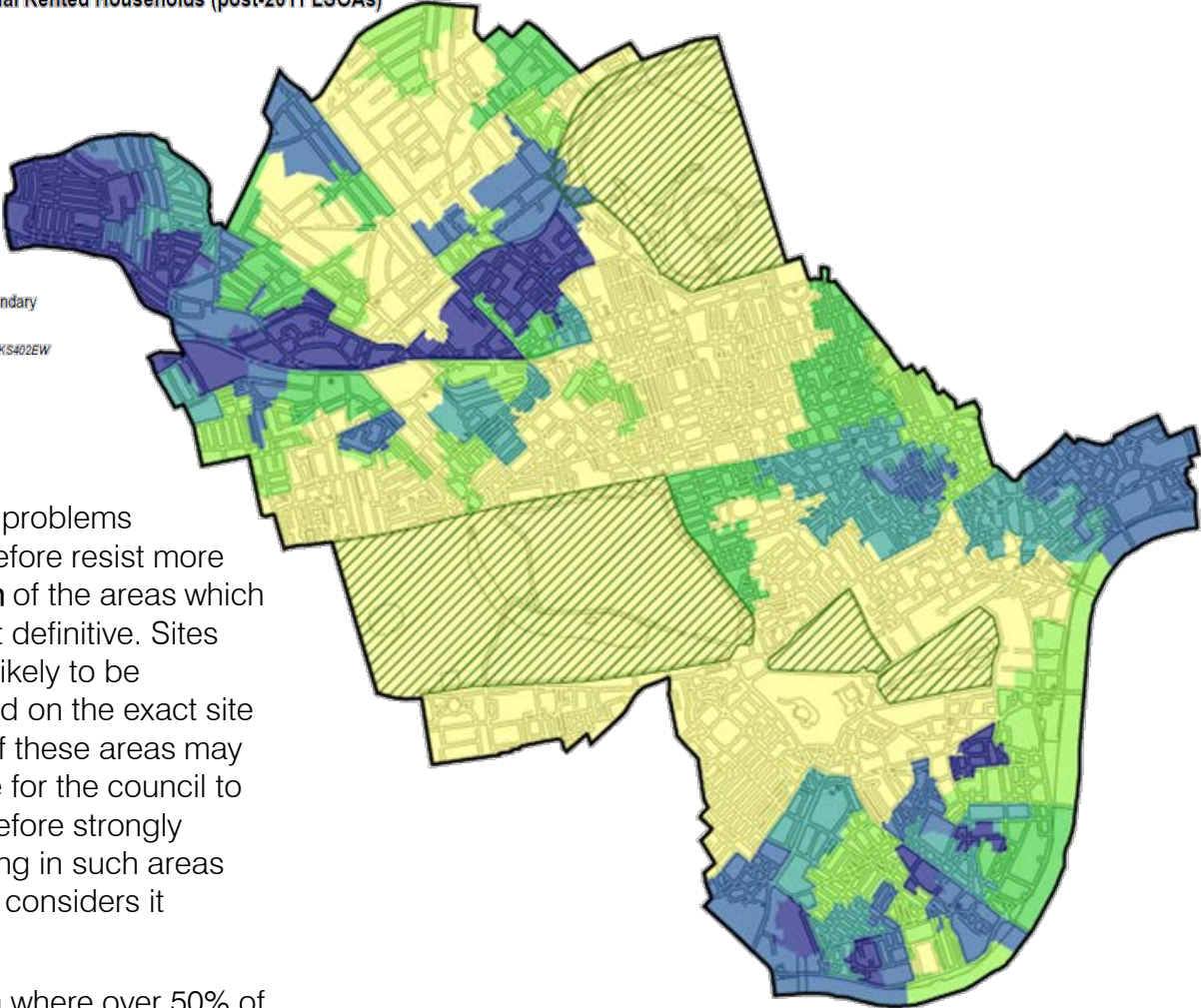
If a proposal is made for off-site affordable housing in an area where over 50% of properties are already social rented it may be considered more appropriate in some cases for a higher proportion of intermediate units to be provided. This will provide a better mix of tenure, whilst still securing actual units rather than a payment in lieu for which a site still has to be found.

Percentage of Social Rented Households (post-2011 LSOAs)

- 0 - 10 %
- 11 - 20 %
- 21 - 30 %
- 31 - 40 %
- 41 - 50 %
- Over 50 %

- Royal Parks
- Westminster Boundary

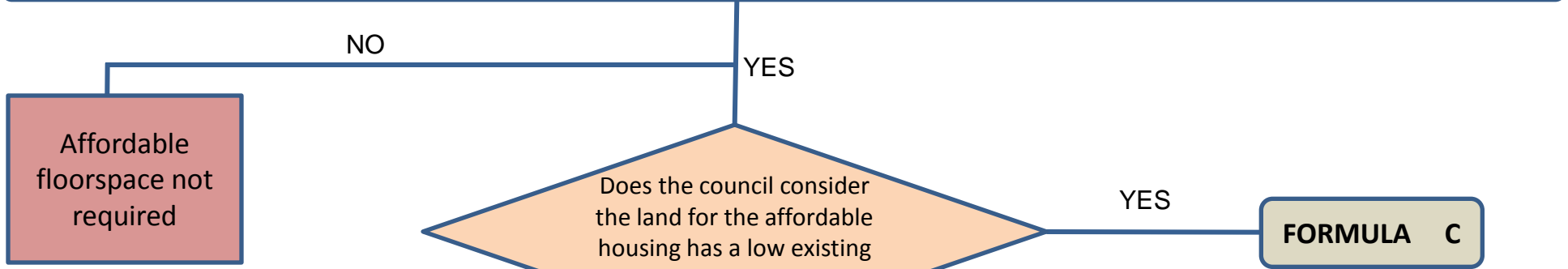
Source: ONS, Census 2011, Table KS402EW



# POLICY S16 AFFORDABLE HOUSING IN PRACTICE

This flow chart will be published on Westminster's website to aid developers in calculating the affordable housing requirement. The website will have a spreadsheet which will automatically calculate the floorspace and payment in lieu requirement when the net residential floorspace is entered.

Development proposes over 10 new residential units or over 1,000sqm new residential floorspace?



Affordable floorspace not required

FORMULA C

*Where the affordable housing is provided partially on-site, off-site, as a credit and/or as a payment in lieu a different calculation will apply to take account of the location of each portion of the requirement. See page 27 for an example.*

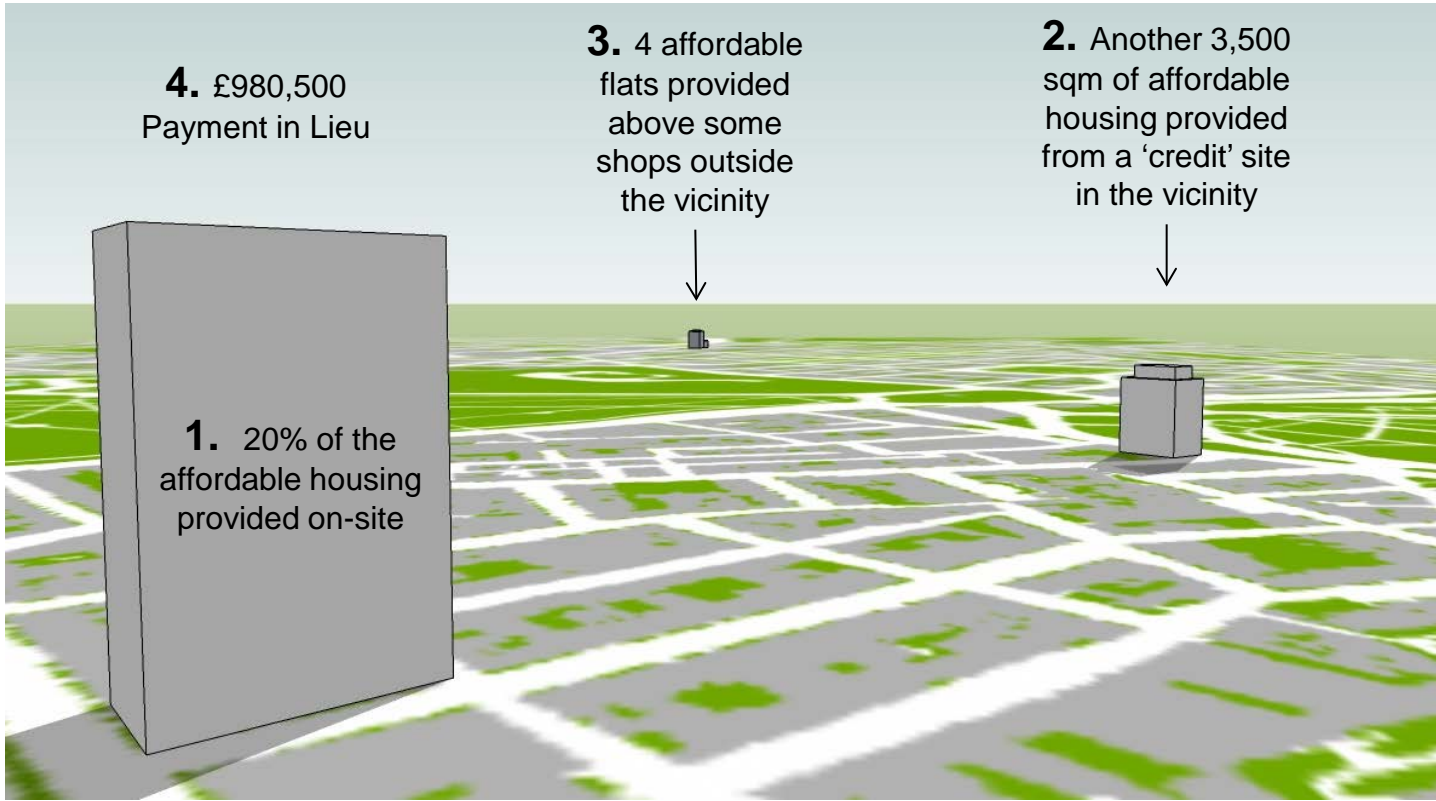
Click here to open the affordable housing calculation spreadsheet and view Formulas A, B and C

Or visit: [http://transact.westminster.gov.uk/docstores/publications\\_store/Affordable\\_Housing\\_Calculation.xlsx](http://transact.westminster.gov.uk/docstores/publications_store/Affordable_Housing_Calculation.xlsx)

FORMULA A

FORMULA B

# AFFORDABLE HOUSING – AN EXAMPLE



This shows a fictional example of a scheme using all of the mechanisms in the affordable housing cascade to deliver the required amount of affordable housing.

It is for a scheme in Zone 1 (see page 10) of 30,000sqm of residential floorspace, of which 20,000sqm is new floorspace (the other 10,000sqm was on the site before it was demolished to be replaced).

However, the off-site provision is in Zone 2 so that proportion has to be calculated as a % of the Zone 2 requirement (see 3. below).

The PiL is based on current requirements which are subject to consultation.

## EXAMPLE SCHEME DETAILS

Total Residential	30,000sqm	
Net Residential	20,000sqm	
AH required (Zone 1)	5,000sqm	25%
AH required (Zone 2)	7,000sqm	35%

## CALCULATIONS

	Floor Area	%	Units	
<b>1. On-site AH (Zone 1)</b>	1,000 sqm	20%	10	
<i>Remaining Shortfall</i>	<i>4,000 sqm</i>	<i>80%</i>		
<b>2. Credit (Zone 1)</b>	3,500 sqm	70%	47	
<i>Remaining Shortfall in Zone 1</i>	<i>500 sqm</i>	<i>10%</i>		
<i>Remaining Shortfall in Zone 2</i>	<i>700 sqm</i>	<i>10%</i>		
<b>3. Off-site (Zone 2)</b>	350 sqm	5%	4	
<i>Remaining Shortfall</i>	<i>250 sqm</i>	<i>5%</i>		
<i>Shortfall with uplift</i>	<i>313 sqm</i>	<i>6%</i>	<i>3.9</i>	
<i>Per Unit Sum (current policy – see page 15)</i>				£251,000
<b>4. Payment in Lieu</b>				£980,469

# RECOMMENDATIONS

**NEW POLICY CM16.1: MEETING THE RANGE OF AFFORDABLE HOUSING NEEDS**  
 Provision of affordable housing will aim to contribute to the strategic target of 60% of such units for households eligible for social housing and 40% for households eligible for intermediate housing.

Affordable housing will provide the following size mix:

	Social	Intermediate
1 bed	5% ( 1 double bedroom)	34%
2 bed	40% (2 double bedrooms)	33%
3+ bed	40% 3 bed (half all doubles, half 1 singles) 9% 4 bed (half 1 single, half 2 singles) 6% 5+ bed	33%

Table 16.2 Unit size mix

The table below shows the total numbers of existing affordable housing stock owned by Registered Providers that became void and were made available to the Council for letting over the last five years, and percentage levels of these voids that were either studios of 1 beds.

Year	Total relets (all sizes)	Of which studios or 1 bed	% studios/1 beds relet
2009/10	238	153	64%
2010/11	279	176	63%
2011/12	194	123	63%
2012/13	242	150	62%
2013/14	219	165	75%

## Key Questions

- Does the strategic target of 60:40 split of social and intermediate housing remain relevant, or should this be reconsidered to grow the intermediate sector, particularly in light of the evidence base set out on page 6 above?
- Should the council retain the flexibility to negotiate a different social:intermediate split, including to overcome viability constraints?
- Intermediate housing currently makes up only 1.5% of Westminster’s housing stock and is difficult to deliver because of the financial model of current products. Will this change if there are better products available in the intermediate market?

The percentage of 1 beds in the social sector is very small compared to the results of the Local Housing Market Assessment (2014) which showed a high need for 1 bed units. This is because 50% of existing all affordable housing stock is either studios or 1 beds. Of the 4,200 households currently on the Council Register for social housing about 24% of these households are registered for a studio or 1 bed property (including individuals registered for sheltered accommodation), with half the remaining housing registrants requiring 2 beds and the other half 3+ beds. However, owing to the predominance of studios and 1 beds in Westminster’s existing social housing stock, these sizes also represent the highest level of churn. Therefore, the vast majority of current demand from households registered for studio or 1 bed housing can be met from the turnover of existing studio and 1 bed affordable housing stock.

The percentages for Intermediate provision are aspirational and are not expected to be reflected exactly on every site. This will be particularly true of smaller sites.

Developers are encouraged to partner with a Registered Provider prior to submitting a planning application for affordable units.



# RECOMMENDATIONS

**NEW POLICY CM16.1: MEETING THE RANGE OF AFFORDABLE HOUSING NEEDS CONTINUED**

Service charges must be minimised. Intermediate affordable housing will be provided across these income ranges:

Eligible Household Incomes	Proportion
Up to the median income level	50%
Between the median and upper quartile income level	25%
Between the upper quartile income and GLA income threshold upper quartile income range	25%

Table 16.3 Eligible intermediate household income

The council wants intermediate schemes to be pitched at a point which is accessible, affordable and sustainable for those who are currently excluded from the mainstream housing market according to their needs and/or aspirations. Therefore intermediate housing must be available to households across these income ranges to achieve affordability and meet the full objectively assessed needs. There is no point only providing housing at the top end of the ranges as this will not meet the needs of households with middle-low incomes. Therefore sub-market rent alongside low cost homeownership options need to be provided.

Developers are required to meet more of the cost of providing affordable housing following the government’s revised funding framework. This makes it even more difficult to break the connection with market value of homes, which skews provision toward the top end of the affordability spectrum. Paragraph 47 of the NPPF requires local authorities to consider and provide for the full objectively assessed needs of eligible households. Income bands are required to enable delivery of a balanced range of intermediate homes.

*Affordable housing is defined in the NPPF as social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices.*

Service charges can be a significant proportion of overall housing costs, and if measures are not taken to minimise maintenance costs, can render affordable housing unaffordable. Affordable and market dwellings on the same site should not share common services because the law requires that occupiers receiving the same common services should pay the same service charge regardless of tenure.

Charges can be minimised by:

1. ensuring that where possible affordable and market dwellings do not share the same corridors, stairs, lifts or entrance lobbies;
2. designing the communal parts of affordable housing to ensure high quality and durability without high initial or on-going maintenance costs; and
3. the use of management agreements and sinking funds.

The eligible household income ranges are based on average incomes for residents in Westminster and reflect realistic affordability. The income ranges are published in a report produced by Catalyst Housing showing the income profile of intermediate households at 31<sup>st</sup> March 2014. The income ranges and intermediate waiting list will be published annually on the Homeownership Westminster website.

The percentage proportions shown below are indicative and a steer will be taken from the Affordable Housing Manager or from published guidance as to what proportions are required for individual sites. By way of example, the current income ranges are as follows:

	Up to the median income level	Between the median and upper quartile income level	Between the upper quartile income level and GLA threshold
1 bed	£32,457	£32,457 - £42,400	£42,400 -£66,000
2 bed	£38,000	£38,000 - £49,144	£49,144 -£66,000
3 bed	£35,055	£35,055 -£48,950	£48,950 -£80,000

# Credits

## NEW POLICY CM49.3 CREDITS

### A) Registering Credits

In addition to Policy S1 in the case of mixed use credits and S16 in the case of affordable housing credits, credits must:

1. be agreed as a credit at application stage and registered as a credit at the time of permission being granted;
2. establish a nominal floorspace value for the affordable housing credit in agreement with the council, with each credit equating to 1 sqm;
3. fund the development and maintenance of a credit monitoring database which will be the definitive list of credit sites;
4. not be;
  - i. subject to an extant planning permission for that use;
  - ii. be listed in Appendix 1 Proposals Sites with that use as a Preferred Use; or
  - iii. in the case of residential mixed use credits, be included on the Housing Land Supply list published in the most recent Annual Monitoring report;
5. comply with the following policies;

Residential Mixed Use Credits	S14 Optimising Housing Delivery; Policy S16 Affordable Housing excluding Payments in Lieu; CM16.1 Meeting the Range of Affordable Housing Needs; and CM14.1 Housing Quality
Commercial Mixed Use Credits	S18 Commercial Development; S19 Inclusive Local Economy and Employment; and where relevant S21 Retail
Affordable Housing Credits	S14 Optimising Housing Delivery; CM16.1 Meeting the Range of Affordable Housing Needs; and CM14.1 Housing Quality

6. in the case of affordable housing credits, not exceed a maximum of 50 affordable housing units registered as credits on each development site, and be provided within Westminster.

In considering if a proposal should be agreed as a credit scheme, the council will take into account the scheme's location, scale and quality and in the case of residential floorspace, the type, tenure, mix and number of units to be provided and the type, tenure and mix of uses/housing in the local area.

Credits should contribute to mixed and balanced communities within Westminster, and should not create large concentrations of mono-tenure development.

It is important that the value is set at the outset to ensure the same value is used when it is drawn down (increased by inflation) rather than escalating values. A nominal value is a fixed value per unit which reflects the cost of the actual delivery (land and construction) of the development.

The cost of administering the credits should be borne by those who use it.

The credit must provide additionality.

The purpose of credits is to optimise the floorspace delivered. For this reason credit development must be policy compliant to ensure it is of the type and quality necessary to off-set requirements of the future host schemes. There may also be instances where a credit proposal would not represent a good development solution and in these cases the council would not accept the proposal for registration.

Payments in lieu are not appropriate because they do not deliver the land for affordable housing and do not contribute to a local mix of tenure and occupier. If a credit scheme cannot deliver the actual affordable housing units required by policy, it is not appropriate for registration as a credit.

This is particularly important in relation to housing type and mix, particularly in relation to affordable housing. Credits aren't linked to any particular unit or floorspace so the overall mix must be appropriate so that each credit/square metre drawn down makes an appropriate contribution to meeting Westminster's housing needs.

## Credits - continued

### NEW POLICY CM49.3: CREDITS CONTINUED

#### B) Drawing Down Credits

1. In addition to Policy S1 in the case of mixed use credits and S16 in the case of affordable housing credits, when drawing down credits:
2. They must be drawn down within 7 years of registration;
3. The floorspace registered by the credits must be completed, and the completion certificate provided to the council;
4. The nominal value referred to in A) 2. above must be used in any viability assessment for the host scheme;
5. Credits may be pooled from more than one credit scheme, or used in combination with on-site, off-site or payment in lieu provision;
6. The credits must be available for draw down, as follows;
  - i. Credits are allocated to a host scheme at the time the planning application is submitted for that scheme. After this, they are not available for any other host scheme until they are released.
  - ii. To release credits the council must be notified in writing that:
    - a) the host scheme planning application has been refused and the time for an appeal has expired, or an appeal lost;
    - b) the host scheme planning application has been withdrawn;
    - c) the host scheme has been superseded by an alternative host scheme and the credits are transferred to the latter scheme;
    - d) the host scheme has been superseded by an alternative scheme that does not use the credits; or
    - e) the host scheme's planning permission has expired.
  - iii. Credits can only be drawn down once, and the credit has been drawn down when the council is notified in writing that the host scheme is completed.

Draw downs must be time limited to ensure that the system is manageable, the nominal values remain relevant and there is a regular turn-over of credits. Seven years allows for construction and subsequent availability for draw down.

The City Council must be satisfied that the floorspace exists and is available for occupation before it can be used as a credit against another site.

By allowing the trading of credits to maximise flexibility available to developers, establishing the nominal value is essential. Each credit will have a **nominal value** per square metre attached to it at the time of registration which will rise in value over time in line with the Retail Price Index. The credit is not specifically linked to any particular piece of floorspace; it is an abstract value. When trading credits, the price of a credit is a matter for negotiation between traders: however, the only value that can be used for site-specific viability assessment host schemes is the nominal value.

The credit scheme must not be used to avoid making an appropriate contribution towards affordable housing. However, where the credit scheme doesn't include sufficient affordable housing, for example in a smaller scheme where the proportion of floorspace required is less, additional floorspace must be provided. This could be provided on-site, off-site, through the transfer of a market unit on the credit scheme to an affordable tenure as agreed by the City Council, or through an affordable housing credit. Payments in lieu are not generally appropriate because they do not deliver the land for affordable housing and do not contribute to a local mix of tenure and occupier. However, where a small shortfall is outstanding, flexibility should be applied.

Clarity is required to ensure the proper management and use of the credit system.

#### Key Question

18. A limit on the number of credits that can be registered from any one development has been proposed (A4 above) to ensure that credits contribute to mixed and balanced communities. Is 50 units the right number to limit credit developments to?

Credits registration will include the following information:

- the credit site, including an appropriate OS based map with the site outlined in red,
- the planning application reference(s),
- the area of net additional credit floorspace (rounded down to the nearest whole sqm),
- the type of credit and, in the case of residential, the proportion of affordable housing,
- the nominal value of each credit (£/sqm) as agreed with the council.

## Have Your Say

This booklet is part of the informal consultation for developing the statutory policies in Westminster's local plan. It builds on previous consultation on the City Management Plan. Further information can be found [here](#).

This booklet only includes the proposed policies. However, Westminster's local plan will include supporting text based on the text within this booklet. This includes:

- Introductory text, setting out the background to the topic.
- Policy application: guidance as to how the policy will be applied, including details of how things will be measured or calculated etc.
- Reasoned justification: this is an explanation required by law to accompany a policy, setting out why a policy is applied.
- Glossary definitions: the statutory definitions used for terms that are included in the policies.

If you wish to discuss the issues raised in this booklet with somebody, please telephone 020 7641 2503.

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To comment on anything in this booklet, please email [planningpolicy@westminster.gov.uk](mailto:planningpolicy@westminster.gov.uk) or write to us at:

City Planning  
11<sup>th</sup> Floor  
Westminster City Hall  
64 Victoria Street  
London SW1E 6QP

Your comments will form part of the statutory record of consultation and will be made available on our website and to the public. Your contact details will not be made available, but we will use them to stay in touch with you about future policy development. If you do not want us to stay in touch, please let us know in your response.

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## Reading List

- [London's Renting Crisis](#) (Financial Times, 2014)
- [Definition of General Housing Terms](#) (National Planning Practice Guide, 2014)
- [Land Registry House Price Index 2014](#)
- [Affordable Housing Viability Study](#) (DTZ, 2011)
- 2014 DTZ report update
- [London Plan](#) (Greater London Authority, 2011)
- [Draft Further Alterations to the London Plan](#) (Greater London Authority, 2014)
- [Prime Residential Market in Westminster](#) (2014) Ramidus Consulting (2014)
- [Local Housing Market Assessment](#) (Ecorys Consulting, 2014)
- [Westminster Housing Market Assessment](#) (Wessex Economics, 2014) (Full report)
- [Westminster Housing Market Assessment](#) (Wessex Economics, 2014) (Summary report)
- [Mixed Communities in England](#) (Joseph Rowntree Foundation, 2005)
- Developing and sustaining mixed tenure housing developments (Joseph Rowntree Foundation, 2008)
- Respipe Database
- Census (2011)
- Office National Statistics (2011)
- CLG Population Projections (2013)
- [Construction price and cost indices](#) (Department for Business Skills and Innovation)
- Housing policy in high-density global cities (2014) University of Westminster