

REVISED SUPPLEMENTARY GUIDANCE No. 3

AFFORDABLE HOUSING
POLICY GUIDANCE NOTE ANNEX

HOUSING NEED ASSESSMENT UPDATE

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LEEDS CITY COUNCIL



LEEDS UNITARY DEVELOPMENT PLAN

AFFORDABLE HOUSING SPG ANNEX UPDATE 2005

REVISION APRIL 2011

Introduction

This document is the Housing Need Assessment Annex to the Affordable Housing Supplementary Planning Guidance No 3 published in February 2003. It supersedes the original Housing Need Assessment Annex 2001-2002 which was also published in 2003. The document is aimed at all groups involved in the provision of affordable housing.

This Annex will be updated at the end of each financial year – in the following mid to end April, to amend the benchmark figures given at the end of the document.

The figures in this SPG Annex are for the 2011/12 financial year.

The SPG Annex will be revised at the end of each financial year and a revised SPG Annex produced in mid to late April accordingly, even where there has been no change to the benchmark figures.

Housing Need Assessment

In November 2002 Outside Research consultancy was appointed by the Leeds Housing Partnership to undertake a housing need assessment. The aim of the research was to produce a robust housing needs assessment carried out in accordance with Government Guidance and to determine new affordable housing targets for defined housing market zones.

In November 2003 the Final report entitled 'Assessment of Need for Affordable Housing' was produced. The report analysed the need for affordable housing in five housing market zones. Each zone represents similar housing characteristics in terms of house prices, mix of tenure, and socio-economic context. The five zones are:

- Outer Areas/villages or Rural North
- Outer Suburbs
- Inner Suburbs
- Inner Areas
- City Centre

Future Revisions to the Supplementary Planning Guidance (SPG)

Strategic Housing Market Assessments are made available on the web site (at www.leeds.gov/ldf). The existing SPG will have to be revised and updated to reflect the most recent Housing Market Assessment and other current guidance and documents, including the Regional Spatial Strategy (RSS). This will be done as a Supplementary Planning Document (SPD) in the Local Development Framework process, which is the plan making framework for all local authorities. The existing SPG and SPG Annex (this document) will remain in operation in the meantime.

Indications of affordable housing to be sought

Threshold

Affordable housing is sought on housing developments of fifteen homes or more (new threshold introduced, in accordance with Planning Policy Statement 3, Housing, November 2006)

Affordability

Two broad levels of affordability are recognised in Leeds City Council's Supplementary Planning Guidance – Social Rented and Submarket. Benchmark rents and prices for these types of affordable housing are provided later in this Annex.

As PPS3 defines affordable housing, it “includes social rented affordable rented and intermediate [submarket] housing, provided to eligible households whose needs are not met by the market” (PPS3 June 2011)

Social rented affordable housing is rented housing owned and managed by local authorities and registered social landlords [i.e. housing associations] for which guidance target rents are determined through the national rent regime [the Housing Corporation].

Submarket affordable housing (also referred to as intermediate housing) is housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity/ownership, low cost homes for sale and intermediate or submarket rent.

Affordable rented affordable housing is subject to rent controls that require a rent of no more than 80% of the local market rent. As this type of affordable housing would require Exchequer Grant funding, it is not sought in connection with planning applications for market housing in Leeds.

Amount

The overall target as set in UDP and SPG offers an average of 15 - 25% of new housing to be affordable. The information outlined in the Assessment of Need, as well as other sources of data and information has been used to inform the percentage and mix of affordable housing to be requested in the five housing market zones.

The City is divided into five housing market zones as mentioned – each with different requirements:

Housing Market Zone	Total affordable housing required ¹	Proportion of Social rent required	Proportion of Sub-market required
Outer area/rural north	35%	50%	50%
Outer suburbs	15%	50%	50%
Inner suburbs	15%	40%	60%
Inner areas	5%	0%	100%
City Centre	5%	40%	60%

¹ Changed to accord with Interim Affordable Housing Policy adopted 1/6/11

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For example, a development proposal on a site in the Inner Suburbs Housing Market Zone will have to provide 25% affordable housing on any proposed development of 15 or more dwellings. Of this 25%, 40% should be social rented affordable housing and 60% submarket affordable housing. So, if the total number of units on site proposed was 18, 25% affordable housing would be required, which equates to 5 units (we round up, not down). 40% or 2 units should be social rented and 60% or 3 units should be submarket affordable units.

Size & Form

As stated in the SPG, the mix of sizes of the affordable dwellings should normally reflect the mix pro-rata of all the dwellings proposed, but the City Council's knowledge of demand for social housing in Leeds indicates the following emphasis:

- in regard to City Centre market zone, 'crash pads' will not normally be accepted as suitable affordable housing provision

- in regard to Outer Areas and Outer Suburbs, there is a stronger need for family housing and flats of 2 bed minimum size.

The Housing Market Zones: Characteristics and Explanation of Affordable Housing Needs

Outer Area Market Zone / Rural North

Target Proportion of affordable dwellings: 35%[□]

Affordability Split: 50% social rented, 50% sub-market

Housing characteristics of this zone include:

1. Particularly pronounced difficulties of meeting need figure given the lack of availability of sites
2. Limited potential for meeting need through existing housing reflected by
 - high demand (three times higher than the city average),
 - high house prices (twice the city average),
 - low turnover (70% lower than the city average), and
 - low level of empty affordable housing (67% lower than the city average)

The target and recommended split of social rent/sub-market affordable housing is justified given that this zone has a very small stock of social housing which turns over very slowly. There are very few empty properties and house prices are significantly higher than the city average.

Outer Suburbs

Target Proportion of affordable dwellings: 15%[□]

Affordability Split: 50% social rented, 50% sub-market

Housing characteristics of this zone include:

1. Potential difficulties of meeting the unmet need figure given the availability of sites
2. Limited potential for meeting need through existing housing reflected by
 - high demand (67% higher than the city average),

[□] Changed to accord with Interim Affordable Housing Policy adopted 1/6/11

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- high house prices (12% higher than the city average),
- low turnover (15% lower than the city average), and
- low level of empty affordable housing (67% lower than the city average)

The target and recommended split of social rent/sub-market affordable housing is justified given that demand and house prices are higher than average and turnover is lower than average. Windfall site development opportunities are far more prevalent than in the Outer Areas/Rural North, but still insufficient to cater for the scale of affordable housing need.

Inner Suburbs

Target Proportion of affordable dwellings: 15%[□]

Affordability Split: 40% social rented, 60% sub-market

Housing characteristics of this zone include:

1. a marginal unmet need figure
2. some high/buoyant demand areas where additional affordable housing is needed but occasional lower demand areas where new housing could have a detrimental effect on existing social housing
3. a mixed picture of demand and market conditions and the presence of mixed tenure housing, reflected by
 - average demand (close to the city average),
 - below average prices (20% lower than the city average),
 - average turnover (same as the city average), and
 - average level of empty affordable housing (same as the city average)

The target and recommended split of social rent/sub-market affordable housing is justified as this zone has a mixed housing market with average demand & turnover.

Inner Areas

Target Proportion of affordable dwellings: 5%[□]

Affordability Split: 0% social rented, 100% sub-market

Housing characteristics of this zone include:

1. a large surplus of affordable housing recorded
2. the presence of regeneration areas where there is a requirement to *replace* substandard and obsolete housing (including social housing) but where *additional* affordable housing is not needed
3. areas of mixed tenure including private housing, typically older terraced housing (with an expanding lower market private rented sector) and social housing
4. areas with low or fragile demand and lower than average property values reflected by
 - Significantly lower demand (50% of the city average),
 - Well below average prices (50% lower than the city average),
 - Higher than average turnover (11% higher than the city average), and
 - Significantly higher level of empty affordable housing (50% higher than the city average)

The target and recommended split of social rent/sub-market affordable housing is justified on the grounds that the zone suffers from lower demand & house prices than the rest of the city. But house prices and waiting list demand have been increasing since the Outside Research survey was carried out (2003).

[□] Changed to accord with Interim Affordable Housing Policy adopted 1/6/11

City Centre

Target Proportion of affordable dwellings: 5%

Affordability Split: 40% social rented, 60% sub-market

Housing characteristics of this zone include:

1. unmet need figure for the city centre being the same as the average for the city as a whole
2. Demand arising from outside of the core of the city centre as there is little provision in the 'core' city centre
3. very high house prices
4. a need to regenerate and replace social rented housing in areas adjacent to the 'core' city centre.

The target and recommended split of social rent/sub-market affordable housing is justified is justified on the basis of average levels of need, and because of the mix of very high house prices and need for regeneration of social rented stock

Affordability Benchmarks

A developer is expected to sell the agreed number of submarket and social rented affordable houses to a Housing Association. This ensures the units remain affordable in perpetuity.

Sub-Market Housing

The following table shows benchmark sale prices (and rents) for submarket affordable housing. This is derived from the earnings of an "average" household on lower quartile earnings in Leeds – which increased to £25,187 gross, in 2010. The average household lower quartile earnings in Leeds are derived from the Annual Survey of Hours and Earnings (Office for National Statistics) for 2010. A mortgage multiple of 2.75 is assumed, and that the household should pay no more than 30% of net monthly salary on housing rent.

Average dwelling sizes of 50m² (city centre flats), 60m² (flats elsewhere) and 75m² (houses) have been used to derive the figures.

2010/11 £/sqm*	Submarket	
	Maximum sale price of a developer to a Housing Association (per sq m)	Housing Association submarket rent per calendar month (per sq m)
Houses	£972/sqm	£5.88/sqm
Flats	£1,215/sqm	£7.35/sqm
Flats City Centre	£1,458/sqm	£8.82/sqm

*gross internal floorspace, excluding service/maintenance charges where applicable

The Council advocates in particular discounted sales or submarket rent as favoured models for submarket affordable housing. Where the discounted sale model is used, (sometimes known as 'Re-sale Price Covenant Scheme'), the property is subject to a covenant contained in a lease or sub-lease which ensures that the 'discount' is always passed on to future buyers. When the discounted sale model is used, a housing association should sell the

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unit(s) on at the submarket price paid to the developer plus up to 5% on top to cover their reasonable on-costs (management/re-sales/administration etc).

Where the housing association rents out the units, this should be at the submarket rents outlined in the table above, or be no more than 80% of the market rents being charged in the local vicinity.

Social Rented Affordable Housing

As per paragraph 5.12 of the Affordable Housing SPG, social rents are set by the Homes and Communities Agency (HCA) (formerly the Housing Corporation). The following table provides sale prices and rents as agreed with the HCA. A developer should sell any social rented units to a housing association at no greater than the social rent benchmark detailed below, or at a price that enables the Housing Association to charge the social rent or the rent determined by the price per sq m figure of 0.80p.

2011/12 £/sqm*	Social Rent	
	Maximum sale price of a developer to a Housing Association (per sq m)	Housing Association social rent per week
Houses	£520/sqm	£0.80/sq m
Flats	£520/sqm	£0.80/sqm
Flats City Centre	£520/sqm	£0.80/sqm

*gross internal floorspace, excluding service/maintenance charges where applicable

Contacts

General advice on planning applications will be provided by Planning Services section of Leeds City Council.

All new applications for planning permission should also provide details of the affordable housing to be provided on site along with the 'affordable housing proforma' (a form to be completed when submitting an application). This can be obtained on the Council's website, at: [www.leeds.gov.uk/planning advice and guidance](http://www.leeds.gov.uk/planning_advice_and_guidance) or ring the Development Enquiry Centre, Tel Leeds 24 78000.

The affordable housing provision should be agreed with the Affordable Housing Team, Environment and Neighbourhoods, Leeds City Council;

Contact: Megan Godsell, Affordable Housing Manager, Tel Leeds 24 78276

The Affordable Housing Team can also give advice on housing need and the use of housing associations.

Additional advice on planning policy can be offered by Nasreen Yunis, Planning Policy Team, Planning and Economic Policy section, Leeds City Council: Tel Leeds 24 78133.