

MERTHYR TYDFIL



Local Development Plan 2006-2021



Supplementary Planning
Guidance Note No. 1

Affordable Housing

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1.0 Introduction and purpose of this Supplementary Planning Guidance

- 1.1 Merthyr Tydfil County Borough Council realises that providing a range of housing, including affordable and special needs units will be vital in supporting the needs of local communities, attracting new inhabitants and creating mixed and socially inclusive communities. The issue of affordable housing is a common theme in the Local Development Plan, Corporate Plan, Housing Strategy and Community Plan.
- 1.2 The requirement to meet need for affordable housing is a material planning consideration and will be taken into account in the determination of planning applications.
- 1.3 This guidance has been prepared to give further guidance on how the policies and proposals contained within the LDP that aim to increase the supply of affordable housing will be put into practice.

2.0 Policy Context

- 2.1 The delivery of affordable housing through the planning system will be facilitated by two policies contained within the LDP. Policy AS22 which states:

In order to ensure the delivery of affordable housing across the County Borough, the LDP will seek, on sites of 10 units or more, the indicative provision of:-

- ***10% affordable housing in the Primary Growth Area***
- ***5% affordable housing in the Secondary and Other Growth Areas.***

Where applicants for planning permission can demonstrate that on-site provision of affordable housing is not possible, the Council will require a financial contribution towards the provision of affordable housing elsewhere in the corresponding growth area of the LDP. A financial contribution will also be sought on sites that fall below the threshold of 10 units.

and Policy TB13 which states:

Development proposals for the provision of affordable housing adjoining settlement boundaries identified in the LDP will be permitted where it can be demonstrated that:-

- ***the proposed development cannot be accommodated within defined settlement boundaries;***
- ***the site does not exceed 10 dwellings or 0.5 hectares;***
- ***the proposed development is solely for the provision of affordable housing to meet an identified local need within the Other Growth Areas of the LDP; and***
- ***the development is compatible with other plan policies and material planning considerations.***

- 2.2 The targets and threshold contained in Policy AS22 have been derived from the Affordable Housing Viability Study (AHVS) that was prepared as part of the LDP evidence base. The AHVS was completed in accordance with an agreed regional methodology prepared by Three Dragons on behalf of the South East Wales Strategic Planning Group (SEWSPG). The study demonstrated that the levels of affordable housing identified in Policy AS22 are economically viable.
- 2.3 Policy TB13 deals with exception sites for affordable housing in the countryside. This policy was formulated to maximise affordable housing provision in areas of the County Borough where the targets in Policy AS22 would not meet the level of need identified in the LHMA. It is the intention of the policy to facilitate small, 100% affordable housing sites adjoining settlement limits in the Mid Valleys market area.

3.0 Definition of Affordable Housing

- 3.1 Affordable housing is defined in paragraph 5.1 of Planning Policy Wales, Technical Advice Note (TAN)2: Planning and Affordable Housing as “housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers”
- 3.2 TAN 2 defines the two main types of affordable housing as:
- Social rented housing – which is provided by local authorities and registered social landlords. Rent levels are set having regard to government guideline rents and benchmark rents;
 - Intermediate housing – which is housing where prices or rents are above those of social rent but below market housing prices or rents. This can include low cost home ownership models such as shared equity schemes, but does not include low costs market housing which the Welsh Government (WG) does not consider to be affordable housing for the purpose of the land use planning system.
- 3.3 Affordable housing should also meet the needs of eligible households at a cost that is affordable taking into consideration local incomes and local house prices. An affordable home should be an affordable home in perpetuity. If a unit ceases to be affordable or staircasing to full ownership occurs, any subsidy should be recycled to provide replacement affordable homes.

4.0 The need for affordable housing in Merthyr Tydfil

- 4.1 As part of the Local Development Plan process, a Local Housing Market Assessment (LHMA) was undertaken with the latest version published in November 2010. The LHMA is a key part of the robust evidence base that informed the Local Development Plan (LDP) and its affordable housing policies.
- 4.2 The November 2010 LHMA identifies a need of **34 affordable units per annum** or **510 units during the LDP period (2006-2021)** which translates as approximately 13% of planned new housing supply. The Council will regularly review the LHMA to ensure that the information is up to date and as accurate as possible.

- 4.3 The LHMA identifies three different market areas within the County Borough, each having a different level of need. The Merthyr Tydfil market area has a need for 20 affordable units per annum (10% of new supply), the Mid Valleys area has a need of 12 affordable units per annum (71% of new supply) and the Treharris/Trelewis area has a need of 2 affordable units per annum (5% of new supply).
- 4.4 Delivering all of the 510 affordable units required during the LDP period would be unrealistic for the planning system as other factors such as development viability need to be considered. The LDP target of 260 affordable units is a realistic assessment of what can be delivered up to 2021 whilst still ensuring development remains economically viable.

5.0 Development Viability within Merthyr Tydfil

- 5.1 The targets set in Policy AS22 are expected to be delivered; however, in exceptional circumstances, such as where there are significant abnormal costs associated with developing a site, the levels of affordable housing sought in policy may result in a development becoming unviable.
- 5.2 Where the viability of providing affordable housing is considered to be an issue, developers will be required to provide the local authority with details of:
- The acquisition price of the site
 - Projected construction costs
 - Any abnormal costs
 - Proposed sales values per unit
 - Developers profit requirement
 - Unit types
 - Finance costs
 - Any other relevant information

Where there is a dispute over any of the information submitted, independent verification should take place.

- 5.3 The Town Planning Department currently uses the Three Dragons Development Appraisal Toolkit to examine the economics of a particular development and determine what level of affordable housing is appropriate on a given site. Where the developer can demonstrate, using robust evidence, that the provision of affordable housing at the levels identified in policy would not be viable, then a lower level may be negotiated.

- 5.4 When entering into land negotiations, developers will be expected to have taken into account the costs associated with affordable housing as well as other planning obligations and the effect of this on land values. Developers should refer to the LDP, planning obligations SPG and/or other charging schedule information published by the Council for details of further requirements. Securing affordable housing through planning obligations is seen as priority by the Council, however this will not negate the need to contribute towards other obligations/levies.
- 5.5 The latest AHVS was undertaken in July 2010 with an addendum produced in November 2010. The assumptions used in the study reflect the market conditions at that time and the Council considers these assumptions to still be valid at the present time. If it can be demonstrated that there have been considerable changes in market conditions since the study was undertaken, it may be appropriate to reconsider the affordable housing requirements based on a site specific assessment of viability. This may result in lower or higher levels of affordable housing being required.
- 5.6 The targets contained in Policy AS22 assume that no Social Housing Grant will be available for sites delivered through the planning system as public funding is an increasingly limited resource. If grant funding is available for a scheme then this will be taken into account when determining the appropriate level of affordable housing on the development.

6.0 Triggers for Affordable Housing Contributions

- 6.1 An element of affordable housing will be required on all outline, full, or change of use planning applications for residential development, or a mix of uses incorporating residential which can accommodate 10 or more units. This will also include the conversion of larger buildings into separate residential units where this exceeds the identified thresholds.
- 6.2 A financial contribution will be sought on sites that fall below the threshold of 10 units, and where the affordable housing requirement would equate to less than one whole dwelling (eg a 15 unit site in Treharris where the requirement is 5% would result in a contribution of 0.75 dwellings) it would also be more practical for a financial contribution to be made. This is discussed further in Section 8
- 6.3 Where affordable housing has been secured at outline stage, the Section 106 agreement will stipulate that any change in dwelling numbers as a part of subsequent applications may result in an increase or decrease in the level of affordable housing required.
- 6.4 As a result of changes in affordable housing policy, it will be appropriate for an element of affordable housing to be sought on applications for the renewal of residential planning consent on sites over the stipulated threshold or a financial contribution on sites that fall below the threshold. This includes sites where there was previously no contribution towards affordable housing.
- 6.5 Where subdivision of a site results in the number of units on each part of the site falling below the threshold for affordable housing, developers will be required to consider the requirement for the site as a whole. Where there is phasing of development on larger sites, the affordable housing should also be phased appropriately to ensure that it contributes the delivery of mixed communities. Timescales for the completion of affordable units in relation to the market units on a development will be clearly set out in the Section 106 agreement.

7.0 Securing Affordable Housing

- 7.1 Prior to a planning application being submitted, developers are encouraged to contact the Town Planning and Housing Strategy departments of the Council (contact details in Section 10) to determine site-specific requirements.
- 7.2 It is the Council's preference for a Registered Social Landlord (RSL) to be involved in the development and management of affordable housing where possible to ensure control over subsequent changes of ownership and occupation.
- 7.3 The preferred method for the delivery of affordable housing is for the units to be provided on-site by a developer and then to be transferred to an RSL approved by WG to operate in the Local Authority area. It is anticipated that units available for social rent will be delivered without SHG. Where SHG is not available, the affordable units should be transferred from the developer to the RSL at fixed discounted values as set out in Appendix 3.
- 7.4 If SHG is available to RSLs (currently at 58% of WG's Acceptable Cost Guidance (ACG)), social rented units should be transferred from the developer to RSL at a maximum of 96% of ACG or Open Market Value, whichever is lowest, less on costs. New units funded by SHG should be DQR compliant.
- 7.5 Intermediate rented units should be transferred to the RSL at a value no higher than the intermediate values set out in Appendix 3. These discounted values will be updated on an annual basis to reflect changing economic circumstances and the latest version of the LHMA.
- 7.6 Developers should contact the Council to obtain the latest values.
- 7.7 Intermediate units for sale (eg low-cost home ownership schemes) should be transferred from the developer to the RSL with a minimum discount of 30% of open market value.
- 7.8 Alternatively, the developer could transfer serviced land to the RSL at no cost. The location of the land will be determined by the Local Authority and the developer will provide a commuted sum towards build costs. The commuted sum should be equivalent to the subsidy a developer would provide if they were to build the dwellings, and the land transferred should be of sufficient size to accommodate the required proportion of affordable housing based on a 35 unit per hectare average density, or as an appropriate proportion of the identified site capacity, whichever is greater.
- 7.9 The mix of tenure of the affordable housing on site will be determined on a case by case basis. As well as social rent and intermediate products, tenure- neutral units may also be included, where under RSL control, units can transfer between social rent and intermediate products in response to local circumstances. These units will be transferred at the same values as social rented units.

- 7.10 In order to ensure the delivery of affordable housing, the Council will normally look to secure, through Section 106 agreements, the completion of the affordable housing before the occupation of a specified number of the completed market units.
- 7.11 Off-site provision will be only considered in exceptional circumstances and not on the grounds of development viability. These circumstances may include situations where:
- The on-site management of affordable units cannot be secured effectively;
 - The provision of affordable housing in a different location within the vicinity would have a greater contribution towards mixed communities;
 - The on-site units could not physically be delivered by virtue of their size or type;
 - There are other circumstances considered appropriate by the local authority.
- 7.12 Where off-site provision is considered acceptable by the local authority, the units provided should be of an equivalent nature to the type of units that would be required on site. With regard to the location of the off-site units, the provision should be made within the same community, or if this is not possible, then provision should be made within the same market area. If both these options are unfeasible then provision may be acceptable elsewhere in the County Borough, subject to evidence of need.

8.0 Commuted Sums

- 8.1 In cases where on site provision is not considered appropriate and units cannot be delivered off-site, the Council will consider whether or not a commuted sum is appropriate.
- 8.2 The commuted sum should be of the equivalent value to the developer contribution if the affordable units were being provided on site. This will be calculated using the following formula:

Commuted sum = RV 100% - RV AH%

RV 100% = Residual Value at 100% market housing

RV AH% = Residual Value when area specific target of affordable housing is applied.

- 8.3 Commuted sums should be used to provide affordable housing within the same community as the application site. If this is not possible, then the money should be used within the same market area. If neither of these options are available within an appropriate timeframe, the Council will require that the money be spent elsewhere in the County Borough.
- 8.4 The Council may also decide that any financial contributions collected may also be used for the following:

- Purchase and refurbishment of long-term empty properties which an RSL will manage as affordable housing
- The provision of Homebuy loans
- Supplementing on-site provision on other developments in the area • Development of supported/adapted housing
- Any other measures that can be categorised as affordable housing.

8.5 In order to ensure that commuted sums reflect economic conditions at the time they are payable, the Section 106 agreement will include an indexation formula to calculate any increases/decreases to be paid as part of the commuted sum.

9.0 Affordable Housing Exception sites

9.1 Whilst it is accepted that exception sites will not contribute a significant amount of affordable housing (target of 20 units by the end of the LDP period), the units delivered through this mechanism will nevertheless provide an important contribution as they will be located in areas where Policy AS22 cannot meet the identified need.

9.2 As such developments will be built in the countryside, they will be subject to close scrutiny in order to ensure that they satisfy all relevant criteria in both national and local planning policy. As these developments are required to be for 100% affordable housing, it is envisaged that such sites will be provided by RSLs.

10.0 Contacts

Merthyr Tydfil County Borough Council

For general affordable housing queries contact:

Planning Policy and Implementation

Planning Policy and Implementation, Town Planning Division,
Ty Keir Hardie, Merthyr Tydfil. CF47 8XF

Tel: 01685 726277

Email: devplanning@merthyr.gov.uk

Housing Strategy

Housing Strategy, Civic Centre, Merthyr Tydfil. CF47 8AN

Tel: 01685 725388

Email: Beverley.owen@merthyr.gov.uk

For pre-application enquiries please contact:

Development Control

Development Control, Town Planning Division, Ty Keir Hardie, Merthyr Tydfil. CF47 8XF. Tel: 01685 726280

Email: planning@merthyr.gov.uk

Registered Social Landlords

Merthyr Tydfil Housing Association

11/12 Lower High Street, Merthyr Tydfil. CF47 8EB.

Tel: 01685 352800

www.mtha.org.uk

Wales & West Housing Association

3 Alexandra Gate, Fford Pengam, Tremorfa, Cardiff. CF24 2UD.

Tel: 0800 052 2526

www.wwha.net

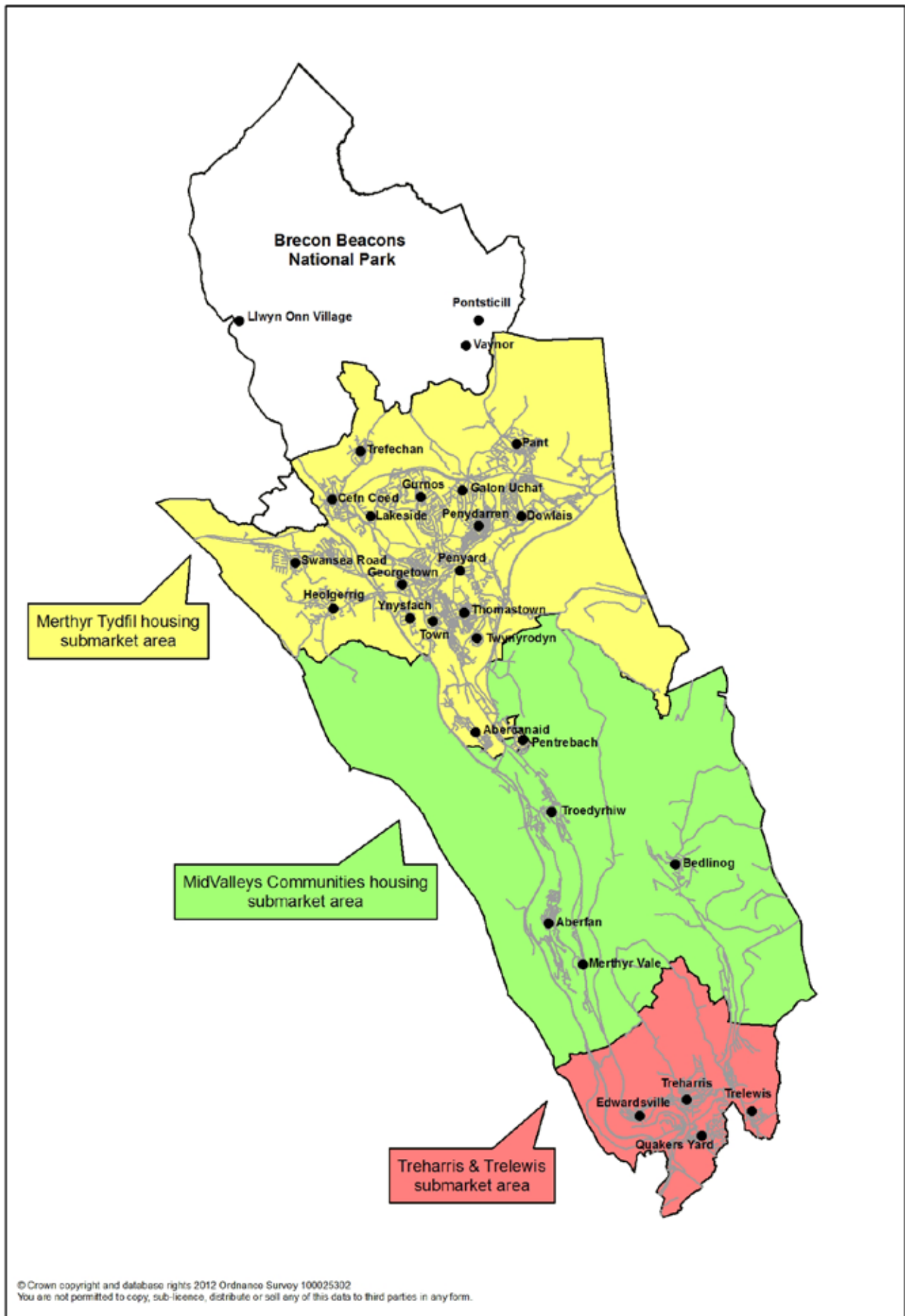
Hafod Housing Association

First Floor, St Hilary Court, Copthorne Way, Cardiff. CF5 6ES.

Tel: 02920 675800

www.hafod.org.uk

Merthyr Tydfil County Borough Council – Housing Market Areas



APPENDIX 2

List of Communities by Market Area

Merthyr Tydfil Sub Market Area

This area contains the following electoral wards and communities:

- Vaynor
- Dowlais
- Gurnos
- Penydarren
- Town
- Park
- Cyfarthfa
- Pentrebach and Abercanaid from within Plymouth Ward

Mid Valleys Communities Sub Market Area

This area contains the following electoral wards and communities:

- Troedyrhiw from within Plymouth Ward
- Bedlinog from within Bedlinog Ward
- Merthyr Vale

Treharris/Trelewis Sub Market Area

This area contains the following electoral wards and communities:

- Treharris
- Trelewis from within Bedlinog Ward.

Fixed Values for the transfer of units from a developer to an RSL

Discounted Fixed Values for the Social Rented Units

Unit Type	Type	Value
1 bed 2 person	Flat	£50,000
2 bed 3 person	Flat	£54,000
2 bed 3 person	Bungalow	£70,000
2 bed 3 person	House	£59,000
2 bed 4 person	House	£62,000
3 bed 4 person	House	£70,000
3 bed 5 person	House	£71,000
4 bed 6 person	House	£92,000
4 bed 7 person	House	£95,000

Maximum Values for Intermediate Housing for Rent

Sub Market and property size	Weekly cost of intermediate housing	Implied price of intermediate housing
Merthyr Tydfil		
1 bed	£55.38	£40,320
2 bed	£64.00	£46,592
3 bed	£68.00	£49,504
4 bed	£101.54	£73,918
Mid Valley Communities		
1 bed	£55.38	£40,320
2 bed	£64.00	£46,592
3 bed	£68.00	£49,504
4 bed	£101.54	£73,918
Treharris/Trelewis		
1 bed	£55.38	£40,320
2 bed	£64.00	£46,592
3 bed	£68.00	£49,504
4 bed	£101.54	£73,918

The tables above identify the values at which affordable housing should be transferred from a developer to an RSL. These figures have been calculated based on the income received from the rents, less standard management/maintenance costs together with interest payments and a small percentage allowance for void loss.

Intermediate Housing for Sale

Intermediate units that are available for sale should be transferred from the developer to the RSL with a minimum discount of 30% of the Open Market Value. A definition of Open Market Value is contained within the glossary.

Glossary

Acceptable Cost Guidance – Figures published by the Welsh Government that provide guidance on the likely acceptability of scheme costs for grant purposes. To take account of variations of costs across Wales, six cost groups have been determined. The most recent ACG figures were published in 2007.

Affordable Housing Viability Study – A study reporting the findings of high level notional sites to determine how much affordable housing would be viable in the different market areas in the County Borough. The study is a key consideration in determining what targets and thresholds should be included in LDP policies.

Benchmark Rents – this system is set out by the Welsh Government and requires RSLs to charge rents for key property types which, when averaged, are no greater than the benchmark rent.

Commuted Sum – a sum of money paid by a developer to the Council to provide a service or facility, rather than the developer providing it directly.

Development Quality Requirement (DQR) – a requirement set out by the Welsh Government which requires social rented units to meet set standards for areas such as space, accessibility, energy efficiency and security.

Homebuy – a low-cost home-ownership scheme operated by RSLs under which social housing tenants and those on housing waiting lists can purchase a home with an interest free equity loan. The scheme is intended to assist people who would otherwise require social housing. It is not intended for people who can afford to buy a suitable home without assistance or those who are adequately housed but who wish to move to a more expensive location. The RSL can provide an equity loan for an agreed percentage of the purchase price. The purchaser funds the balance through a conventional mortgage and savings. No interest is paid on the loan but when the loan is repaid the amount payable will be the same agreed percentage of the value of the property at that time. The loan can be repaid at any time, but must be repaid when the property is sold.

Housing Need – a household is considered to be in housing need when their own housing, or the housing they are living in, is considered to be inadequate or unsuitable for their needs and the household will be unlikely to meet their needs without some financial assistance.

Local Housing Market Assessment (LHMA) - an assessment of the nature and level of housing need and demand in local housing markets prepared on behalf of the local planning authority. This assessment is a key part of the evidence base for housing policies within local authorities and it informs key strategic documents such as the Local Development Plan and Local Housing Strategy. The Merthyr Tydfil LHMA was most recently published in November 2010.

Mortgage Rescue – a scheme aimed at owner-occupiers in mortgage difficulties who are in danger of repossession. Housing Associations provide an equity loan so that mortgage outgoings can be reduced or, if this is not suitable, the housing association can buy the property and the occupant remains living there as a tenant.

Open Market Value – the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where each of the parties had acted knowledgeably, prudently and without compulsion.

Registered Social Landlords (RSLs) – the technical name for social landlords that own or manage social housing and are registered with, and regulated by, the Welsh Government. Most RSLs are housing associations (independent, not for profit organisations that are able to bid for Social Housing Grant funding).

Section 106 Agreements (Planning Obligations) – Arrangements to overcome issues that may otherwise prevent planning permission from being granted. May be used to offset negative consequences of development, to help meet local needs or to secure benefits that make a development more sustainable.

Site Threshold – the numbers of houses on a residential development site or site area above which an element of affordable housing can be secured.

Social Housing Grant (SHG) – grant provided by the Welsh Government to local authorities to fund RSLs to fully or partially invest in social housing. SHG is a limited resource and is therefore not available for all social housing developments.

Tenure Neutral – affordable housing where the tenure of housing is not predetermined but can vary according to the needs, means and preferences of households.

APPENDIX 5

SUMMARY OF COMMENTS RECEIVED TO DRAFT SPG CONSULTATION WITH COUNCIL'S RESPONSE IN EACH CASE

Representor: Home Builders Federation

Issue: Caution should be used when applying the affordable housing targets as they may have a detrimental impact on development viability.

Council response: The Council recognises that development viability is an important issue that will need to be carefully considered wherever affordable housing or any other planning obligations are sought.

The methodology used to set these targets was considered sound by the independent planning inspector appointed to conduct the Examination into the Merthyr Tydfil Local Development Plan. Notwithstanding, the Council recognises that these were high level assessments, and as negotiations take place on a site-by-site basis, further information may be taken into account to calculate the appropriate level of affordable housing on any given development. This is indicated at Para 5.2.

Recommended changes: None

Representor: Home Builders Federation

Issue: Paragraph 5.2 states that any further information submitted by a developer should be independently verified. Any verification required should be as a result of further discussion rather than implied from the beginning.

Council response: It is not the intention of the Council to add unnecessary time or costs to the negotiation process. However, if there is a dispute over any information submitted by a developer (or a figure that the Council puts forward), some form of independent verification maybe required. The paragraph should be amended to provide clarity and certainty.

Recommended changes: Final sentence of Para 5.2 to be amended to read:

~~All information submitted should be independently verified.~~

Where there is a dispute over any of the information submitted, independent verification should take place.

Representor: Home Builders Federation

Issue: Paragraph 7.3 states that the local authority will identify a preferred RSL to work with the developer. This is contrary to national guidance and must be removed.

Council response: The Council accepts that a sentence contained within paragraph 7.3 does not accord with national guidance.

Recommended changes: Paragraph 7.3 to be amended to read:

The preferred method for the delivery of affordable housing is for the units to be provided on-site by a developer and then to be transferred to an RSL approved by WG to operate in the Local Authority area. ~~The Local Authority will identify a preferred RSL to work in partnership with the developer.~~ It is anticipated that units available for social rent will be delivered without SHG. Where SHG is not available, the affordable units should be transferred from the developer to the RSL at fixed discounted values as set out in Appendix 3.

Representor: Wales & West Housing Association

Issue: Supports the content of the document

Council response: Noted

Recommended changes: None

Representor: The Coal Authority

Issue: No specific comments to make on the document

Council response: Noted

Recommended changes: None

Representor: Mr. A. Rees

Issue: Document should help avoid protracted conflict between developers and local residents.

Council response: Noted

Recommended changes: None

Representor: Mr. Stephen Marks

Issue: General support for the document. Questions whether the affordable housing targets are a little low.

Council response: The representor's support is noted. The affordable housing targets were calculated as part of Local Development Plan (LDP) production and were scrutinised as part of the LDP Examination. The targets will be subject to review as part of the LDP monitoring process.

Recommended changes: None

