

Affordable Housing Policy: Isle of Arran

In order to meet the demonstrated need* for affordable housing on the Isle of Arran, the Council will seek to achieve for all housing developments (including conversions), with overall site capacity of 4 units or more or a site area of equal to or greater than 0.2 hectares, to incorporate affordable housing at a rate of 25%.

The rate will be calculated on the basis of the overall capacity of a site (as defined as a logical unit of development by the Council). Therefore, if a site is being developed in phases of less than 4 units, the affordable housing requirement will still apply. Fractional requirements will be rounded up to the next whole number if they equal or exceed 0.5. A Legal Agreement will be required in order to secure the above objectives.

Note 1:

Affordable Housing: Supplementary Guidance for Developers, has been prepared to assist developers in implementing this policy.

Note 2:

This policy applies to all housing developments that do not have extant planning permission as at 21 April 2009 with the exception of enabling development permitted to secure the restoration of a listed building in terms of Policy BE5 of the adopted Isle of Arran Local Plan. (This approach in relation to enabling development attains the dual objectives of providing maximum value while minimising visual intrusion).

21 April 2009

* Research Project: "Isle of Arran – Affordable Housing, Opportunities and Constraints, 2007"

Affordable Housing Policy: Isle of Arran

Supplementary Guidance for Developers

1. Introduction

- 1.1 The Council will work closely with developers, Registered Social Landlords (RSLs) and others to maximise the number and quality of affordable homes provided on the Isle of Arran.
- 1.2 The Council in partnership with Scottish Government, and in consultation with the housing providers, will discuss and seek agreement on the programming of grant expenditure to assist in the delivery of affordable housing.

2. Interpretation of the Policy

- 2.1 Following consultation with stakeholders the following policy has been devised. The Council will require all housing developments, with overall site capacity of four units or more or a site area of equal to or greater than 0.2 hectares on the Isle of Arran, to incorporate affordable housing at a rate of 25%. The requirements of this policy will also apply to proposals for conversion of buildings to residential use.
- 2.2 The rate will be calculated on the basis of the justified overall capacity of a site (as defined as a logical unit of development by the Council). Therefore, if a site is being developed in phases of less than 4 units, the affordable housing requirement will still apply. If the site area threshold is exceeded (but not the numbers threshold) the number of affordable houses sought will depend on the overall capacity of the site. Fractional requirements will be rounded up to the next whole number if they equal or exceed 0.5.
- 2.3 For the purposes of calculating affordable housing provision, the value will be set for the land relating to 25% of the development site capacity at a value relating to its end use for affordable housing as determined by the District Valuer or by a mutually agreed chartered valuation surveyor on a site by site basis.
 - **Example:** If the development capacity of a site is identified by the Council as 40 houses (based on the density for market housing) the affordable housing contribution will be the value of the land relating to 10 of these units at an agreed affordable land value. The preferences relating to the nature of the contribution are set out at paragraph 3.5.
- 2.4 Should land or finances which are transferred to the Council not be used or be programmed for affordable housing purposes within a reasonable period of time, defined as 5 years from the final instalment, then these

assets will be returned, in the case of financial contributions together with interest at the 'Bank Rate'.

3 Partnerships and Mechanisms for Delivery of Affordable Housing

- 3.1 Applications are likely to progress most smoothly where developers establish early the delivery mechanism for the affordable element. The preferred mechanism to deliver the affordable housing will vary from site to site. Prospective developers should therefore enter into early discussions with the Council to clarify affordable housing obligations and options in particular locations. In appropriate cases, the Council will, in turn, liaise with the Scottish Government to confirm both the availability of affordable housing support funding and a potential RSL partner to take forward the affordable housing element of the proposed development.
- 3.2 Affordable housing tenures accepted by the Council include social rented units, shared ownership units, and new supply shared equity (NSSE) units or a mix of all three. Shared ownership and NSSE are schemes which help people on low incomes who wish to own their home but who cannot pay the full price for a house. Grants are given to Registered Social Landlords to help them build/buy new homes specifically for Shared Ownership/NSSE. Scottish Government grant funds part of the price of the house and the buyer funds the rest. The Council and RSLs will decide on a site-by-site basis what tenure the affordable housing contribution should be, justified by an assessment of local housing need.
- 3.3 The requirement for delivery of affordable housing will affect the economics of the site development. Developers should therefore take the requirement for affordable housing into account when negotiating land values with site owners. Planning applications are likely to proceed more smoothly if proposals for the affordable component and the mechanisms for its delivery are set out as part of the initial planning application. Provision of the affordable housing shall be in phase with the provision of the market housing.
- 3.4 New affordable housing must not be significantly different in external appearance from market housing on the same site. North Ayrshire Council will establish affordable housing needs in relation to house type and size and this will be communicated to developers at the earliest opportunity. The Council will convene meetings between developers/landowners and the appointed social landlord to ensure that dialogue is commenced on this and other matters. New build affordable housing should reflect the agreed mix and be fully integrated into surrounding housing development.
- 3.5 The Council will apply a sequential approach to delivery options, based firstly on integrated development within the development site; secondly, by the transfer of on-site serviced land, which is capable and prepared for development, to an RSL; thirdly, by off-site provision of serviced land and fourthly, by the transfer of a commuted sum of money to the Council. The

preference will always be for the first of these options and only if that is unequivocally demonstrated to be impractical or unreasonable will the second or failing that, the third and then the fourth preferences be considered by Housing Services. These preferences are considered in more detail below.

First Preference

- **Integrated development** where developers build units of affordable housing themselves in conjunction with, or in partnership with an RSL, as an integral part of the development. These units should be built to Housing for Varying Needs standard and should meet the RSL's specification. The units would then be transferred as fully fitted units to an RSL for onward management and maintenance. This approach has the advantage of achieving the most successful integration of different tenures, both socially and in terms of architectural appearance, and will normally be most cost efficient in procurement. The objective should be for it to be impossible to tell the tenure of a particular property from its external appearance. If this delivery mechanism is agreed not to be practical or reasonable then the Council will consider the Second Preference below.

Second Preference

- **Transfer of on-site land** to an RSL in order for them to carry out the development of the affordable units themselves. Site servicing, ground condition remediation, infrastructure works and associated costs of the land to be transferred should be agreed with the appointed social landlord. Special care must be taken to ensure that the different parts of the overall development are successfully integrated and that the area, or areas, earmarked for the affordable element is not subject to any disproportionate or unreasonable development constraints. The price of the land will require to be negotiated, but will generally be expected to be transferred at a value relating to its end use for affordable housing or by agreement between the developer and the RSL, at a lower value. The value shall be determined by the District Valuer or by a mutually agreed chartered valuation surveyor. The Council will require to be confident that the affordable element can be delivered with the resources which are either available, or are anticipated to become available within the foreseeable future. If this delivery mechanism is agreed not to be practical or reasonable then the Council will consider the Third Preference below.

Third Preference

- **Off-site Provision.** Where the number of affordable housing units on any site would be few, the Council may agree to consolidate the requirement from a number of these sites on another site owned by the same developer. The acceptability of land transferred as off-site

provision must be proven by the developer to the satisfaction of the Council to be capable of development for affordable housing. Site servicing, ground condition remediation, infrastructure works and associated costs of the land to be transferred should be agreed with the appointed social landlord. Alternatively, the Council would consider accepting the provision of an equivalent number of off-site housing units. If this delivery mechanism is agreed not to be practical or reasonable, then the Council will consider the Fourth Preference below.

Fourth Preference

- **Payment of commuted sum** to the Council in lieu of any other preference. The sum to be paid is equivalent to the contribution sought for the other preferences (as detailed in paragraph 2.3). This Preference will generally only be acceptable where the first three above are deemed not to be practical or reasonable by the Council – there may, for example, be exceptional reasons why on-site provision is problematic or where there are opportunities to achieve economies of scale by pooling the affordable contributions from several small schemes on one site (Third Preference). The Council must be confident that the commuted payments can be spent on providing affordable units in the foreseeable future i.e. a suitable site, which complies with planning policy, is available and is within the control of the Council, RSL or the provider. The trigger point(s) for commuted payments will be negotiated on a site by site basis. The Council will accept the payment of commuted sums in instalments linked to the phasing of large housing developments. Any financial contributions may be “banked” until sites are available and will be “ring fenced” for affordable housing purposes on the Isle of Arran. Such “banked” contributions will only be used for the provision of affordable housing. The Council will keep an open account of its use of such payments, and these will be reported annually in the Council’s Strategic Housing Investment Plan.

3.6 Any legal costs, valuation costs and outlays incurred by the Council in relation to the negotiation, drafting, execution and registration of a required legal agreement will be paid by the developer.

3.7 A developer who seeks relaxation to this policy must submit justification verified by an independent consultant acceptable to the Council. The Council shall have the final decision on any relaxation to the policy.

4. The Availability of Subsidy

4.1 The Council is the initial and principal point of contact for prospective developers. However, Scottish Government Housing and Regeneration Directorate and the Council will work in partnership to programme the best distribution of grant subsidy. Developers should note that the provision of public sector subsidy is not guaranteed, and where subsidy is not

available, the policy's requirement to deliver affordable housing remains. Scottish Government is willing to discuss the availability of subsidy with the appointed social landlord and developers, and will endeavour to give an early view on this aspect. Clearly the earlier in the process that Scottish Government and the Council are consulted by developers, then the easier it will be to programme grant spending to tie in with site development, as there is likely to be some lead-in time between grant applications and grant awards. Scottish Government will appraise projects to ensure value for money for public subsidy.

5. Allocation and Management of the Affordable Housing Stock

- 5.1 Where the affordable housing has been provided for social rented purposes, the tenancy will be allocated according to a needs-based allocation system administered by the RSL and the Council. The upkeep, management, day-to-day running and occupancy conditions of the units will be as set by the appointed social landlord. The units will be available at a recognised level of affordable rent.
- 5.2 NSSE properties are allocated to those who prove to be eligible following a "means-test", based on a local set of criteria agreed by the appointed social landlord involved and Scottish Government. The individual properties are then allocated in order of completed applications received by the landlord.
- 5.3 The stake taken is normally between 60 and 80 per cent of the price of a property, according to the maximum mortgage a household can obtain and the personal contribution they are able to make. In the majority of cases, an NSSE owner will have the option to increase their stake after their initial purchase to 100 per cent. However, in certain circumstances the appointed social landlord will be allowed to keep a 20 per cent stake in the property. This is known as a "golden share" and is likely to happen in areas where there is only a small amount of affordable housing and few opportunities to build more affordable homes. NSSE properties on the Isle of Arran may well be subject to the "golden share". The appointed social landlord may also keep a golden share where a home has been adapted for particular housing needs and might otherwise be lost for this use in the future. When NSSE properties are advertised, it will be made clear if an appointed social landlord will be allowed to keep a golden share.
- 5.4 The owner occupiers of NSSE properties are responsible for all maintenance and repair costs. If the property has common and shared areas the owners will be responsible for paying any common maintenance or service charges.

6. Securing the Affordable Housing Contribution

- 6.1 The affordable housing contribution will be secured by means of a legal agreement under Section 75 of the Town & Country Planning (Scotland)

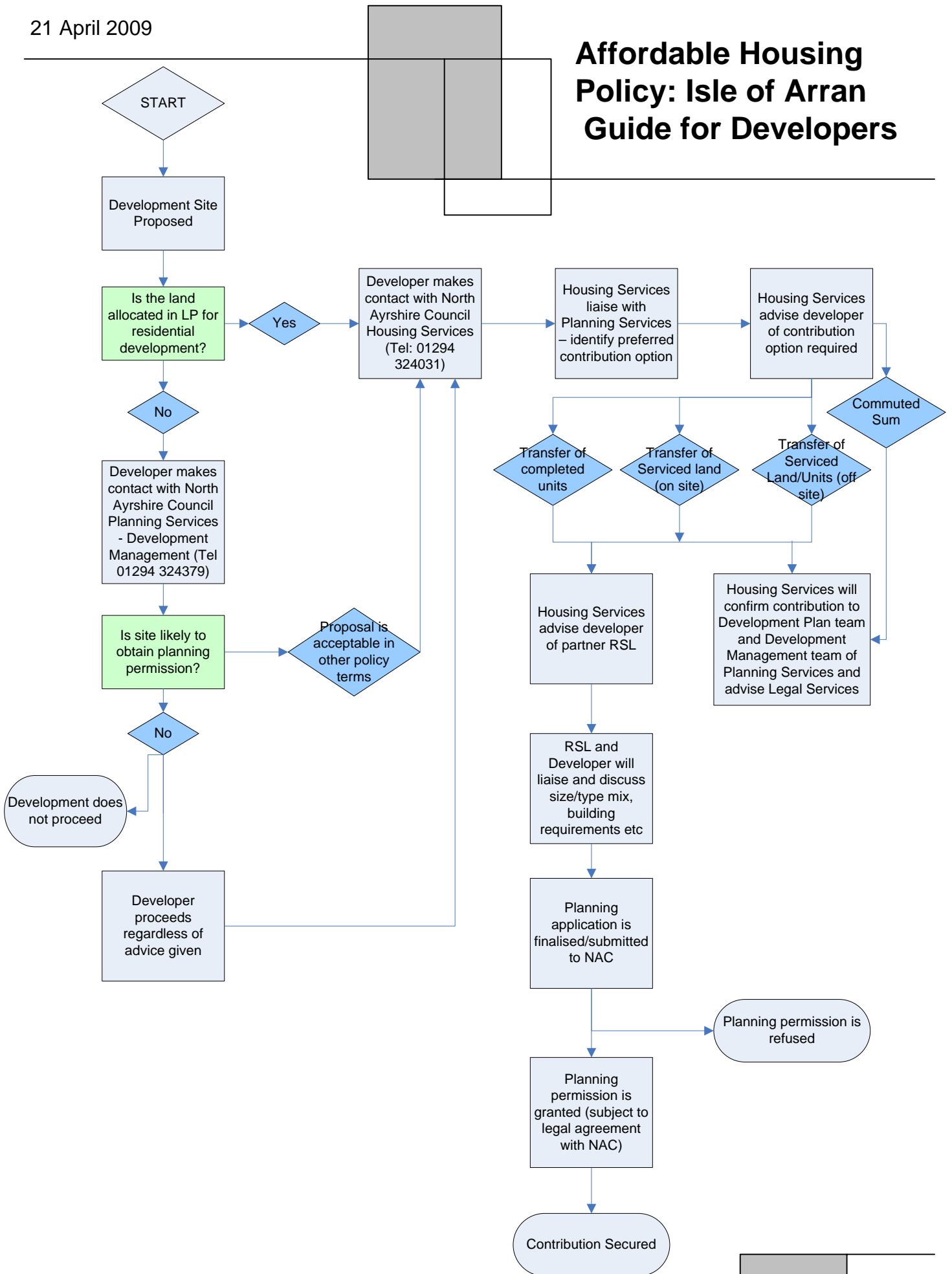
Act 1997 with the applicant/landowner, which will require to be concluded prior to the issuing of planning consent:

- (a) Applications for outline planning permission will require a specific percentage for affordable housing in terms of the Council's definition, and will be made available in line with the policy and guidance of the Council. A legal agreement will be imposed to secure this.
- (b) Applications for planning permission will require that the land/units specified in the submitted plans and documents be secured as affordable housing in terms of the Council's definition, and will be made available in line with the policy and guidance of the Council. A legal agreement will be imposed to secure this. In addition to the criteria above, the following will apply:
 - (i) The mechanism and timescale for the delivery of the affordable houses should be agreed between the developer/landowner and both the Council and RSL.
 - (ii) A restriction that prevents more than an agreed number of private/market units to be constructed and/or occupied before the affordable component is completed and transferred to the RSL. There will be a programme for delivery of affordable housing units.

6.2 Responsibility for any costs incurred by the Council in the preparation of a legal agreement, as set out in paragraph 3.6, is that of the developer.

21 April 2009

Affordable Housing Policy: Isle of Arran Guide for Developers



Note: The developer is advised to contact Roads Services prior to submitting the planning application.