

Viability and Affordable Housing

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Planning Officers Society

Today's agenda

I will address two questions:

- Why do you end up arguing the viability of Social and Affordable Housing on virtually every application?
- How could we change the system so that we no longer have to play the viability game?

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Viability and the NPPF

It is a strong theme throughout the document:

- Meeting housing need
- Evidence base for plans
- Ensuring the vitality of town centres
- Balancing harm to heritage assets
- Decisions in DM

It's clearly a material planning considerations – if people do not make money, development will not happen

But it is also clear that this consideration has to be balanced against other material planning considerations

The logo consists of the letters 'POS' in a bold, teal, sans-serif font. The letters are closely spaced and have a slight shadow effect.

Viability in development plans

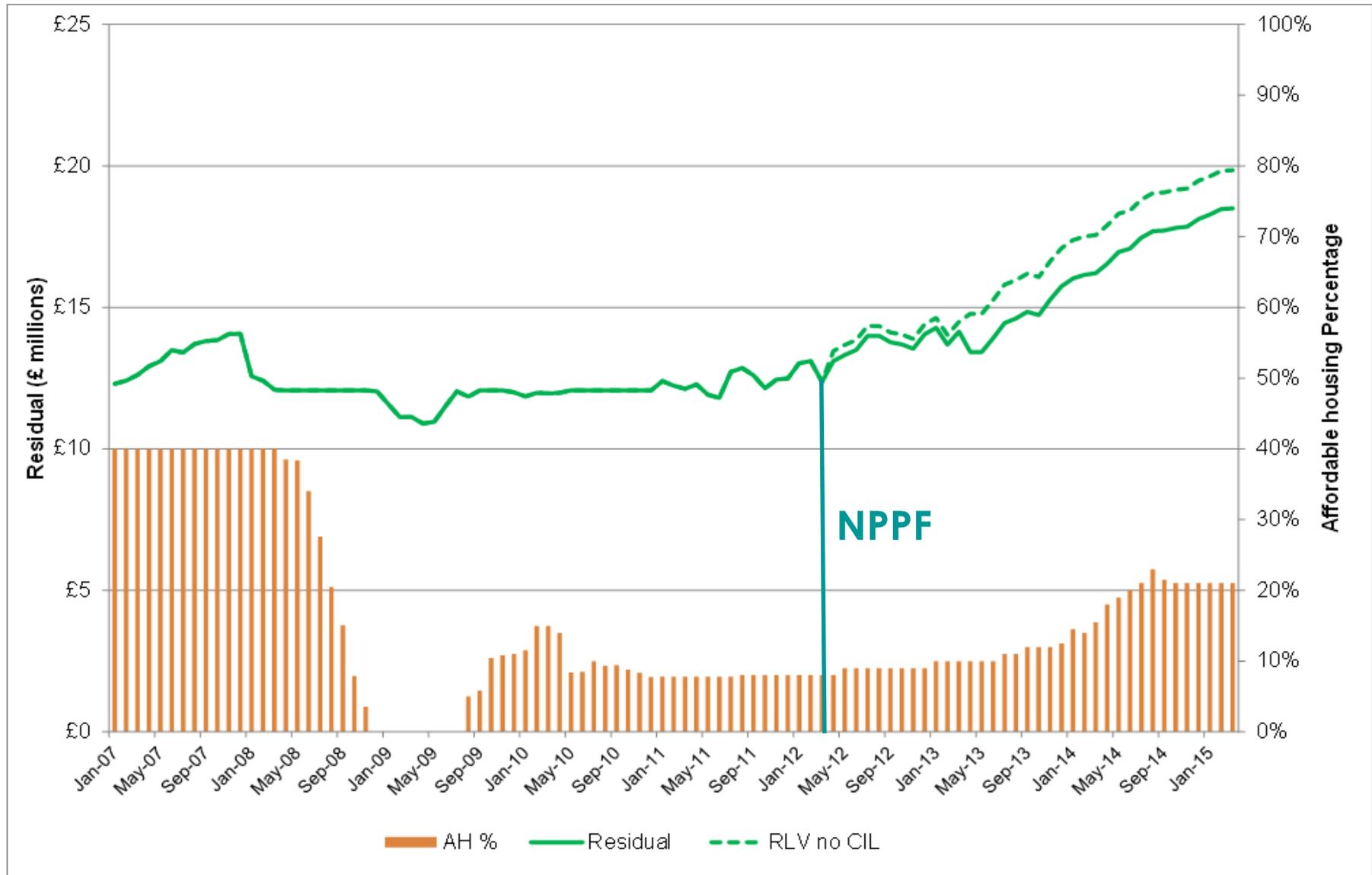
- Para 159 Housing & SHLAA
 - Prepare a Strategic Housing Land Availability Assessment to establish realistic assumptions about the availability, suitability and the likely economic **viability** of land to meet the identified need for housing over the plan period
- Para 173 Ensuring **viability** and deliverability
 - You mustn't have too many obligations because they could fail to ...
 - ... provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable
- Viable, viably or viability are in fact mentioned 19 times in the NPPF, but interestingly not in the decision-making part!

Viability in DM decision making

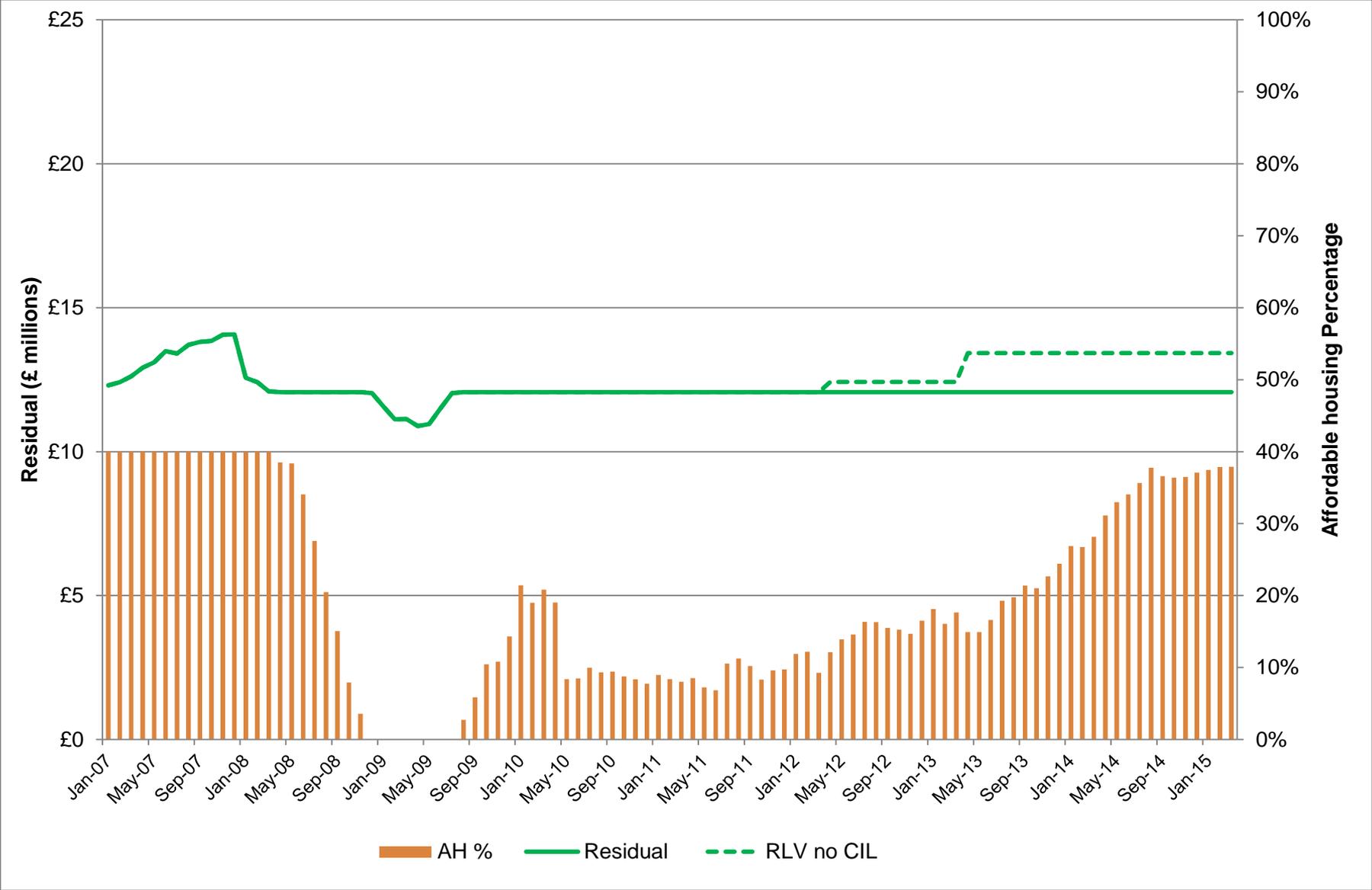
- The viability of a development is a material planning consideration to be weighed in the balance
- In dealing with housing developments:
 - CIL is compulsory
 - S106 mitigation is necessary or will be refused if harm is caused
 - AH is a policy requirement and the victim of the viability game
- We can see this in the data

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The numbers tell the storey



What could [should] have happened



What does viable mean?

Outgoings

1. Cost of the land

2. Cost of the development

3. The LPA's cut

Income

4. Value of the development

- If $1 + 2 + 3 \leq 4$ it's viable
- In some parts of the UK 2 is greater than 4, so viability means something very different
- In London, it's about not letting 1 get too high so that there is enough room for 3 out of 4

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Cost of the land

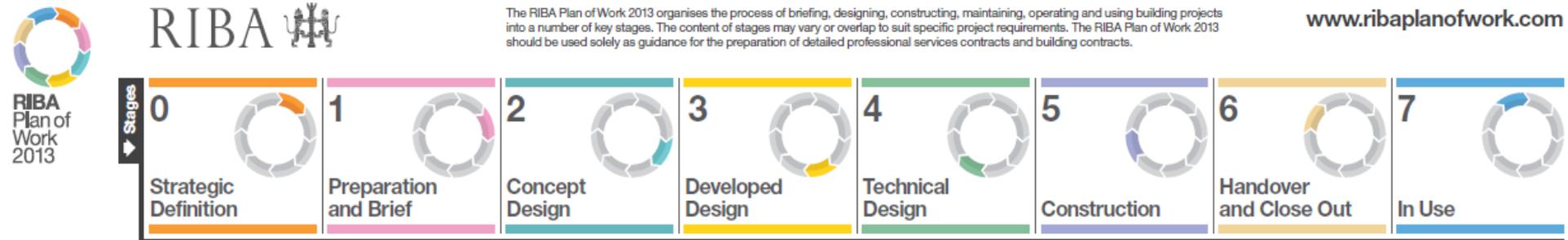
- This is always a sticking point
- The Secretary of State has gone on record (Planning Magazine 23 November 2015) stating that his "unambiguous policy position" is that land or site value "should reflect policy requirements"
- The RICS guide (Financial Viability in Planning) suggests that *market value* rather than EUV+ should be used as the baseline land value, however market value is not what you will get for the land in market – the RICS Red Book definition is:

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 wherein the parties had each acted knowledgeably, prudently and without compulsion
- The problem is that the wording in the NPPF gives confidence to developers to argue viability and this has fuelled the land price inflation we have seen in the earlier slide

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Other inputs are educated guesses

- Planning application is at RIBA stage 3 at the latest
- Cost of the development
 - The costs are realised at stage 5 which could be 1 to 2 year's later
- The value of the development
 - The development is sold or let at stage 7 – at least 2 more years away



- Local plan evidence base is before RIBA stage 0!

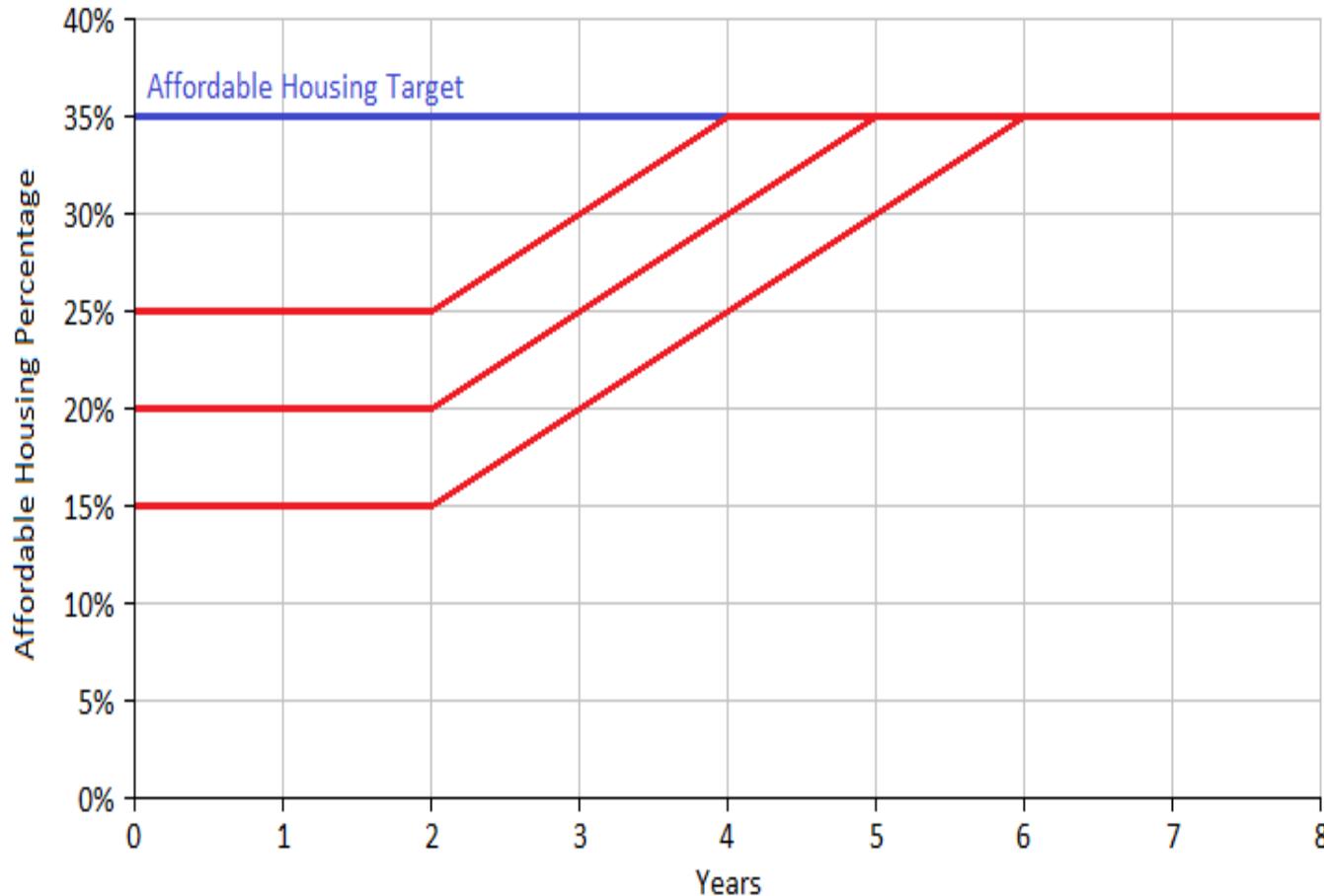
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Could we fix it?

- New York proposed a fixed compulsory affordable housing level of 25% if flats are affordable to 60% of median income or 30% if flats are affordable to 80% of median income (Washington Post 20.08.15)
- Could we do the same?
- If there is cross-party support to genuinely deliver the optimum level of housing (including affordable) the planning system can alter the operation of the market
- We did it before when we introduced Town Centre First policies in 1990s

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A new policy lead approach



- Fixed AH %
- Starts at average AH % delivered in an area since NPPF published: March 2012
- Increases @ 5% per year until you achieve Development Plan level
- In the chart it is assumed @ 35%

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Conclusions

- Viability is a theme running all the way through the NPPF
- This is understandable given that stuff doesn't happen if people lose money
- However, the balance in the NPPF is not right – its wording allows the viability game to be played by inflating land values – empirical evidence demonstrates this
- AH is generally the victim
- A new approach could fix the problem
- Cross party support would be needed
- There are signs that it is being recognised:
GLA SPG, Housing White Paper & current DCLG consultation

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Thank you

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- The POS paper “Delivering Affordable Housing in a more effective way” is available from:
http://www.planningofficers.org.uk/POS-Library/POS-Publications/Delivering-Affordable-Housing-in-a-more-effective-way_588.htm

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