

Affordable Housing Viability Considerations

The Council's Potential Options

As part of the Plan Review and the review of the Council's Community Infrastructure Levy we have commissioned a 'whole plan viability assessment' (WPVA) which test what contributions can be levied in general terms and still be regarded as viable. This work has informed the options development set out below. In preparing these options we have assumed that the social rent option will now be affordable rent (rents of up to 80 per cent of those charged in the private sector as per the NPPF Affordable Housing definition) in recognition of a change in approach. Therefore when we talk of the current affordable housing split we refer to 60% affordable rent and 40% intermediate housing.

Option 1

Whilst the Government intends for Starter Homes to be regarded as Affordable Housing, the District Council has clear evidence from its Housing Needs and Market Assessment that the current type of affordable housing required through policy best addresses current housing needs within the District. Therefore the starting point for viability assessment is to understand if both the 20% Starter Homes requirement and the 30% current Affordable Housing target could be achieved. The result of the WPVA have identified that the requirement for 50% of new housing development to be 'non-market' is not viable in Newark & Sherwood.

Option 2

The second approach is to consider the starter homes target within the overall 30% target for affordable housing. This would result in 20% for starter homes and 10% for the current affordable housing requirements of which 6% would be rent and 4% intermediate housing. The viability assessment concludes that this approach is viable across the District. Principally this is because the value at which a 'Starter Home' will be sold is higher than any other affordable product. Given that this is a reduction in costs for developers it is important to understand if there is any additional headroom for delivery of 'current' traditional affordable housing products.

Option 3

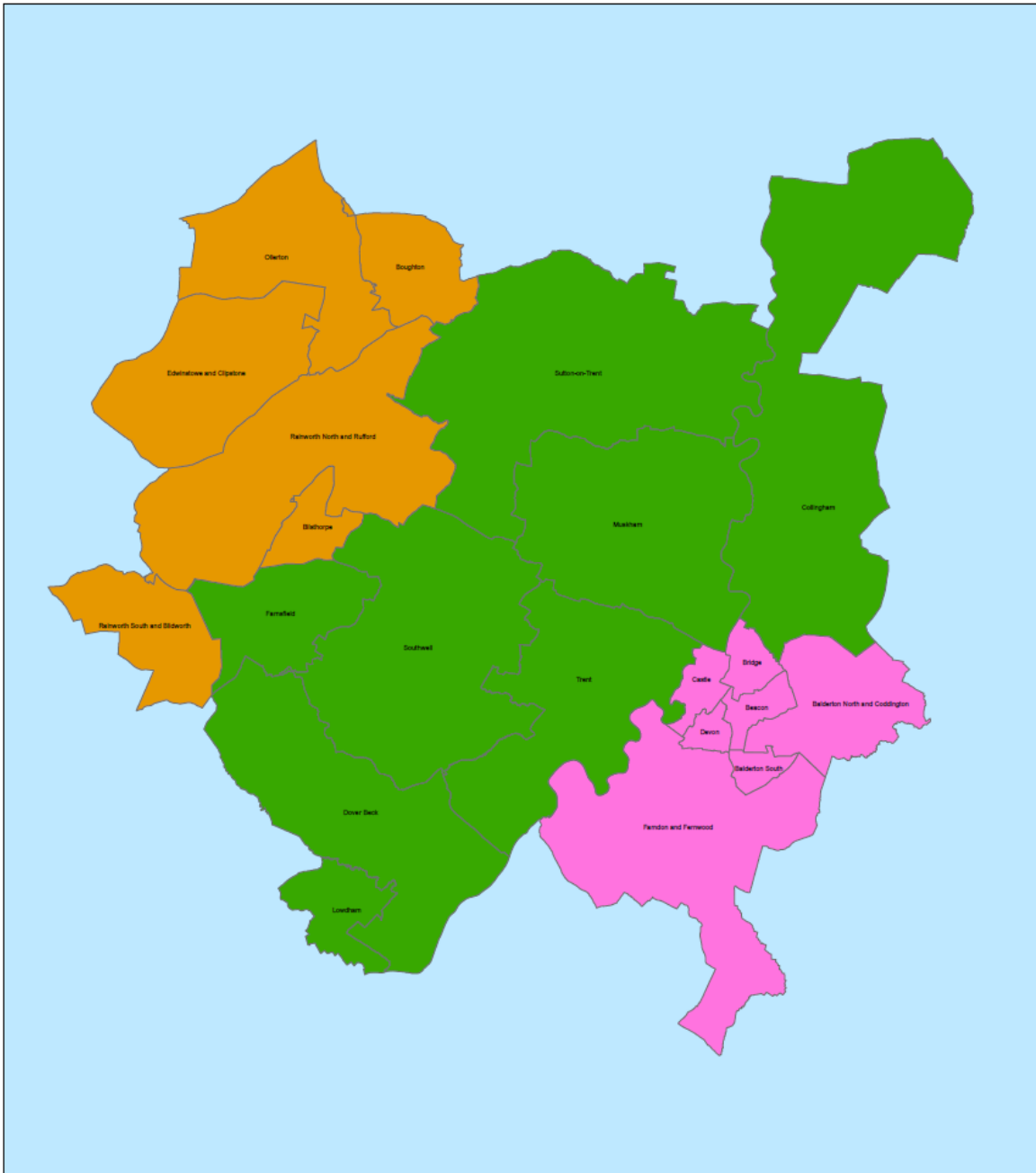
In order to assess if there is additional headroom in delivery it is proposed that an overall target of 40% is considered made up of 20% Starter Homes and 20% current affordable housing. In testing this it reveals that not all of the district can stand this charge.

Option 4

Given the variable viability it is proposed to have variable targets for affordable housing based on the results of the WPVA. This would result in the following targets:

Area	Overall %	Starter Homes %	Other Tenure Types
Area 1 – Sherwood & Mansfield Fringe	30%	20%	6% Affordable Rent 4% Intermediate
Area 2 – Central Newark & Sherwood	40%		12 % Affordable Rent 8% Intermediate
Area 3 – Newark and South District	30%		6% Affordable Rent 4% Intermediate

Affordable Housing Target Areas



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- Area 1 - Sherwood & Mansfield Fringe
- Area 2 - Central Newark & Sherwood
- Area 3 - Newark & South District

Preferred Approach

It is proposed that Option 4 is the Council's preferred approach as it will deliver the most affordable housing possible in line with Government policy and local identified needs.

Affordable Housing Viability Overview

The type of affordable housing required from any residential has a significant impact on viability. Traditionally social rent tenure has the lowest value, followed by affordable rent with intermediate/shared ownership the highest value affordable housing type. The new 'Starter Home' whilst not strictly within the definition of Affordable (ie Social) Housing is nevertheless another form of subsidised housing which has the highest value of all the types. The value of affordable housing is generally quantified as a percentage of the open market value of the house ie this is the amount a Registered Social Landlord or qualifying purchaser (for Starter Homes) will pay the developer for the property. The table below indicates the relevant assumed values in Newark and Sherwood

Housing Type	Social Rent	Affordable Rent	Intermediate	Starter Homes
% OMV	40%	50%	60%	80%

As such the introduction of Starter Homes into an overall delivery target will improve the viability of provision of Affordable Housing and, in some higher value areas, enable 30% overall delivery to be increased.

A range of viability tests have been undertaken adopting 20% Starter Homes as a basic provision in line with Government guidance and then determining how much additional traditional affordable housing in the Council's preferred ratio of 60:40 Social Rent: Intermediate tenure could be provided.

Unsurprisingly the tests showed that simply adding 30% Affordable Housing to a 20% Starter Homes requirement would not be viable in tandem with CIL and Sec 106 contributions in the lower and medium value areas of the District. Similarly 20% Affordable added to 20% Starter Homes was not viable in these areas. However, in the higher value central areas of the District the tests demonstrated that it would be possible to deliver residential development with 20% Affordable/20% Starter Homes and significant CIL/Sec 106 contributions.

It was therefore recommended that a 'split' approach to Affordable Housing delivery dependent on location (in a similar manner to CIL Charging zones) is adopted.

**Prepared by the Nationwide CIL Service
July 2016**