

LONDON BOROUGH OF LAMBETH

COMMUNITY INFRASTRUCTURE LEVY

TOPIC PAPER 4 –MARKET AFFORDABLE HOUSING

Introduction

Submission 006 received from Rolfe Judd Planning on behalf of Pocket Housing in respect of the draft charging schedule, requested that the draft charging schedule be amended to recognise 'market affordable housing' as a separate CIL charging type, and that this form of development be subject to zero CIL. In order to clarify the difference between the type of sale discussed in this submission on the draft CIL charging schedule and what is normally understood as affordable housing, the Council has termed it 'market affordable housing' and defined it as 'housing which is sold on the open market at 100% ownership, but which is sold at 80% or less of its open market value, and is subject to a covenant to ensure that subsequent sales are limited to the same percentage of open market value as the initial sale.' This is similar to the sales model under which Pocket operates.

Summary of Pocket Housing Model

Pocket Housing is a firm which develops private housing and aims to sell it at less than market value without any subsidy to developer or buyer. It aims to do this due to a number of design innovations creating a high design standard with very efficient layouts, and by dispensing with a number of features such as car parking which increase the cost of housing. To date all dwellings have been one-bedroom and it aims to sell to private buyers at typically 80% of the price of other one-bedroom dwellings in comparable nearby locations.

The dwellings are sold with a covenant limiting subsequent resale to buyers with a maximum annual income of £61,400 (RPI-linked), thereby 'recycling' the affordability. The covenant remains with the property and thus applies to all future sales.

To date, Pocket Housing has developed only a handful of developments, none of which has been in Lambeth borough, and has negotiated exemptions from the requirement to provide affordable housing on the basis of sales prices generally being at around 80% of equivalent private market housing and thus that the developments consist of 100% affordable housing, albeit fully private rather than public or shared. On this basis Pocket is requesting that its developments in Lambeth be exempt from CIL.

It does not appear that there are other developers operating under this model at present.

Unlike the position in relation to affordable housing which is secured through a planning agreement, a local planning authority would not be able to enforce any arrangements entered into between Pocket Housing and purchasers. Because the financing arrangements for housing sold on this basis are not as transparent from the Council's point of view as those of council- or RSL-provided affordable housing, it would raise a difficulty of accountability that the Council would need to resolve if it was to make this form of development subject to CIL relief.

Using part of £22 million of GLA funding announced late in 2013 as a 10-year interest-free loan to Pocket Housing, Pocket proposes to purchase a number of sites in Lambeth borough to develop its form of 'affordable' housing. The Council is supportive of the Pocket model as a means to promote and diversify housing choice and affordability in the market. This includes consideration of the disposal of Council owned sites in Lambeth to develop under the Pocket model.

Position under the CIL Regulations – prior to 2014 proposed amendments

Regulation 49 states that CIL relief is only available to social housing as defined by that Regulation – as either social housing or shared ownership – and Pocket's model does not meet either of these criteria. Pocket does not remain as a landlord (and even if it did, it is not a private registered provider of social housing, a registered social landlord or a local housing authority, as required), and it does not undertake shared ownership development. Therefore, CIL relief under Regulation 49 is not available.

A potential alternative approach under the CIL Regulations is whether housing developed under Pocket's model could be charged at a different (or zero) CIL rate to other residential development..

Under the CIL Guidance (April 2013) different CIL rates can be applied to development within the same use class, provided there is sufficient evidence to demonstrate different levels of viability under different circumstances or formats of development. The most common case where this differentiation occurs is in retailing, where in many boroughs there are different rates of CIL for different types of retail enterprises. based on the different levels of viability of large convenience shops e.g. supermarkets, as opposed to small comparison shops

In relation to Pocket's housing provision model, there would need to be adequate evidence to demonstrate the difference in viability between Pocket's model and other forms of market housing provision. Pocket has not provided any evidence to the Council to indicate that the viability of its schemes would be any different to those of other market housing projects. It cannot be assumed that because properties would be sold with a restriction on purchasers' maximum income levels, or that they are sold at a lower price than other comparable market housing, the development would necessarily be less viable.

Post 2014 amendments to CIL Regulations

The Council believes it has greater scope to explore and if necessary introduce CIL relief to models like Pocket under the CIL Regulations as proposed to be amended in early 2014.

The proposed new Regulation 49A will introduce a new category of discretionary social housing relief. This will be available where a dwelling is to be sold at no more than 80% of its open market value and in accordance with the Charging Authority's published policy statement setting out how the housing that is to be granted relief is to be allocated in its area.

Discretionary social housing relief can be made available after the adoption of a Charging Authority's Charging Schedule, as set out in the proposed new Regulation 49B, subject to the authority giving the necessary notice of its intention to introduce discretionary social housing relief and drawing up the required policy.

The Council along with other London Boroughs intends to confer with the Greater London Authority, who acts as a Charging Authority across London, to determine the scope for a common approach to discretionary social housing relief for discounted market sales.

The revised CIL Regulations are not proposed to come into force until February 2014, just before the examination hearings. Therefore there will be insufficient time for the necessary discussions and decisions to occur as part of the CIL examination. Further as the Council can introduce discretionary once a CIL Charging Schedule has been adopted it is not proposing to rush any decision on this matter.

The Council is not proposing to amend the draft CIL charging schedule at this stage, and will consider the matter of CIL relief for affordable market housing further once the new CIL Regulations are in force, in conjunction with other London Charging Authorities.