

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL
LOCAL DEVELOPMENT PLAN (2011-2026)



AFFORDABLE HOUSING STATEMENT



Affordable Housing

The Council to provide a detailed response to the issues raised by the Welsh Government in respect of MAC 39.

The Council to liaise with the Welsh Government and produce a Statement of Common Ground that clearly sets out:

- *the methodology for defining the percentage of affordable housing on a unit basis; and*
- *the affordable housing target for each strategy area.*

Note for the Inspectors

In light of the Inspectors' request, the Council has continued to liaise with the Welsh Government (WG) and whilst every effort has been made by both parties to agree the approach to calculating the affordable housing contribution, it has nevertheless proved difficult to reach a consensus.

Accordingly, the response below sets out the Council's position which attempts to further clarify (1) the methodology for defining the percentage of affordable housing on a unit basis, and (2) the affordable housing target for each strategy area.

It is understood that the WG are to submit a separate statement which sets out their position. The Council however wishes to draw attention to the fact that from its perspective, the points raised within the WG note have already been discussed at length at the Hearing Session and in this respect goes beyond the requirements set out within the Inspectors' letter.

Introduction

The Council is responsible for preparing the LDP for the County Borough, including the identification of land use allocations in order to deliver development to meet the identified aspirations and objectives as set out in the Deposit Plan document.

One of the WG's Planning Division's roles is to ensure that LDP's throughout Wales meet the Tests of Soundness as set out within LDP Wales.

There has been considerable liaison and consultation between the Council and WG in the preparation of the LDP over a number of years, with both formal and informal consultation exercises being undertaken at specified stages, the most recent being at the Matters Arising Changes (MAC) consultation in June 2015.

In response to the MAC consultation, WG raised concerns over the changes that were proposed to Policy AH1 - 'Affordable Housing', stating that it was unclear whether the proposed affordable housing targets were based on robust evidence. This led to the Inspectors' issuing a letter to the Council requesting that a statement be prepared between the Council and WG to address the identified issues.

Context

Upon review of the comments received to the Matters Arising Changes consultation the Inspectors issued a letter to the Council requesting that a detailed response to the issues raised by the WG in respect of MAC 39 be provided.

MAC 39 relates to changes made to Policy AH1 (Affordable Housing). The amendments were made in order to change the approach taken to the provision of affordable housing as requested by the Inspectors within their Preliminary Findings on Affordable Housing (Document Ref: ED034)¹.

MAC Ref: 39

Policy AH1 - Amend to read:

'All new housing developments, including conversions, on sites accommodating 3 or more units will be required to contribute to affordable housing provision.

*~~The contribution is calculated as a percentage of Gross Development Value (GDV).~~
Affordable Housing Percentage Targets will be sought in the following spatial areas:*

Coastal Corridor:

- *Neath - ~~20%~~ 25%*
- *Port Talbot - ~~20%~~ 25%*

Valleys

- *Pontardawe - 5% 10%*
- *Afan Valley - ~~0%~~*
- *Amman Valley - ~~0%~~*
- *Dulais Valley - ~~0%~~*

¹ Inspectors' Preliminary Findings on Affordable Housing (Apr-15) AP4.16.

- Neath Valley – 0%
- Swansea Valley – 0%

The provision of affordable housing will be implemented through the use of planning conditions, obligations and/or legal agreements between the Council, Developers and Registered Social Landlords.

Proposals for 10+ residential units in areas where there is a 0% Affordable Housing target will be required to produce a viability assessment. If viable, a 5% contribution will be required'.

Whilst the WG considered that the Council had addressed the majority of the concerns that were expressed in their Deposit and Focussed Changes representations and discussed during the examination hearing sessions, they considered that there were still some important matters that remained unresolved specifically in relation to the affordable housing policy and as such submitted an objection to MAC 39 - Policy AH1 Affordable Housing:

Welsh Government's Objection

The proposed MAC partially addresses our previous objection. The Welsh Government supports the amendment of policy AH1 to refer to a percentage of units, rather than Gross Development Value (GDV). We consider the change adds clarity and transparency to the plan user. However, the Welsh Government remains concerned as to whether there is sufficiently robust evidence to support the viability and deliverability of 25% affordable units in the coastal corridor and 10% in Pontardawe. The amount of affordable units to be delivered should not differ based on whether the local planning authority uses a GDV approach or a percentage of units methodology. In essence, the headroom or viability of a proposed development would remain the same.

We do not consider the Council's response provides sufficient clarity to show how the identified GDV percentages equate to the equivalent percentage of units on site. It is unclear how if the cost assumptions remain the same, how one can arrive at different affordable housing targets? The Council's paper appears to be an analysis of unit types linked to the LHMA. It is not clear what the 'headroom' would be if these revised units types were factored into the residual calculation and whether the headroom would be the same as that set out in the original viability work. We commented on this aspect in some detail within our affordable housing statement. It appears that the viability assessment would support 20% of units? It is unclear as to whether the proposed affordable housing targets are based on robust evidence. The approach would benefit from further explanation.

Methodology for Calculating the Affordable Housing Contribution

Whilst the evidence base that underpins the target percentages has remained the same, the approach used to secure the provision of affordable units has changed. The target percentages (illustrated in the table below) are now based on a percentage of the total number of units for a site rather than a percentage of GDV.

The two different ‘% of unit’ figures below are a result of a slightly different approach to the use of the surplus residual to provide affordable units. One approach provides the same results as the ‘% of GDV’ approach, whilst the other approach uses the LHMA to select particular units and results in a higher figure. The reason for the two different results is explained in greater detail below.

Plan Strategy Area	% of GDV	% of Units (All)	% of Units (LHMA)
Coastal Corridor			
Neath	20%	20%	25%
Port Talbot	20%	20%	25%
Valleys			
Pontardawe	5%	5%	10%
Afan Valley	0%	0%	0%
Amman Valley	0%	0%	0%
Dulais Valley	0%	0%	0%
Neath Valley	0%	0%	0%
Swansea Valley	0%	0%	0%

The Council’s methodology for converting the surplus residual value into units was set out within the response to Action Point 5.4². The conversion of the residual surplus (derived from the AHVS) into units is achieved by considering the Local Housing Market Assessment (LHMA) and then selecting the appropriate units that were used as part of the AHVS methodology. For example, in the urban areas, the Council selected the appropriate affordable units based on the LHMA from a typical 35 dwellings per hectare scheme. It is important to recognise that the residual method is well established for reports of this kind and is not simply a process of converting GDV into units but is the conversion of the surplus residual value into units. From this the Council is then able to provide an affordable housing target based on a percentage of units.

² The Council to provide affordable housing targets for the plan strategy areas that show the identified Gross Development Value (GDV) percentages and the equivalent percentage for the provision of units on site.

LHMA Need (from all developments - RSL and Private Development Schemes)

Beds	Private	% of Units	Affordable	% of Units	Total Units	Private %
1	500	6.17%	900	11.11%	1400	17.28%
2	1400	17.28%	1100	13.58%	2500	30.86%
3	2600	32.10%	1000	12.35%	3600	44.44%
4	500	6.17%	100	1.23%	600	7.41%
	5000	61.73%	3100	38.27%	8100	100.00%

Characteristics of development - 35 dph Private Development Schemes

Beds	30 DPH	35 DPH	50DPH	75DPH
1B	0%	0%	10%	20%
2B	15%	30%	35%	55%
3B	55%	50%	35%	25%
4B	30%	20%	20%	0%
Total	100%	100%	100%	100%

The table below shows the unit types that were used for a 35 dph. When undertaking residual valuations that used the agreed assumptions contained within the AHVS, there was a residual surplus value of 20% of the GDV that could be used for s106 affordable housing contributions.

Example - Urban zone - Type & Size of Units (35dph/ LHMA - Private Development Schemes)

Characteristics of Development

Characteristics of Development									
Add Rows									
Ref	Description	No. of bedrooms	Dwelling Type	Size in Sqm Market	Size in Sqm Affordable	Total Number of Dwellings	Adjusted Number of units	Number of Dwellings per section	No. of Schemes
									User Input
1									
2									
3									
4	Terrace/Town House	2	Terrace	65	65	5	5	5.00	
5	Terrace/Town House	3	Terrace	74	74	5	5	5.00	
6									
7	Semi Detached	2	Semi	68	68	5	5	5.00	
8	Semi Detached	3	Semi	78	78	8	8	8.00	
9									
10	Detached	3	Detached	94	94	5	5	5.00	2
11	Detached	4	Detached	108	108	7	7	7.00	2
12									2
13									2
14									2
15									2
16									2
17									2
Total						35	35	35	

The table below shows a 35 dph scheme that has set affordable housing at 20%. The units are split by decimal point which is consistent with the way that the Three Dragons Development Appraisal Toolkit (DAT) splits private and affordable units.

Tenure Mix											
Number of Units									Input	Automatic	
Adjusted Number of Units											
		Affordable									
Add Row(s)			Sale	Social Rent	New Build Homebuy	Low Cost Sale	Equity Share	Intermediate Rent	Tenure Neutral	Affordable Total	No. of Units Required
Ref	Description	No. of Beds	80%						20%	20.00%	100%
1											
2											
3											
4	Terrace/Town House	2	4.2						1.1	1.05	5.3
5	Terrace/Town House	3	4.2						1.1	1.05	5.3
6											
7	Semi Detached	2	4.2						1.1	1.05	5.3
8	Semi Detached	3	5.6						1.4	1.4	7.0
9											
10	Detached	3	4.2						1.1	1.05	5.3
11	Detached	4	5.6						1.4	1.4	7.0
12											
13											
14											
15											
16											
17											
Total			28						7	7	35

The results from the AHVS show that the densities of the above tables could support 20% affordable units. However, not all of the units are reflective of the types of units that are needed according to the LHMA.

An example from the Three Dragons DAT is pasted below which uses the same site density and produces the same results, in terms of unit split.

6 - TENURE MIX

If you are using a default mix then you can distribute units across the tenures by percentage; enter the percentage of units to assign to each tenure in the top row. The percentages are applied equally across all unit types

If you are not using a default mix then you may either enter units by percentage or by the exact number of units of each type for each tenure; in the table enter the exact number of units of each type for each tenure in the table

Whichever method is selected, ensure that relevant information is entered in the boxes at the bottom of the table.

Input by Percentages Input by Quantity

Ref	Description	SALE	AFFORDABLE				Required No. of Units
		80%	Social rent	New Build HomeBuy	Intermediate/ Affordable rent	Discount Market	
1	Terrace	4.2	1.1				5.3
2	Terrace	4.2	1.1				5.3
3	Semi Detached	4.2	1.1				5.3
4	Semi Detached	5.6	1.4				7.0
5	Detached	4.2	1.1				5.3
6	Detached	5.6	1.4				7.0
7							
8							
9							
10							
11							
12							
13							

The table below shows that based on the needs identified within the LHMA and the type of affordable units that have historically been delivered, the following tenure neutral affordable units could be selected for a 35 dph scheme and still considered viable.

It is considered to be more reflective of the need of 2 and 3 bed units within the LHMA.

Tenure Mix												
Number of Units		35						Input	User			
Adjusted Number of Units		35										
				Affordable								
Add Row(s)				Sale	Social Rent	New Build Homebuy	Low Cost Sale	Equity Share	Intermediate Rent	Tenure Neutral	Affordable Total	No. of Units Required
				User Input	User Input	User Input	User Input	User Input	User Input	User Input		
Ref	Description	No. of Beds	74.29%							25.71%	25.71%	100%
1												
2												
3												
4	Terrace/Town House	2	1							4	4	5
5	Terrace/Town House	3	2							3	3	5
6												
7	Semi Detached	2	4							1	1	5
8	Semi Detached	3	7							1	1	8
9												
10	Detached	3	5									5
11	Detached	4	7									7
12												
13												
14												
15												
16												
17												
	Total		26							9		35

In terms of the AHVS, the results have remained the same. However, the change has come from how the surplus amount from the AHVS results is used to obtain affordable units.

Therefore, the choice of 2 and 3 bed units, (which is consistent with the identified need within the LHMA), instead of applying a blanket 20% rate across all house types, means that potentially a higher number of affordable units could be delivered. This explains why the percentage has increased to 25% of units, without the need to change the agreed inputs of the viability study.

The Affordable Housing Target for each Strategy Area

The affordable housing target over the Plan period is 1,200 units; this figure reflects a number of changes which has been explained within the response to Action point 5.1.³

Total Affordable Housing Contribution:

New Allocations = 612

Windfall and Small Sites = 214

Landbank = 510

Sub-total = 1,336

- 10% flexibility = 1,202

³ AP5.1 - The Council to recalculate the Affordable Housing target in light of Action Point 3.1.

This figure can be further sub-divided for each strategy area:

Coastal Corridor = 1149 units⁴

[Contributions from Neath & Port Talbot Spatial Areas]

New Allocations: $2324 \times 25\% = 581$ affordable units - 8 units = 573 affordable units*

Windfall and Small Sites: $777^{**} \times 25\% = 194$ affordable units

Landbank contribution: $510 - 10\%$ flexibility = 459 affordable units

* H1/4 Ocean View and H1/8 Crymlyn Grove have both secured and provided affordable housing at a rate of 20% in line with the UDP Policy. The difference between the UDP Policy and LDP Policy equates to 8 units, which has been deducted from the new allocations total.

** The Small Sites and Windfall figure has been reduced to take account of 1 and 2 unit developments which would not be required to contribute to affordable housing. Based on past build trends of 1 and 2 unit developments, 5% of units in Port Talbot and 13% of units in Neath have been discounted.

Valleys = 53 units⁵

[Contributions from Pontardawe Spatial Area only]

New Allocations: $399 \times 10\% = 39$ affordable units

Windfall and Small Sites: $198^{***} \times 10\% = 20$ affordable units

*** *The Small Sites and Windfall figure has been reduced to take account of 1 and 2 unit developments which would not be required to contribute to affordable housing. Based on past build trends of 1 and 2 unit developments, 8% of units in Pontardawe have been discounted.*

Summary of the Issues

ISSUE A - The Welsh Government do not consider the Council's response to Action Point 5.4 provides sufficient clarity to show how the identified GDV percentages equate to the equivalent percentage of units on site.

Council Response - The above examples show that the results of the AHVS will support two methods of obtaining units. It is hoped that the above information

⁴ This figure excludes the 10% flexibility allowance

⁵ This figure excludes the 10% flexibility allowance

provides some clarity on how the Council has obtained the percentage of units target and why there is a difference between the 20% target and 25% target.

ISSUE B -if the cost assumptions remain the same, it is unclear how one can arrive at different affordable housing targets?

Council Response - It is confirmed that all the inputs within the AHVS have remained the same. The above examples provide an explanation of how the same inputs can be used to provide two different results for the percentage of units approach. Fundamentally, the Council is using the LHMA evidence base to select more appropriate affordable units which results in a higher percentage target rate. However, the AHVS supports either of the two methods. As the same inputs are used, it is accepted that there is only a set surplus amount available that can be used to support affordable housing before a scheme becomes unviable. However, the Authority by considering the LMHA, is selecting a greater proportion of 2 and 3 bed units, which allows more affordable units to be obtained from the surplus amount before the site becomes unviable. This approach meets the needs of the LHMA and maximises affordable housing in Neath Port Talbot at no additional cost to the developer.

ISSUE C - The Council's paper appears to be an analysis of unit types linked to the LHMA. It is not clear what the 'headroom' would be if these revised unit types were factored into the residual calculation and whether the headroom would be the same as that set out in the original viability work.

Council Response - The Council is using the residual surplus to obtain certain units. These are likely to be lower value units, which will result in obtaining more units. The results of the AHVS are the same and the Council has not changed any of the inputs - the sales values and cost of development are unchanged. The Council's approach to obtaining units will not result in a higher cost of development to the developer.