



# City of Westminster Cabinet Member Report

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| <b>Meeting or Decision Maker:</b> | Cabinet Member for Built Environment  |
| <b>Date:</b>                      | 29 March 2016   |
| <b>Classification:</b>            | General Release   |
| <b>Title:</b>                     | Update to the residential unit sums for financial contributions in lieu of onsite affordable housing in accordance with the council's adopted planning policies for the period 1 <sup>st</sup> April 2016 until further reviewed.   |
| <b>Wards Affected:</b>            | All   |
| <b>City for All summary</b>       | Increase in the amount of affordable housing and payments to the affordable housing fund contributes to the 'City of Aspiration' priority of City for All by building more affordable homes and supporting those who need help to get on the housing ladder.  |
| <b>Key Decision:</b>              | Key Decision included in the Forward Plan of Key Decisions  |
| <b>Financial Summary:</b>         | <p>This is an annual review and update in the contribution from developers for payments to the affordable housing fund, in lieu of the delivery of affordable housing on site.</p> <p>The Councils policy is to increase the contributions in line with increases in house price inflation. This will result in a 6% increase in the normal cost area contribution from £287k to £304k per unit. In designated higher value areas the contribution will increase from £383k to £406k per unit. These contribution levels will apply from 1/4/2016 to 31/3/2017.</p> |
| <b>Report of:</b>                 | Director of Policy, Performance and Communications  |

## 1.0 EXECUTIVE SUMMARY

- 1.1 This report seeks Cabinet Member approval to agree the 'per unit sum' for financial contributions in lieu of on-site affordable housing provision, in line with the Westminster City Plan: Strategic Policies (adopted November 2013), paragraphs

3.51 to 3.53 of the “saved” Unitary Development Plan (adopted January 2007) and the Interim Guidance Note on Affordable Housing (published November 2013 and updated April 2015). This figure will apply from 1<sup>st</sup> April 2016 until further reviewed.

## **2.0 RECOMMENDATION**

- 2.1 That the Cabinet Member for Built Environment agrees to increase the ‘per unit sum’ from 1st April 2016 by 6% reflecting the increase in residential values over the previous year and resulting in a new per unit sums of £304,000 (and £405,000 in the designated higher values areas (see map attached at Appendix B).

## **3.0 REASONS FOR DECISION**

- 3.1 It is important to have an up-to-date per unit sum in lieu of affordable housing provision to reflect changes in land prices and residential values over the last year, in line with the Westminster City Plan: Strategic Policies (adopted November 2013) and as set out in paragraphs 3.51 to 3.53 of the Unitary Development Plan (adopted January 2007) in order to ensure on-going and market sensitive financial contributions to the Affordable Housing Fund.

## **4.0 BACKGROUND**

- 4.1 The Council’s Affordable Housing Fund (AHF) plays an essential role in the provision of affordable housing in Westminster by contributing towards the funding for the Housing Renewal Programme and bridging the ‘funding gap’ between the GLA grant funding for affordable units in Westminster and the Registered Providers (RPs) actual costs of those units. It is also used to supplement affordable housing directly through the planning system by funding spot purchases of affordable units.
- 4.2 In April 2012, the London functions of the HCA (Homes and Communities Agency), including funding, were devolved to the Mayor of London. The Mayor has indicated that grant funding is unlikely to be available for future schemes secured by s106 agreements (as it is assumed that the planning process delivers the subsidy required) and that local authorities should assume zero grants for such schemes. Without a ‘top up’ from the AHF, fewer or less suitable affordable units would be built, e.g. fewer family-sized units. The AHF is, therefore, essential to delivering affordable homes in Westminster.

## **5.0 POLICY CONTEXT: UNITARY DEVELOPMENT PLAN / WESTMINSTER’S CITY PLAN**

- 5.1 Westminster’s Unitary Development Plan (UDP) was approved by Full Council on 24 January 2007, and parts of it were ‘saved’ by the Secretary of State on 24 January 2010. The following policies referred to in this report have been ‘saved’ and are considered to be NPPF compliant. As such, these policies are considered to carry significant weight.

- 5.2 As set out in paragraphs 3.51 to 3.53 of Policy H 4 of the “saved” Unitary Development Plan (UDP), adopted January 2007, in cases where a financial contribution in lieu of on- or off-site affordable residential provision is deemed appropriate, the City Council will expect this to be:
- (A) a financial sum per unit that would have been provided on site, equivalent to the cost of supplying the land that would otherwise be required; plus
  - (B) an increase in the resultant total sum to reflect the increase in market units that will arise from not providing affordable housing on the site.
- 5.2 The UDP states that the sum per unit will be updated annually by the City Council from 1<sup>st</sup> April each year in line with changes in land prices. Westminster’s City Plan: Strategic Policies, Policy S1: Mixed Use in the Central Activities Zone (adopted in November 2013) allows for payments in lieu of affordable housing if on-site or off-site provision is proven to be not practicable or feasible. This reflects both national (National Planning Policy Framework (NPPF) paragraph 47) and regional guidance (London Plan policy 3.12). The Council have revised Strategic Policy S1 to address the significant and damaging loss of office floorspace to residential use in the Core CAZ. The revised policy will still utilise the per unit sum for payments in lieu of residential floorspace. The revision is currently undergoing examination in public and is expected to be adopted later this year.
- 5.3 The methodology used to calculate payments in lieu (PiL) is set out in the Interim Guidance Note on Affordable Housing Policies which is available at: [http://transact.westminster.gov.uk/docstores/publications\\_store/Interim%20note%20revised%20april%202015.pdf](http://transact.westminster.gov.uk/docstores/publications_store/Interim%20note%20revised%20april%202015.pdf) and a copy is attached to this report at Appendix C
- 5.3 Where on- or off-site residential provision cannot be provided to comply with City Plan Policy S1, or additionally appropriate alternative uses cannot be provided to comply with “saved” UDP policy CENT 3 (paragraphs 1.66 to 1.68) and COM 2 (paragraphs 2.30 to 2.32), the annually updated residential unit sum in lieu of affordable housing will be used to calculate the appropriate financial contribution.
- 5.4 The Council consulted on draft affordable housing development management policies in 2015 in the Affordable Housing consultation booklet which asked a number of key questions regarding the calculation of the payment in lieu and explored different methodologies for its calculation, taking into account the real cost of affordable housing development. The consultation also explored the possibility of extending the designated higher value areas to take into account other parts of the City where there is a high prevalence of prime residential properties. The drafting of new affordable housing policies following this consultation was halted owing to the publication of the Housing and Planning Bill which fundamentally changes how affordable housing is required through the planning system (see paragraph 8.3). Drafting of the new policies will recommence following enactment of the Bill (expected in summer 2016) and publication of the relevant Regulations. These policies will then be inserted, along with any necessary supporting text into Westminster’s City Plan: **Strategic Policies to form Westminster’s City Plan**, which will supersede the extant ‘saved’ UDP policies.
- 5.5 As required by the NPPF, the new policy will be tested for its effect on the economic viability of development as part of an overall assessment of all proposed policies, before the City Plan is formally adopted. In the meantime, therefore, it is necessary

to continue with a 'per unit sum' for financial contributions in lieu of on-site affordable housing provision.

## **6.0 METHODOLOGY FOR CALCULATING THE PER UNIT SUM**

6.1 The per unit sum was originally calculated as the land cost element of the former Housing Corporation's Total Cost Indicator (TCI) which was updated every financial year to take account of changes in land and construction costs. The Housing Corporation stopped publishing and using TCIs in 2005. The City Council has, therefore, annually updated the £125,000 figure for 2005/6 (based on the last published TCI) using the [Land Registry House Prices Index \(HPI\)](#) and advice from retained property consultants to reflect land price inflation in Westminster.

6.2 This method of using the annual increase in house prices to inform the per unit sum is considered to be the most accurate way of determining an appropriate PIL for a number of reasons:

- Firstly, the price of a house contains within it construction costs as well as embodying the cost of land and, therefore, takes into account the changing value of that land in residential use in the same kind of way the TCI did.
- Secondly, the HPI is calculated by using the Land Registry's own 'Price Paid Dataset'. This is the most robust method available, based on a record of all residential property transactions made in England and Wales since January 1995. At present it contains details of over 16 million sales. Of these, over six million are identifiable matched pairs, providing the basis for the repeat-sales regression analysis used to compile the HPI. This technique of quality adjustment ensures an 'apples to apples' comparison between properties. If land prices were used instead the value may be distorted by the changing land use values i.e. the value of office land and residential land are different and not comparable over time.

6.3 The HPI data is readily available and easy to analyse on a borough by borough basis. This is not the case for other house price indices or land value data. As mentioned above, the Council has updated the PIL figure annually and has previously commissioned its own retained property consultants to analyse the HPI data. As this data is in the public domain and the methodology for calculating the HPI well established, the analysis is now undertaken in-house.

## **7.0 THE 2016/17 PIL FIGURE**

7.1 Last year there was a 14.2% increase on the previous sum, to give a per unit figure of £287,000 for 2015/16. The City Council has defined four areas where house prices are generally higher and where an increased financial contribution will be required (Knightsbridge, Belgravia, Mayfair and St. James's as defined on Map 3.7 of the UDP and as set out in the UDP (paragraph 3.53) and attached at Appendix B). In these areas the per-unit sum is 33 $\frac{1}{3}$ % higher.

7.2 The Land Registry House Price Index indicates an annual inflation of 6% for the period December 2014 to December 2015 (December-December is taken as it enables the council to set a figure for the forthcoming financial year)<sup>1</sup>. Applying this increase to last year's per unit sum of £287,000 results in a figure of £304,220 for

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<sup>1</sup> Land Registry Data accessed 2<sup>nd</sup> February 2016

the average land-cost element per unit. However, in line with the adopted saved UDP Appendix 3.2 it is recommended that for the coming financial year (2016/17) a unit sum figure of £304,000 is used (i.e. rounded to the nearest thousand). The per unit sum for the designated higher value areas will be £406,000 (i.e. £304,220 increased by 33⅓% and rounded to the nearest thousand. This is a £23,000 increase on the 2015/16 figure of £383,000).

## **8.0 AFFORDABLE HOUSING FUND (AHF) INTO THE FUTURE**

8.1 The AHF is essential to the delivery of the Council's Housing Renewal Programme and plays a vital role in the provision of affordable housing in Westminster. For example:

- since 1999, expenditure of approximately £103m from the City Council's AHF has helped to deliver over 1,500 affordable homes in the City;
- in addition to funding new build affordable housing, part of this expenditure has been used to buy over 330 market flats for use as affordable housing;
- existing contractual AHF commitments of £77m, combined with future AHF investment requirements totalling £147m, are expected to deliver up to 1,400 additional affordable homes<sup>2</sup>.

8.2 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 affordable housing in the light of the withdrawal of HCA grant on s106 sites.

8.3 The Housing and Planning Bill and proposed changes to the National Planning Policy Framework will change how affordable housing is delivered in the future and will, over time, influence the direction of Westminster's affordable housing policy. For example the Bill provides powers for the Secretary of State to specify that a set proportion of "starter homes" for ownership (a home sold to a first time buyer under the age of 40 with a discount of 20% compared to market value, up to a maximum of £450,000 in London) will be provided in respect of residential developments granted planning permission. This is likely to change the requirements made of developers through the planning system and how these will be calculated. Full detail is not known at this time as to the exact impact of these national policy changes as the detail will follow in Regulations.

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<sup>2</sup> The AHF investment requirement figure of £147m is not fully available from existing AHF balances and is dependent upon new AHF receipts being secured from developers into the fund in the future (there is £94m in existing balances available to invest after allowing for contractual commitments of £77m).

## **9.0 CONTRIBUTION OF THE PER UNIT SUM UPDATE TO CITY FOR ALL**

- 9.1 Updating the per unit sum so that it truly reflects the cost of affordable housing delivery in Westminster (and thus increasing payments into the AHF and affordable housing delivery) contributes to the City of Aspiration aspect of City for All.

## **10.0 FINANCIAL IMPLICATIONS**

- 10.1 This is an annual review and update in the contribution from developers for payments to the affordable housing fund, in lieu of the delivery of affordable housing on site.
- 10.2 The Councils policy is to increase the contributions in line with increases in house price inflation. This will result in a 6% increase in the normal cost area contribution from £287k to £304k per unit. In designated higher value areas the contribution will increase from £383k to £406k per unit. These contribution levels will apply from 1/04/2016 to 31/3/2017.
- 10.3 This is in line with the adopted Westminster City Plan: Strategic Policies (2013) and the UDP (2007).

## **11.0 LEGAL IMPLICATIONS**

- 11.1 Guidance within the National Planning Policy Framework (NPPF) requires local planning authorities to take into account market signals, such as land prices when developing planning policies for housing (para. 17). It also states that affordable housing policies should be sufficiently flexible to take account of changing market conditions over time (para. 50).
- 11.2 The recommendation in this report has been made taking into account information available in the market, provided by the HM Land Registry based on actual sales of residential properties specifically for the City of Westminster.

## **12.0 BUSINESS PLAN IMPLICATIONS**

- 12.1 In line with the Policy, Performance and Communications Business Plan (2015 - 17), the updating of the unit sum reflects the commitment to update and revise the City Plan to provide the necessary policy basis. The update also contributes to the commitment in the Growth, Planning and Housing Business Plan (2015-17) to provide a high quality Development Management process that facilitates change across the City, and to deliver more affordable homes in the City.

## **13.0 CONSULTATION**

- 13.1 Full consultation was carried out at all stages of UDP preparation and an independent inquiry overseen by a Government Inspector heard objections to the Plan. The policy approach in the UDP has, therefore, been subject to intensive public scrutiny in line with legislation and guidance.
- 13.2 The UDP was approved by Full Council on 24 January 2007, and parts of it were 'saved' by the Secretary of State on 24 January 2010. The policies referred to in this report have been 'saved' and are considered to be NPPF compliant. As such, these policies are considered to carry significant weight

- 13.2 Westminster's City Plan: Strategic Policies and its predecessor the Core Strategy were also subject to extensive consultation and engagement at all stages of its preparation, in line with the adopted Statement of Community Involvement. It was similarly the subject of an independent examination and has been found to be sound, and in line with legislation and national and regional policy.
- 13.3 The per unit sum figure is based on independent HM Land Registry data and is calculated in a standard mathematical way. It is not, therefore, an appropriate subject of consultation.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact:**

*Kimberley Hopkins, Principal Policy Officer, Policy, Performance & Communications*

0207 641 2935 [khopkins@westminster.gov.uk](mailto:khopkins@westminster.gov.uk)

#### **BACKGROUND PAPERS:**

1. City of Westminster Unitary Development Plan, adopted 2007 (various policies 'saved' by the Secretary of State on 24 January 2010)
2. Westminster's City Plan: Strategic Policies, adopted November 2013
3. Interim Guidance Note: Affordable Housing Policy, November 2013 (updated April 2015)
4. Affordable Housing Consultation booklet, January 2015

*NB: For individual Cabinet Member reports only*

For completion by the **Cabinet Member for Built Environment**

**Declaration of Interest**

I have <no interest to declare / to declare an interest> in respect of this report

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

NAME: **Councillor Robert Davis MBE DL**

State nature of interest if any .....  
.....

*(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)*

For the reasons set out above, I agree the recommendation(s) in the report entitled *Update to the residential unit sums for financial contributions in lieu of affordable housing contained within the adopted Unitary Development Plan (2007)*.

Signed .....

Cabinet Member for Built Environment

Date .....

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:  
.....  
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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, Chief

Operating Officer and, if there are resources implications, the Director of Human Resources (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

**Other Implications**

**1. Resources Implications**

None

**2. Risk Management Implications**

None

**3. Health and Wellbeing Impact Assessment including Health and Safety Implications**

None

**4. Crime and Disorder Implications**

None

**5. Impact on the Environment**

None

**6. Equalities Implications**

None

**7. Staffing Implications**

None

**8. Human Rights Implications**

None

**9. Energy Measure Implications**

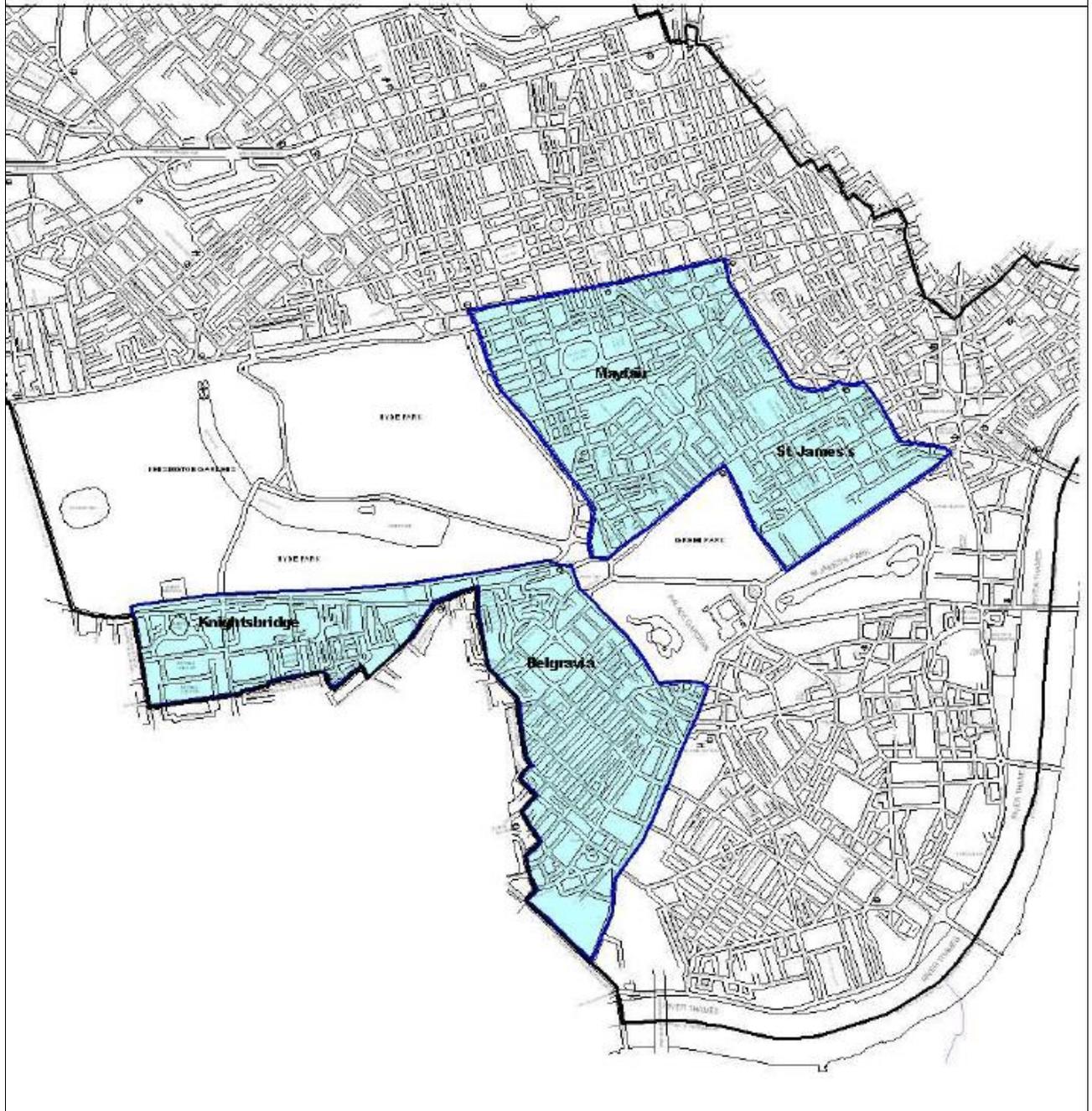
None

**10. Communications Implications**

None

Areas where an increased financial contribution will be sought under the affordable housing policy

Map  
3.7



### Interim Guidance Note: Affordable Housing Policy

*A note on the implementation of the affordable housing policy in Westminster in the interim period between the adoption of Westminster's City Plan (Strategic Policies) (2013) and the adoption of Westminster's City Plan (Strategic and Development Management Policies)*

#### 1. Introduction

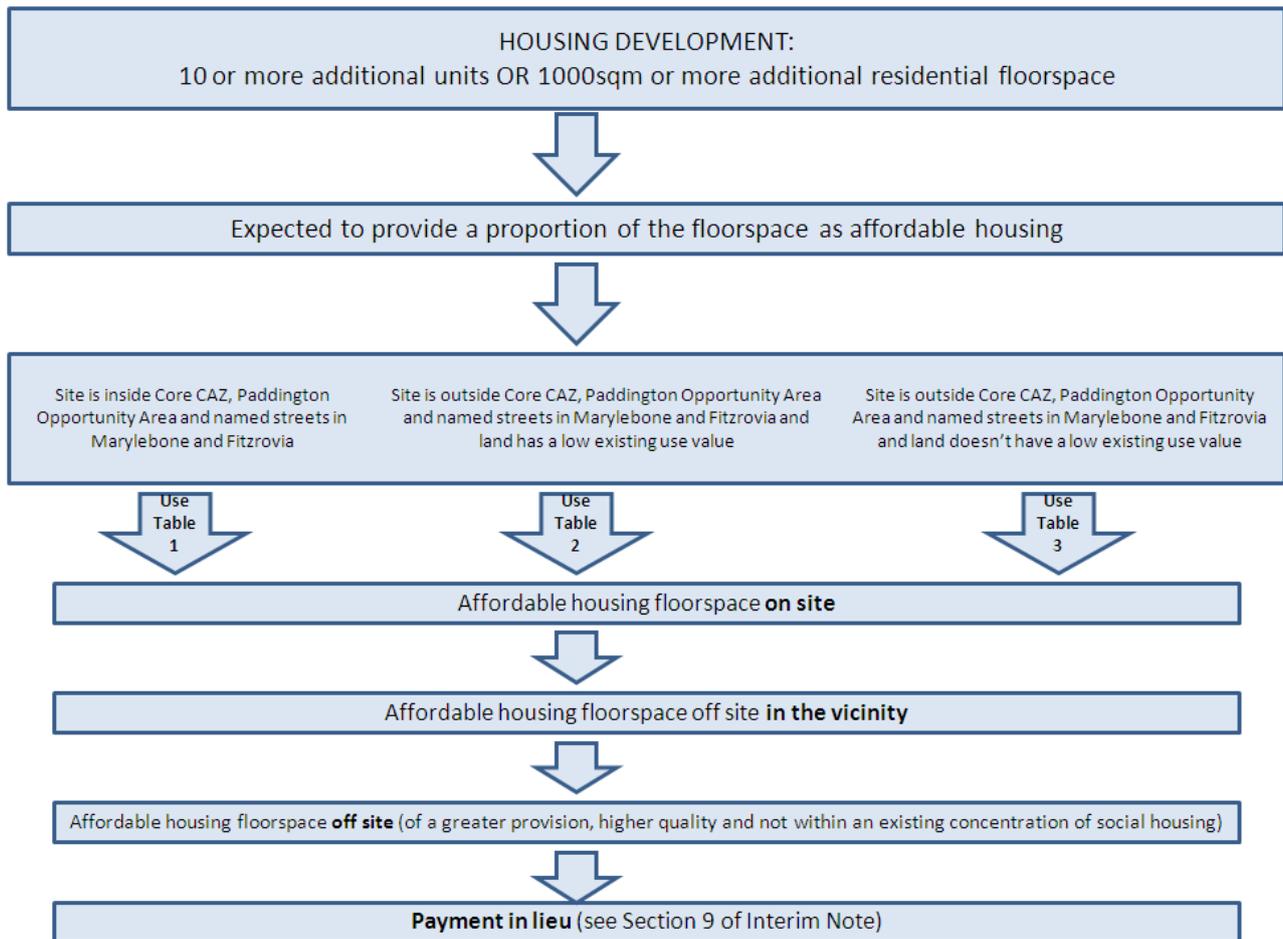
- 1.1 An interim note was originally prepared following the adoption of Westminster's Core Strategy in 2011. The adopted Core Strategy has since been revised to ensure conformity with the National Planning Policy Framework (NPPF) and the London Plan and, from its adoption on 13<sup>th</sup> November 2013, will henceforth be known as Westminster's City Plan (Strategic Policies) 2013. This note is intended to clarify the position regarding the **application** of the affordable housing policy in the period between adoption of Westminster's City Plan (Strategic Policies) (adopted November 2013) and the adoption of Westminster's City Plan (Strategic and Development Management Policies); adoption anticipated 2016.
- 1.2 In the Interim period between the adoption of Westminster's City Plan (Strategic Policies) and Westminster's City Plan (Strategic and Development Management Policies) affordable housing policy S16, must be applied alongside [Tables 3.1 – 3.3 of UDP policy H 4](#). The note does **not** contain 'new' policy it is simply meant as a guide to the way the Council will apply the saved UDP policy alongside the adopted Westminster's City Plan policy (S16).
- 1.3 This note sets out the proportion of floorspace which will be sought for different schemes in this interim period, based on the staircasing proportions in UDP policy H 4 Tables 3.1 – 3.3.
- 1.4 It also addresses how payments in lieu of affordable housing and payments in lieu of residential floorspace in Mixed Use schemes will be calculated where on site provision has been proven to be impractical or unviable in accordance with Westminster's City Plan adopted policy S1.

#### 2. Background

- 2.1 For some time the housing market in Westminster has favoured the development of large and sometimes very large homes. This has meant that the adopted UDP Affordable Housing policy (which has a unit threshold and a proportional requirement calculated in units), has not always achieved a fair and appropriate amount of affordable housing in association with developments. Westminster's City Plan (Strategic Policies) Affordable Housing policy S16 addresses this issue by using a 1,000 sqm floorspace threshold at and above which all residential developments will be required to provide affordable housing floorspace.

- 2.2 The Planning Inspector in her report into the Core Strategy (in 2011) supported the use of the floorspace threshold originally set out in Core Strategy policy CS16 (now Westminster's City Plan (Strategic Policies) policy S16). Paragraph 56 of her report stated '*I conclude that the threshold in Policy CS16 is justified and practical, and should assist flexibility and delivery from small sites.*' In reaching her view, the Inspector relied on the Affordable Housing Viability Assessment (DTZ, July 2010). This study supported the thresholds and use of a floorspace proportion and suggested a stepped approach to the floorspace proportions and maximum proportions for different areas/use values. The actual proportions of affordable housing floorspace sought in different schemes will be set out in due course in Westminster's City Plan (Strategic and Development Management Policies).
- 2.3 The Inspector's report also says in paragraph 56 '*The Council produced an interim implementation note to demonstrate how policy would be applied between adoption of the Core Strategy and adoption 12 months hence of the CMP.*' The Core Strategy was adopted on 26<sup>th</sup> January 2011 and has been revised to comply with the NPPF and the London Plan and was adopted on 13<sup>th</sup> November 2013. Following the introduction of the Localism Act and the NPPF in 2012, it was decided to amalgamate the Core Strategy with the City Management Plan (CMP) into one single 'Local Plan' for Westminster containing both strategic and development management policies. Westminster's City Plan: Strategic Policies will be subject to a number of revisions to include development management policies. The first revision to the 'Local Plan' which will be called Westminster's City Plan (Strategic and Development Management Policies) - is expected to be adopted in 2016. This note replaces the original note referred to by the Inspector and has been prepared in order to add clarity to the original note.
- 2.4 Both S16 and UDP policy H 4 recognise that it is sometimes not practical or viable for the affordable housing to be provided on-site. In such circumstances, S16 states that the affordable housing should *then* be provided off-site in the vicinity, and *then* sets out circumstances where off-site beyond the vicinity may be acceptable. When this cascade of options has been fully explored and proved not practical or not viable, the council will consider accepting a Payment in Lieu (PiL) of affordable housing. It is recognised that in some schemes at or marginally above the thresholds of 1,000sqm additional floorspace, or 10 additional units (when the floorspace is less than 1,000 sqm) and a very small affordable floorspace proportion is required, a Payment in Lieu may be more appropriate than on site, off site in the vicinity or off site provision.

## Application of Policy S16 Affordable Housing



### 3. How the UDP and Westminster's City Plan policies will be applied together

3.1 Prior to the adoption of the detailed affordable housing policy in Westminster's City Plan (Strategic and Development Management Policies) the City Council will, when assessing proposals, use the thresholds set out in Westminster's City Plan (Strategic Policies) policy S16, in combination with the unit proportions set out in adopted UDP policy H4 (UDP Tables 3.1 -3.3). This note translates the unit requirement into floorspace and (for larger schemes) takes into account the maximum floorspace proportions suggested in the DTZ Affordable Housing Assessment. The major change in this interim period from UDP policy affects:

- i) Small developments (i.e. schemes of less than 10 units which are over 1,000 square metres); these will be required to provide affordable housing; and
- ii) Very large developments; these will generally be required to provide a greater number of units as the requirement will be based on a proportion of floorspace, rather than a percentage of units.

## 4. Government changes to affordable housing

- 4.1 Grant funding for affordable housing has been substantially reduced from previous levels and when purchasing land and drawing up schemes, **developers should presume nil grant.**
- 4.2 Affordable Rents will need to meet a range of household incomes in order to address the needs of those who cannot afford market housing. In the forthcoming development management policies Westminster will set out the priorities for affordable housing requirements in order to ensure that new affordable housing can meet the range of identified local needs. Developers are strongly advised to liaise with the Head of Affordable and Private Sector Housing at the pre-planning stage to discuss affordability guidelines (contact: Fergus Coleman, fcoleman@westminster.gov.uk 020 7641 2129).

## 5. Thresholds

- 5.1 **The affordable housing threshold in Westminster's City Plan policy S16 is 1,000 square metres net increase in residential floorspace OR 10 or more additional units.** This threshold has not changed from the adopted Core Strategy (January 2011).

The threshold which applies in the following scenarios is as follows:

- 3 units/1,200 square metres increase – above the *floorspace threshold*
- 11 units/780 square metres increase - above the *unit threshold*
- 15 units/2,000 square metres increase – above the *floorspace and unit threshold*
- 20 unit/1,500 square metres increase – *above the floorspace and unit threshold*

## 6. Proportion of affordable housing sought

- 6.1 Where the affordable housing threshold is met or exceeded, the affordable housing provision will be sought as a proportion of floorspace (as set out in Westminster's City Plan: Strategic Policies policy S16). The specific proportion sought will still rely on the Unitary Development Plan policy H 4, and in particular UDP Tables 3.1 to 3.3. However, the unit figures in these tables have been translated into floorspace figures, in order to implement adopted policy S16.

- 6.2 In order to assess the proportion of affordable housing floorspace sought and therefore convert UDP Tables 3.1 – 3.3, we have applied the following assumptions:

- **A housing unit = 100sqm** (*representing a reasonable size home – see Reasoned Justification for policy S16*)
- **An affordable housing unit = 80sqm** (*recognising that affordable homes tend to be smaller than market homes in Westminster*).

- 6.3 These assumptions have been used to convert the unit requirements contained in UDP Tables 3.1 – 3.3 to a **gross external floorspace** requirement as set out in Tables 1, 2 and 3

below. Tables 1, 2 and 3 are derived from UDP Tables 3.1 – 3.3, but altered to reflect the new threshold and floorspace proportion as set out in policy S16.

- 6.4 Prior to the adoption of the detailed development management policies, the proportion of floorspace sought on individual sites will be expected to comply with Tables 1, 2 and 3 below.

## **7. Maximum floorspace proportions**

- 7.1 It is recognised that in Westminster floorspace proportions will, for most schemes, yield a higher number of affordable units than the same proportion based on units. The DTZ [Affordable Housing Viability Assessment](#) examined this issue and concluded that the 30% maximum unit requirement in the Central Activities Zone (CAZ) and 50% outside CAZ, set out in the UDP, would, if converted directly to a floorspace requirement, in many cases be too onerous and thereby threaten viability. The Assessment suggested more appropriate maximum floorspace proportions (see Section 7 of the [Affordable Housing Viability Assessment](#)). These 'maximum proportions' of floorspace have been included in Tables 1, 2 and 3 below and hence, the maximum percentage of floorspace required in Tables 1, 2 and 3 below, is lower than the maximum percentage units of units set out in UDP Tables 3.1 – 3.3.
- 7.2 The maximum floorspace proportions of affordable housing sought indicated in the Affordable Housing Viability Assessment are:
- **25%** of floorspace on sites in Core CAZ, Paddington Opportunity Areas and named streets in Marylebone and Fitzrovia (as opposed to 30% in the UDP) (Table 1)
  - **35%** of floorspace on sites outside Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia, where the proposal relates to land having a low existing use value (as opposed to 50% of units in UDP) (Table 2)
  - **35%** on sites outside Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia, where the proposal relates to land *not* having a low existing use value (as opposed to 50% of units in UDP). (Table 3)
- 7.3 The floorspace requirements set out in the staircasing in Tables 1, 2 and 3 below, have been adjusted in order to ensure that no floorspace requirements exceeds the maximum floorspace proportions considered viable in the Affordable Housing Viability Assessment. Map 1 illustrates the areas the tables apply to.

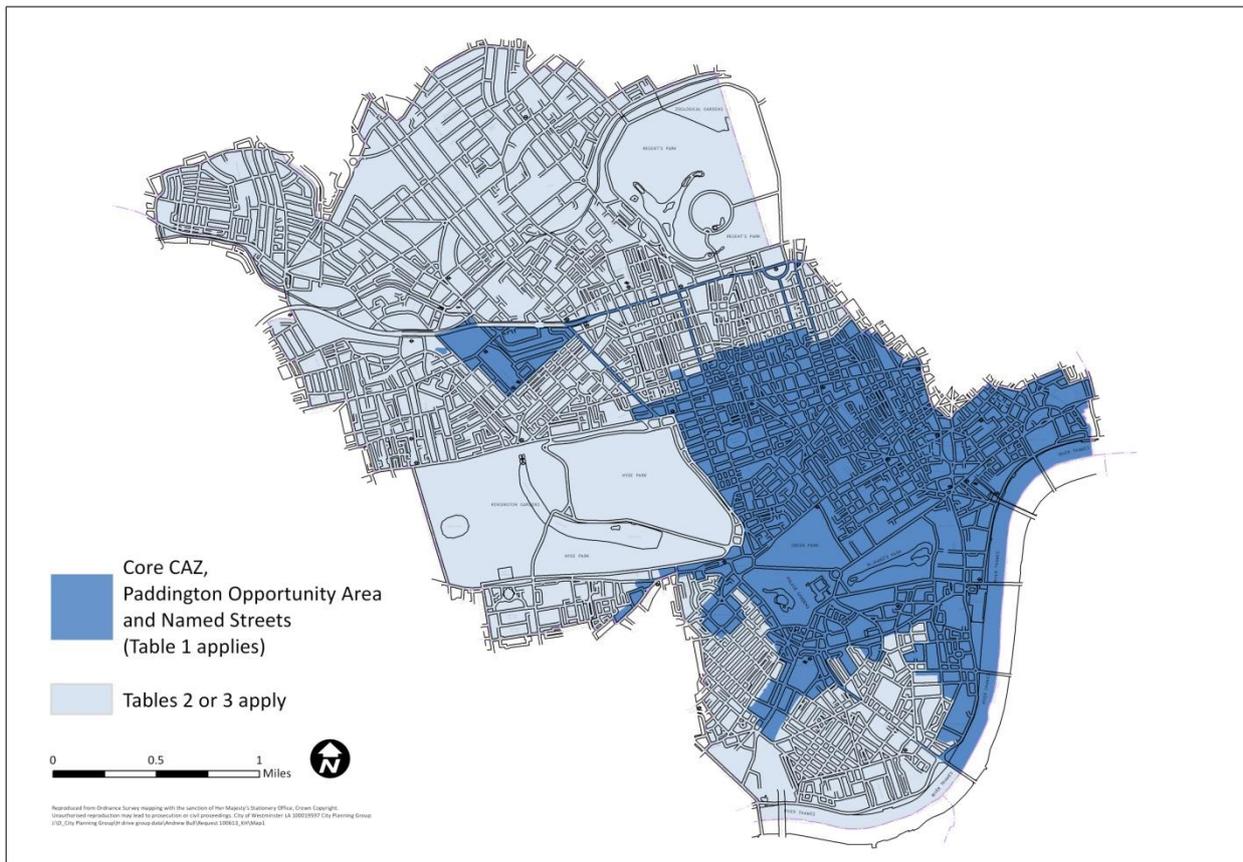
| <b>Table 1 Sites in Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia</b> |  |
|---|--|
| <b>Additional floorspace/units (gross external sqm)</b>   | <b>Floorspace requirement (in sqm)</b> |
| 10 – 11 units but < 1,000 sqm   | 80 sqm                                 |
| 12 – 14 units but < 1,000 sqm   | 160 sqm                                |
| 15 + units but < 1,000 sqm  | 240 sqm                                |
| 1,000-1,199   | 80 sqm                                 |
| 1,200-1,499   | 160 sqm                                |
| 1,500-1,799   | 240 sqm                                |
| 1,800-1,999   | 320 sqm                                |
| 2,000-2,199   | 400 sqm                                |
| 2,200-2,399   | 480 sqm                                |
| 2,400-2,499   | 560 sqm                                |
| <b>2,500+</b>   | <b>25%</b>                             |

| <b>Table 2 Sites outside Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia, where the proposal relates to land having a low existing use value</b> |  |
|--|--|
| <b>Additional floorspace/units (gross external sqm)</b>  | <b>Floorspace requirement (in sqm)</b> |
| 10 units but < 1000 sqm  | 80 sqm                                 |
| 11 units but < 1000 sqm  | 160 sqm                                |
| 12 -13 units but < 1000 sqm  | 240 sqm                                |
| 14 units but < 1000 sqm  | 320 sqm                                |
| 15 + units but < 1000 sqm  | 350 sqm                                |
| 1,000 - 1,099  | 80 sqm                                 |
| 1,100 - 1,199  | 160 sqm                                |
| 1,200 - 1,399  | 240 sqm                                |
| 1,400 - 1,499  | 320 sqm                                |
| 1,500 - 1,599  | 400 sqm                                |
| 1,600 - 1,799  | 480 sqm                                |
| 1,800 - 1,899  | 560 sqm                                |
| 1,900 - 2,099  | 640 sqm                                |
| 2,100 - 2,299  | 720 sqm                                |
| 2,300 - 2,499  | 800 sqm                                |
| <b>2,500+</b>  | <b>35%</b>                             |

**Table 3 Sites outside Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia, other than land having a low existing use value (Table 2)**

| <b>Additional floorspace/units (floorspace is gross external sqm)</b> | <b>Floorspace requirement (in sqm)</b> |
|---|--|
| 10 -11 units but < 1,000 sqm  | 80 sqm                                 |
| 12 – 14 units but < 1,000 sqm   | 160 sqm                                |
| 15 - 17 units but < 1,000 sqm   | 240 sqm                                |
| 18 – 19 units but < 1,000 sqm   | 320 sqm                                |
| 20 + units but < 1,000 sqm  | 350 sqm                                |
| 1,000-1,199   | 80 sqm                                 |
| 1,200-1,499   | 160 sqm                                |
| 1,500-1,799   | 240 sqm                                |
| 1,800-1,999   | 320 sqm                                |
| 2,000-2,199   | 400 sqm                                |
| 2,200-2,399   | 480 sqm                                |
| 2,400-2,499   | 560 sqm                                |
| 2,500-2,899   | 640 sqm                                |
| 2,900-3,199   | 720 sqm                                |
| 3,200-3,499   | 800 sqm                                |
| 3,500-3,899   | 880 sqm                                |
| 3,900-3,999   | 960 sqm                                |
| 4,000-4,099   | 960 sqm                                |
| 4,100-4,199   | 1,040 sqm                              |
| 4,200-4,399   | 1,120 sqm                              |
| 4,400-4,499   | 1,200 sqm                              |
| 4,500-4,699   | 1,280 sqm                              |
| 4,700-4,799   | 1,360 sqm                              |
| 4,800-4,999   | 1,440 sqm                              |
| 5,000-5,099   | 1,520 sqm                              |
| 5,100-5,299   | 1,600 sqm                              |
| 5,300-5,399   | 1,680 sqm                              |
| 5,400-5,599   | 1,760 sqm                              |
| 5,600-5,699   | 1,840 sqm                              |
| 5,700-5,799   | 1,920 sqm                              |
| 5,800-5,999   | 2,000 sqm                              |
| <b>6,000 +</b>  | <b>35%</b>                             |

**Map 1. Areas referred to in Tables 1, 2 and 3**



## 8. Examples:

The affordable housing required in the following cases are as follows:

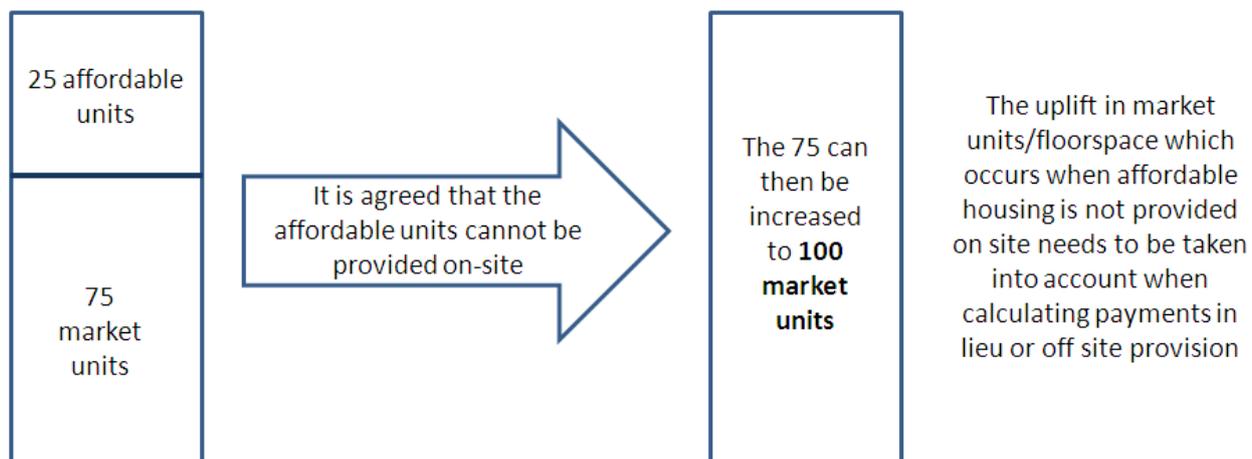
- **3 units /1,200 sqm increase (in Core CAZ): floorspace threshold applies = 160 sqm affordable floorspace required**
- **11 units /780 sqm increase (in Core CAZ): unit threshold applies = 80 sqm affordable floorspace required**
- **15 units/2,000 sqm increase (outside Core CAZ not a low existing use value): floorspace threshold applies = 400 sqm affordable floorspace required**
- **20 unit/1,500 sqm increase (outside Core CAZ with a low existing use value): floorspace threshold applies = 400 sqm affordable floorspace required**

**NB.** The forthcoming development management policies will set out floorspace proportions for affordable housing which, following consultation, may differ from the requirements set out in Tables 1, 2 and 3 above.



Example: 100 unit development.

Using City Plan Policy S16, UDP Policy H 4 and Table 1 the developer would need to provide 25 of the 100 units as affordable units (i.e. 25% of total floorspace)



- 9.4 The methodology for calculating the PiL is likely to change when the development management policies are at a stage where they can be used for development management purposes and have material weight.
- 9.5 N.B. The example calculations below use the per unit sums agreed for 1 April 2015 – 31 March 2016.

| Table 4. Formula for calculating a payment in lieu   |   |  |   |  |   |     |
|--|---|--|---|--|---|-----|
| (a)  | x | (b)  | x | (c)  | = | PiL |
| <p><b>No. of affordable units required</b></p> <p>Based on appropriate Table 1, 2 or 3 to determine amount of <b>affordable housing floorspace required</b>, then <b>divide</b> by <b>80 sqm</b> (to represent the average gross external floorspace of an affordable unit).</p> |   | <p><b>per unit sum</b></p> <p>From 1<sup>st</sup> April 2015 £287,000 per unit (£383,000 per unit in high value areas see Map 2)</p> |   | <p><b>% increase in market floorspace</b></p> <p>i) Increase in market floorspace from not providing affordable onsite (same as amount of affordable housing floorspace that would have been provided – see (a));</p> <p>ii) Divided by the amount of market floorspace expected had affordable housing been provided on site (total floorspace minus affordable floorspace that would have been provided (see (a));</p> <p>iii) Multiplied by 100</p> |   |     |

| Table 5. Example 1: 3 units /1,200 sqm additional residential floorspace inside Core CAZ not in higher value area                                       |          |   |          |  |          |  |
|---|----------|---|----------|--|----------|--|
| (a)   | x        | (b)   | x        | (c)  | =        | PiL                                    |
| <p><b>No. of affordable units required</b></p> <p>Table 1: Affordable Floorspace Requirement = 160sqm</p> <p>160 divided by 80 = 2 affordable units</p> |          | <p><b>per unit sum</b></p> <p>£ 287,000</p> |          | <p><b>% increase in market floorspace</b></p> <p>i) Increase = 160 sqm (1,040sqm to 1,200sqm)</p> <p>ii) 160 divided by 1,040</p> <p>iii) x 100</p> <p>= 15.4%</p> |          |  |
| <b>2</b>  | <b>x</b> | <b>£ 287,000</b>                            | <b>x</b> | <b>1.15</b><br>(% increase expressed as a number)  | <b>=</b> | <b>£ 660,000</b><br>(£660,100 rounded) |

| <b>Table 6. Example 2: 15 units/2,000sqm additional residential floorspace outside Core CAZ not in low existing use value area</b>               |          |                                     |          |  |          |   |
|--|----------|-------------------------------------|----------|--|----------|---|
| <b>(a)</b>   | <b>x</b> | <b>(b)</b>                          | <b>x</b> | <b>(c)</b>   | <b>=</b> | <b>PiL</b>                                  |
| <b>No. of affordable units required</b><br><br>Table 3: Affordable Floorspace Requirement = 400sqm<br><br>400 divided by 80 = 5 affordable units |          | <b>per unit sum</b><br><br>£287,000 |          | <b>% increase in market floorspace</b><br><br>i) Increase = 400sqm (1,600sqm to 2,000sqm)<br>ii) 400 divided by 1,600<br>iii) x 100<br><br>= 25.0% |          |   |
| <b>5</b>   | <b>x</b> | <b>£287,000</b>                     | <b>x</b> | <b>1.25</b><br>(% increase expressed as a number)  | <b>=</b> | <b>£ 1,794,000</b><br>(£ 1,793,750 rounded) |

| <b>Table 7. Example 3: 25 units/5,000sq m additional residential floorspace inside Core CAZ in higher value area</b>                                  |          |                                     |          |  |          |   |
|---|----------|-------------------------------------|----------|--|----------|---|
| <b>(a)</b>  | <b>x</b> | <b>(b)</b>                          | <b>x</b> | <b>(c)</b>   | <b>=</b> | <b>PiL</b>                                |
| <b>No. of affordable units required</b><br><br>Table 1: Affordable Floorspace Requirement = 1,250sqm<br><br>1,250 divided by 80 = 16 affordable units |          | <b>per unit sum</b><br><br>£383,000 |          | <b>% increase in market floorspace</b><br><br>i) Increase = 1,250sqm (3,750sqm to 5,000sqm)<br>ii) 1,250 divided by 3,700<br>iii) x 100<br><br>= 33.8% |          |   |
| <b>16</b>   | <b>x</b> | <b>£383,000</b>                     | <b>x</b> | <b>1.34</b><br>(% increase expressed as a number)  | <b>=</b> | <b>£8,212,000</b><br>(£8,211,520 rounded) |

In situations where a developer can only provide a partial amount of their affordable housing requirement on site and the council agrees a payment in lieu to make up the shortfall, a different formula is used to calculate the payment for the remaining requirement:

| <b>Table 8. Example 4: 5,300 sqm additional residential floorspace outside Core CAZ not in a low existing use value area with 800 sq m affordable housing floorspace on-site</b> |   |  |   |                                      |                     |                               |                 |   |
|--|---|--|---|--------------------------------------|---------------------|-------------------------------|-----------------|---|
| <b>Step 1</b>  | <b>Step 2</b>   | <b>Step 3</b>  | <b>Step 4</b>   | <b>Step 5</b>                        | <b>Step 6</b>       | <b>Step 7</b>                 |                 |   |
| <b>Amount of affordable floorspace required</b>  | <b>% increase in market floorspace from not providing the total affordable requirement on site</b>  | <b>'new' total amount of affordable floorspace required</b>  | <b>shortfall in affordable floorspace</b>   | <b>Shortfall in affordable units</b> | <b>per unit sum</b> | <b>PiL</b>                    |                 |   |
| Table 3: Affordable Floorspace Requirement = 1,680 sqm   | i) Increase = 880 sqm (3,600sqm to 4,500sqm)<br>ii) 880 divided by 3,600<br>iii) x 100<br>= 24.3%<br>= 1.24<br>(% increase expressed as a number) | (policy requirement multiplied by % increase in market floorspace)<br>1,680 sqm x 1.24<br>=2,083 sqm | ('new' total amount of affordable required minus actual provision)<br>2,083 – 800<br>=1,283 sqm | $1.283 \div 80 =$<br>16.0375 units   | £287,000            | Units required x per unit sum |                 |   |
| 1,680 sqm  | 1.24  | 2,083 sqm  | =   | 1,283 sqm                            | <b>16.0375</b>      | <b>X</b>                      | <b>£287,000</b> | = <b>£4,603,000</b><br><br>(£4,602,763 rounded) |

## **10. Mixed Use**

10.1 Westminster's City Plan (Strategic Policies) policy S1; 'Mixed Use in the Central Activities Zone' seeks an equivalent amount of residential floorspace on-site where proposals increase the amount of commercial floorspace and where the council considers this to be appropriate and practicable. Prior to the adoption of Westminster's City Plan (Strategic and Development Management Policies) and where it is not considered appropriate or practicable to provide the residential requirement on-site, the approach set out in paragraph 1.66 -1.68 of UDP policy CENT 3 and paragraphs 2.30 – 2.32 of UDP policy COM 2, will be used. The per unit sums are those set out in paragraph 9.3 above.

**This interim policy application note is offered without prejudice to the eventual policies within Westminster's City Plan (Strategic and Development Management Policies) which will be subject to the appropriate statutory consultation, examination and formal adoption.**

**November 2013 (payment in lieu figure updated 1<sup>st</sup> April 2015)**