

**NORTH WEST LEICESTERSHIRE LOCAL PLAN EXAMINATION
RESPONSE TO INSPECTOR'S QUESTIONS FOLLOWING ADDITIONAL HEARING
DAYS.**

POLICY H4 – AFFORDABLE HOUSING

1 Inspector's question

- 1.1 Further consideration of the threshold and percentage figures in the suggested MM to Policy H4 to reflect the latest viability evidence.

2 Council's response

- 2.1 There are two issues which this questions raises, namely; the suggestion to apply a standard threshold of 11 dwellings or more or 1,000sqm (gross floorspace) in all settlements and the proposed targets for sites on previously developed land.

3 Thresholds

- 3.1 Following the examination sessions in January 2017 the Inspector requested that the Council provide:

Explanatory background as to why only an affordable housing threshold of 15 or more units was tested in the viability assessment for the main settlements and not 11 or more as for the smaller settlements (Policy H4)

- 3.2 The Council's response (EX/76) provided the necessary background and was then subject to consultation. In response to the consultation two responses suggested that the threshold should be reduced to 11 dwellings or more in all settlements.

- 3.3 The Council commissioned additional work from its consultants (Cushman & Wakefield) to assess whether a threshold of 11 or more dwellings would impact upon site viability. This additional work used the same assumptions as that used to inform the initial study (LP/09) but looked at sites of 0.314ha and 0.367ha at densities of 35 and 30 dwellings per ha respectively which equates to sites of 11 or more dwellings. The initial study had only looked at sites of 1ha or 5ha. The additional study (EX/84) concluded that:

"The modelling suggests a similar or better performance for the 11 dwelling archetype (compared to the 1 ha archetype) in seven of the seventeen development archetypes tested (these mainly, but not all, being greenfield archetypes), and a worse performance in ten of the archetypes tested (these mainly, but not all, being brownfield archetypes).

The differentiated performance of the 11 dwelling archetype between greenfield and brownfield, reflects a trend shown in the wider study, and this considered, on balance, the performance of the 11 dwelling archetype is not significantly inferior to that of the larger, 1 ha, archetype, indeed it performs similar or slightly better in seven out of the seventeen (or 40%) of the archetypes tested".

- 3.4 Having regard to this work and the comments received in response to EX/76, it was therefore proposed as part of the Council further position statement to modify Policy H4 so that the threshold in all settlements would be 11 or more dwellings OR 1,000 sq metres (gross) of floorspace. The level of affordable housing requirements remained unchanged from that originally proposed.
- 3.5 At the examination sessions in March there was some confusion as to how the affordable housing requirement set out in policy H4 related to the table on page 8 of EX/84. This note seeks to provide the clarification required.

- 3.6 The table on page 8 of EX/84 is similar to that set out at page 28 of LP/09. Essentially both tables seek to provide a summary of how the various sites (in terms of size, density and location) performed in viability terms. The table in LP/09 also includes a colour coded approach to illustrate performance against the various types and splits of affordable housing tested. The later study only tested the 81% rented/19% intermediate split as this was the recommended approach on the Strategic Housing Market Assessment.
- 3.7 The final right hand column at the table on page 28 of LP/09 records an estimate of the likely percentage of affordable housing which could be supported for each category of site. These range from 5% to 30%. Whilst one approach would have been to reflect the exact variation in any policy, to do so would result in a highly complex policy. Instead the chosen approach is to reflect the overall conclusions of Cushman & Wakefield, based on their professional judgement, as set out at page 33 of LP/09 (i.e. that 30% is supported in Ashby, Castle Donington, Measham and Kegworth with 20% in Coalville and Ibstock (or smaller)). Policy H4 does this.
- 3.8 Whilst there may be some instances where a particular site type or size suggests a lower percentage it should be appreciated (as advised at paragraph 3.5 of LP/09) that *“a strategic viability model such as this is not designed to test the viability of specific individual sites”*. For example, for the purposes of the study, marginal viability was classed as an archetype showing a developers profit in the region of 17-19.9% on value. At this level of strategic policy appraisal it is not possible to discount the viability of such sites, as there are various site specific imponderable factors that will have a bearing on viability at actual particular actual sites that are not possible to capture in typology modelling, and the appetites for risk vary between developers which will be reflected in their requirement in terms of returns, and which may change in different market circumstances and different market areas. It is not possible to model for these in a strategic policy appraisal. This is reflected in the study (paragraph 3.5) which notes that *“This study cannot seek to encompass all the potential differences in individual site circumstances which affect viability. What it can, and does do, is provide a broad assessment of viability [Council’s emphasis] in the study areas, to inform policy, which is consistent with the NPPF guidance regarding proportionate evidence”*.
- 3.9 It is also important to recognise that the study took a cautious approach to assumptions, as highlighted in the Council’s submission in respect of Matter4 (for example concerning development coverage and approach to profit with regard to affordable housing). These, in effect, potentially under estimate site viability which further supports the figures proposed in Policy H4.
- 3.10 Turning to the table at page 8 of EX/84, column H identifies the percentage of affordable housing which is likely to be viable for sites of 11 or more dwellings. It can be seen that these range from 0% (on brownfield sites) up to 35% (greenfield site in Ashby).
- 3.11 As noted above the conclusion in EX/84 is that overall the modelling suggests similar or better performance on the smaller 0.314/0.367 ha sites. This has been confirmed in further correspondence with Cushman & Wakefield (see Appendix A). This being the case it is considered appropriate to retain the same percentage requirement as that supported by LP/09 albeit at a lower threshold in Ashby, Castle Donington and Coalville, particularly as the same considerations regarding the strategic nature of the viability testing as outlined above that pertain to LP/09 also apply in respect of the later study.

3.12 Policy H4 is, therefore, supported by the evidence from both LP/09 and EX/84 and is also consistent with that of the Ministerial Statement of November 2014 which exempted sites of 10 dwellings or less from affordable housing requirements and as a result will support the delivery of additional affordable housing as a greater number of sites would be able to contribute towards the provision of affordable housing.

4 Targets on Previously Developed Land

4.1 Following the examination sessions in January 2017 the Inspector requested that the Council provide:

Consideration of how a MM might be made to Policy H4 to enable the affordable housing thresholds or percentages to be adjusted for brownfield sites in preference to individual viability assessment and negotiation.

4.2 The Council's response (EX/76) set out the following suggested modification to policy H4

Settlement	Minimum Affordable Housing Contribution	Threshold	
Ashby de la Zouch	15%	30 or more dwellings OR sites of 1Ha or more	
Castle Donington	5%	30 or more dwellings OR sites of 1Ha or more	
Coalville Urban Area	5%	30 or more dwellings OR sites of 1Ha or more	
Ibstock	5%	30 or more dwellings OR sites of 1Ha or more	
Kegworth	5%	30 or more dwellings OR sites of 1Ha or more	

4.3 The basis for the Council's suggested approach is provided by the Viability Study (LP/09). The table on page 28 of LP/09 provides a summary of how the various sites (in terms of size, density and location) performed in viability terms. In terms of brownfield sites the viability modelling considered sites of 1 hectare and 5 hectares both at densities of 30 and 35 dwellings per hectare.

4.4 For the majority of settlements in the district the table identifies the same percentage figures for both site sizes and for both densities tested. Therefore, the proposed targets for Colaville, Castle Donington, Kegworth and Ibstock reflect the table on page 28 of LP/09.

4.5 However, the results for Ashby and Measham identify different percentage figures for the 1 hectare and the 5 hectare sites.

4.6 The results for Ashby show that 10% affordable housing would be deliverable on 1 hectare sites and 15% on sites of 5 hectares or more. In Measham 5% affordable housing would be deliverable on sites of 1 hectare and 10% on the 5 hectare sites.

- 4.7 Notwithstanding what the table on page 28 of LP/09 shows, section 4.4 of the Viability Study sets out a “Consideration in the Round” where the figures in the table are taken into account alongside other relevant information and the consultant’s set out their conclusions based on their professional judgement.
- 4.8 In respect of Ashby, section 4.4 identifies that it has the strongest residential values of the key service centres and lower employment land values than Coalville. It suggests (page 34) that 15% affordable housing may be deliverable on some brownfield sites in Ashby over the plan period. The 15% figure has been put forward as the requirement for Ashby to ensure that the provision of affordable housing is maximised given Ashby’s strong residential land values.
- 4.9 In terms of Measham the study identifies (page 34) that Measham’s location (in the secondary A42 corridor employment land market) results in lower values for brownfield sites and therefore maybe able to support slightly higher affordable housing requirements of potentially 10-15% (and possibly up to 20% in the growth scenario). Therefore, the suggested contribution figure for Measham (of 15%) reflects the conclusions of the Viability Study.

APPENDIX A

From: Jonathan Tutt/GBR [REDACTED]
Sent: 30 March 2017 18:13
To: IAN NELSON <[REDACTED]>
Subject: Re: Local Plan viability

Hi Ian,

Yes, testing at 11dw did not show a discernible difference to the 1ha sites. As to varying affordable policy based on site size, I have not come across this. I know CIL is in some places set at different rates for small and large developments, but CIL doesn't have the flexibility of your affordable housing policy.

Jon