

CHRISTCHURCH & EAST DORSET CORE STRATEGY EIP

MATTERS & ISSUES 7 : HOUSING

Inspector's text / questions in bold.

B. Housing Space Standards

1. Are minimum space standards justified (LN1)

It is inappropriate for the Councils to propose the adoption of minimum space standards via a Supplementary Planning Document (SDP) and it is contrary to the NPPF. Paragraph 174 of the NPPF requires local authorities to set out their policy on local standards in the Local Plan. The NPPF also requires local authorities to assess in viability appraisals the cumulative impacts of the costs of such local standards when added to the cost of nationally required standards. Moreover Paragraph 153 of the NPPF states that SPDs "*should not be used to add unnecessarily to the financial burdens on development*".

Until the SPD is produced the Councils are proposing to apply the HCA Housing Quality Indicators to all new housing development both market for sale and affordable. However the Councils have not justified why there is a requirement for a local minimum living space standard for internal and external areas in Christchurch and East Dorset as opposed to elsewhere. The Key Facts quoted in Paragraph 15.3 of the plan are not a justification for the imposition of local standards.

Moreover the Affordable and CIL appraisals have not viability tested the proposed use of HCA space standards. This is illustrated by the attached Table in Appendix 1 (Table - Comparison of Three Dragon & Brett Associate house typologies against HCA Housing Quality Indicators). This is not a perfect comparison because it is comparing unit sizes expressed in number of bedrooms against HCA Housing Quality Indicator expressed in bed spaces. However this Table does illustrate eight discrepancies between unit sizes used in viability appraisals and the requirements of Policy LN1 (highlighted in red in the Table).

If house sizes were increased to comply with the policy requirements of LN1, the build costs per unit would increase. Using the build costs previously used in the Three Dragons Viability Study the cost of building a three bedroom town house would increase by £895 per unit (1m² @ £895 m²) whilst a 2 bedroom apartment would increase by £12,600 (7m² @ £1,800 m² if over 5 storeys). If Policy LN1 remains as a policy requirement such build cost increases must be incorporated into an amended viability assessment. At the same time it cannot be assumed that an increase in unit size and cost of building will be compensated for by a reciprocal increase in selling prices. Often there is a ceiling on selling prices in a given location beyond which houses will not sell. Likewise increased selling prices for larger units may be beyond the purchasing ability of local buyers, thereby worsening an existing affordability problem across the two authorities. Furthermore the new homes in each house type falling below the minimum standard will no longer be built, so that buyers

who could have afforded these homes will no longer be able to find a suitable new home on the market at an affordable price.

The policy as proposed will impact upon the viability of new residential development by increasing the construction costs of building new houses, reducing the density of housing developments and increasing the cost of Community Infrastructure Levy (CIL) charges, which are charged on a square metre basis. The result will be fewer new homes (unless there is a compensating increase in land supply) and those that are built will be more expensive, thereby aggravating the affordability crisis.

In conclusion Policy LN1 is unsound failing to comply with the tests of soundness set out in Paragraph 182 of the NPPF. The Policy should be deleted.

C. Affordable Housing

1. Are the percentage requirements for affordable housing set out in LN3 justified by viability evidence?

Policy LN3 requires that all developments of 1 or more dwellings provide affordable housing. The policy proposes 50% provision on green-field sites (unless a site specific strategic allocation policy proposes 30%) all others sites will provide 40% affordable housing.

The policy as written has not been justified by viability testing. The Affordable Housing Provision & Developer Contributions in Dorset Final Reports for Christchurch Borough Council and East Dorset District Council dated January 2010 by Three Dragons recommend either a Borough wide affordable housing provision or a differential provision based on property market areas. Furthermore the percentage provisions recommended are less than the amount specified in Policy LN3. This is commented on further in answer to Question 2 below.

The Three Dragons Viability Reports are now somewhat dated. In our previous representations we have raised concerns about the lack of costs included in these viability assessments namely the level of S106 and / or CIL payments, the mandatory Zero Carbon Homes requirements under revisions to Part L of the Building Regulations, Dorset Heathland mitigation and SANGs, the imposition of minimum space standards and Lifetime Homes standards. Indeed since the viability assessments were undertaken in 2010 some of these requirements have been added by the Councils such as Lifetime Homes standards (as altered by amendment to Objective 5 and New Policy on Housing & Accommodation Proposals for Vulnerable People in the Proposed Changes document). Whilst amendments to Appendix 1 in the Proposed Changes document add the requirement to pay £50,000 capital sum plus £50,000 maintenance fund for open space on developments of more than 50 dwellings and £100,000 capital sum plus £100,000 maintenance fund for open space on developments of 150 dwellings. All these additional policy requirements increase the financial burdens on development, the consequences of which are commented on further in answer to Question 3 below.

As affordable housing provision and Community Infrastructure Levy contributions are inseparably linked, a cross comparison of these viability assessments is invaluable. Paragraph 175 of the NPPF recommends that “*where practical, CIL charges, should be worked up and tested alongside the Local Plan*”. By cross referencing the Affordable Housing Viability undertaken by Three Dragons and the CIL Viability by

Brett Associates, there are a number of inconsistencies, which question the justification of Policy LN3, and the level of affordable housing, which is financially viable.

In March 2013 consultants Savills submitted a representation on the Christchurch BC & East Dorset DC Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule consultation on behalf of a landowner and developer consortium including the HBF. This representation points out that the CIL viability tested only at 30% affordable housing provision despite the provision of 50% or 40% on all non-strategic sites as required by Policy LN3. Furthermore the CIL viability assessment did not test strategic sites, only sites up to 100 units were tested at 30% affordable housing provision. However the CS identifies site allocations ranging from 30 to 950 homes, including 8 strategic sites well in excess of 100 units.

The Council must reconcile the proposed CIL charges with its affordable housing policy and synchronise the viability testing of both requirements. The recent Examiner's reports on the Mid Devon CIL (20th February 2013) and the Greater Norwich Development Partnership (December 2012) have set clear precedent for CIL to be considered in the round, including the testing of policy compliant levels of affordable housing. The Councils should be mindful of the Mid Devon CIL Examiner's Report, which reduced the proposed residential CIL rate as the LPA had failed to properly take into account the appropriate rate of affordable housing.

2. Should the percentages reflect property market areas rather than a brown-field / green-field differential?

The documents in the evidence base are not supportive of a green-field / brown-field differential. The Three Dragons Reports favour affordable housing provision based either on a Borough wide percentage or a staggered provision reflective of a geographical split based on property market differentials.

The Christchurch Borough Council Three Dragons Affordable Housing Provision & Developer Contributions in Dorset Final Report dated January 2010 identified three market areas across Christchurch Borough. The viability report recommended either a 40% Borough wide affordable housing provision or 50% in the rural north and 40% in the North and Coastal areas (Three Dragons Report Paragraph 6.17).

The Three Dragons Affordable Housing Provision & Developer Contributions in Dorset Final Reports on East Dorset dated January 2010 identified five market areas namely high value rural, East Dorset rural, Wimborne Minster, Southern settlements and low value East Dorset. The report concluded either a District wide 40% affordable housing provision or 40% across all areas all except high value rural area or 50% high value rural, 40% East Dorset rural and Wimborne Minster and 35% in Southern settlements and low value area.

It is not obvious what evidence the Councils are using to determine a policy requirement based on green-field and brown-field differentials.

3. Are viability assumptions realistic with regard to :

- **Residual land values**
- **Density**
- **Other costs such as SANG / CIL / mitigation / space standards**

The viability assumptions are not realistic as previously commented upon in our previous written representations and in answer to Question 1. When more realistic assumptions are appraised there will be a knock on effect on residual land values and densities.

The implications of any additional costs is outlined in the Conclusion Section of the Three Dragons Final Report on Christchurch (Paragraphs 6.20 - 6.22) stating *“increased costs for Lifetime Homes, above Code for Sustainable Homes (CfSH) Level 3 and increase in S106 payments (or CIL Preliminary Draft Charging Schedule proposal of £100 per m2) would be difficult to absorb”*. Therefore as referenced in Paragraph 6.22 *“Affordable Housing targets indicated would need to be reduced”*.

The Councils are proposing all of the above increases in costs without reducing the affordable housing target. In fact the affordable housing provisions set out in Policy LN3 are already above the recommendations of the Three Dragons Viability Reports.

Without proper consideration of the cumulative impacts of these policy requirements on viability of developments as required by Paragraph 174 of the NPPF, the Councils have introduced Lifetime Homes standards under New Policy on Housing & Accommodation Proposals for Vulnerable People in the Proposed Changes document and introduced space standards under Policy LN1. Moreover the Councils are proposing a CIL charge of £100 per m2 in its Preliminary Draft Charging Schedule.

Moreover the Affordable Housing Provision & Developer Contributions in Dorset Final Reports dated January 2010 by Three Dragons do not take into account the cost of mandatory changes to Part L of the Building Regulations in accordance with the Government's Zero Carbon Homes programme. The document *“Viability Testing Local Plans Advice for Planning Practitioners”* chaired by Sir John Harman published in June 2012 states *“The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented, particularly during the first five years, where these will bring a change to current costs over which the developer or local authority has little or no control. A key example of this is the forthcoming change to Building Regulations arising from the Government's zero carbon agenda”* (page 26).

Dorset Heathlands mitigation and SANGs will have implications for gross and net developable land ratios which will affect residual land values. This is emphasised by the Harman Report, *“One error that has a very large impact on the outcome of viability testing is overlooking the distinction between the gross site area and the net developable area (the revenue-earning proportion of the site that is developed with housing). The net area can account for less than half of the site to be acquired (that is, the size of the site with planning permission) once you take into account on-site requirements such as formal and informal open space, sustainable urban drainage systems, community facilities and strategic on site infrastructure etc. On larger sites, sometimes the net area can be as little as 30%”* (page 36 and Appendix B(1)).

Whilst Paragraph 154 of the NPPF emphasises that *“local plans should be aspirational but realistic”*. The Harman Report recommends that *“If the assessment*

indicates significant risks to delivery, it may be necessary to review the policy requirements and give priority to those that are deemed critical to development while reducing (or even removing) any requirements that are deemed discretionary. The planning authority may also consider whether allocating a larger quantity of land, or a different geographical and value mix of land, may improve the viability and deliverability of the Local Plan”.

The Council needs to reconcile viability assessments and policy requirements. The Councils should delete or amend policy requirements according to the outcomes of appropriate viability testing to ensure that the CS is deliverable in compliance with the NPPF.

5. Does recent viability testing for CIL indicate any changes to policy are needed?

As discussed above the viability testing on CIL shows proposed charges in the Preliminary Charging Schedule are on the margins of viability. It is not possible for development to support the requirements of LN3 and the proposed CIL charges without putting the CS at serious risk of non-delivery.

The CIL rates and / or the affordable housing requirements will have to be revised otherwise there will not be *“competitive returns to a willing land owner and willing developer to enable the development to be delivered”* (Paragraph 173 of the NPPF).

There is also a concern that there is insufficient clarity on the payment of S106 and CIL with particular reference to SANGs and Dorset Heathland mitigation. The Councils should clarify matters to avoid any actual or perceived double dipping as referred to in DCLG CIL Guidance dated 2013 Paragraphs 84 – 89 *“The interaction between the CIL and S106 Agreements”* with particular reference to Policy KS11 as amended in the Proposed Changes document. Policy KS11 states *“Developers will be required to contribute towards local and strategic transport improvements through site specific legal agreements and payment of CIL”*. It is inappropriate the wording *“and”* should be replaced with *“or”*.

In conclusion, the affordable housing provision and CIL charging viability assessments should be re-worked to include all costs arising from the policy requirements of the CS. As it is likely that such re-worked assessments will be unviable, the CS should be modified to either reduce affordable housing provision requirements and / or CIL payments and / or remove policies requirements such as Lifetime Homes standards, minimum space standards, etc. Without such modification the joint CS is unsound failing to meet the four tests of soundness in Paragraph 182 of the NPPF.

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