

## Leeds Affordable Housing Benchmark Transfer Update 2019/20

1.1 This is the second annual update of the Affordable Housing benchmark prices. This methodology is the same based on earnings data with adjustment to account for households on benefits. The main stages of the methodology are:

- i Ascertaining lower quartile and lower decile earnings
- ii Translating individual earnings to household earnings
- iii Applying affordability criteria
- iv Translating affordability into square metre benchmarks

### *Step 1 – lower quartile and decile earnings*

1.2 The earnings figures were taken from the Annual Survey of Hours and Earnings (ASHE)<sup>1</sup> which are published annually and can be easily and quickly inserted into our methodology to update the benchmarks when needed. Figures are for a combination of full time and part time<sup>2</sup> male and female earnings of individuals resident in Leeds and are provided as quartiles and deciles.

### *Step 2 – household earnings*

1.3 The ASHE source only provides earnings data for individuals, not households and no alternative regular reliable free data sources for household earnings could be identified. Therefore, the methodology translates individual earnings into household earnings. Data from the Office of National Statistics 2015<sup>3</sup> was used to understand the distribution of different sizes and types of household in Leeds. Using the earnings of individuals enabled the earnings profiles of typical single and family households to be generated. It should be noted that the earnings of childless “couple” households has deliberately not been factored into single households because this would have the effect of exaggerating the benchmark prices for flats, making them unaffordable for many single households.

### *Step 3 – affordability criteria*

1.4 Affordability will be different depending on whether affordable dwellings will be sold to a registered provider or rented directly in developments of private rented sector (PRS) dwellings. Sale dwellings are subject to standard mortgage multiplier maximums whereby single households are typically able to borrow 3 x gross salary and family households are typically able to borrow 2.5 x gross salary. A 5% deposit is then added onto those figures. For rental dwellings it is assumed that rents payable should not exceed 25% of gross earnings to be regarded as affordable.<sup>4</sup>

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<sup>1</sup> ASHE link:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofresidencebylocalauthorityashetable8>

<sup>2</sup> 75% Full Time and 25% Part Time earnings on a 3 year average to dampen volatility of annual change in PT earnings

<sup>3</sup> <https://www.gov.uk/government/statistical-data-sets/detailed-data-for-modelling-and-analytical-purposes>

<sup>4</sup> Leeds SHMA (2011) assumes that a household is considered able to afford market housing in cases where the rent payable would constitute no more than 25% of their gross household income.

1.5 Step 4 – square metre benchmarks

1.6 The practice of requesting, negotiating and agreeing affordable housing with developers is helped by having benchmarks in a £/sqm form. It takes away the complexity of setting a multitude of different benchmarks for different dwelling sizes and it offers developers ability to quantify the cost of affordable housing in Leeds before they buy land. Some assumptions have to be made to translate affordability benchmarks into a £/sqm form. Generally speaking it is expected that single person households would be suited to living in 1 or 2 bedroom dwellings and therefore it would be appropriate to use single household affordability to calculate a square metre figure for apartments. Likewise, given that family households are thought to be suited to living in dwellings of 3 or more bedrooms it would be appropriate to use family household affordability to calculate a square metre figure for houses. With reference to the nationally described space standards it is assumed that a 48 square meter dwelling would provide a reasonable proxy for apartments of a high density city centre character, 55 square metres for suburban apartments, whilst an 85 square meter dwelling would provide a reasonable proxy for houses.

The benchmarks calculations are as follows:

| HOUSES         |           |            |                 | SALE BENCHMARKS             |            |                         |
|----------------|-----------|------------|-----------------|-----------------------------|------------|-------------------------|
| FAMILY HH*     | INCOME PW | INCOME PCM | ANNUAL INCOME £ | 2.5 X GROSS ANNUAL SALARY £ | 5% DEPOSIT | £/sqm at 85 sqm AVERAGE |
| LOWER DECILE   | 432       | 1871       | 22453           | 56132                       | 58939      | <b>693.40</b>           |
| LOWER QUARTILE | 548       | 2374       | 28493           | 71233                       | 74794      | <b>880.05</b>           |

| APARTMENTS     |           |            |                 | SALE BENCHMARKS           |            | Suburbs                 | City Centre             |
|----------------|-----------|------------|-----------------|---------------------------|------------|-------------------------|-------------------------|
| ALL (M + F)    | INCOME PW | INCOME PCM | ANNUAL INCOME £ | 3 X GROSS ANNUAL SALARY £ | 5% DEPOSIT | £/sqm at 55 sqm AVERAGE | £/sqm at 48 sqm AVERAGE |
| LOWER DECILE   | 250       | 1082       | 12987           | 38961                     | 40909      | <b>743.80</b>           | <b>852.27</b>           |
| LOWER QUARTILE | 323       | 1398       | 16774           | 50323                     | 52839      | <b>960.71</b>           | <b>1100.82</b>          |

| APARTMENTS     | PRS RENTAL BENCHMARKS |              |                 | 25% OF GROSS INCOME £ |        |      | £/sqm at 48 sqm AVERAGE |             |
|----------------|-----------------------|--------------|-----------------|-----------------------|--------|------|-------------------------|-------------|
|                | INCOME PW £           | INCOME PCM £ | ANNUAL INCOME £ | PW                    | PCM    | PA   | PW                      | PCM         |
| LOWER DECILE   | 250                   | 1082         | 12987           | 62.44                 | 270.56 | 3247 | <b>1.30</b>             | <b>5.64</b> |
| LOWER QUARTILE | 323                   | 1397.8611    | 16774           | 80.65                 | 349.47 | 4194 | <b>1.68</b>             | <b>7.28</b> |

## Appendix 3

### Affordable housing benchmark prices and rents in Leeds for 2019/20

Table 1 below sets out the prices that the City Council would normally expect developers to dispose of affordable dwellings to Registered Providers. They are derived from the mortgage payments that low earning households in Leeds would be able to afford. They translate the affordability standards set out in Policy H5 of the Core Strategy into benchmarks that can be applied in practice achieving consistency between different developments. It is expected that Registered Providers will pass on the affordability to occupiers subject to reasonable administration costs.

Table 1: Affordable Sale Prices

| <b>Dwelling Type</b>     | <b>Affordability</b> | <b>Benchmark £/sqm</b> |
|--------------------------|----------------------|------------------------|
| House                    | Lower Decile         | 693.40                 |
|                          | Lower Quartile       | 880.05                 |
| Apartment in Suburbs     | Lower Decile         | 743.80                 |
|                          | Lower Quartile       | 960.71                 |
| Apartment in City Centre | Lower Decile         | 852.27                 |
|                          | Lower Quartile       | 1100.82                |

Table 2 below sets out affordable rent benchmarks. These apply in situations where a Private Rented Scheme Provider and the City Council have agreed that affordable housing provision will be provided on-site, or in buildings off-site. Management companies responsible for administering the rental of dwellings would be expected to rent the affordable dwellings at rents that accord with the benchmarks subject to arrangements agreed with the City Council.

Table 2: Affordable Rents for PRS Schemes

| <b>Dwelling Type</b> | <b>Affordability</b> | <b>Benchmark £/sqm/week</b> | <b>Benchmark £/sqm/mth</b> |
|----------------------|----------------------|-----------------------------|----------------------------|
| Apartment            | Lower Decile         | 1.30                        | 5.64                       |
|                      | Lower Quartile       | 1.68                        | 7.28                       |

The benchmarks apply to the gross internal floorspace of dwellings, and exclude service or maintenance charges.