Affordable Housing SPD Addendum - June 2019

Introduction

1.1 This addendum was initially prepared following the publication of a Written Ministerial Statement dated 28 November 2014, and has been updated following publication of the National Planning Policy Framework February 2019, which now incorporates the policy for Vacant Building Credit (NPPF paragraph 63).

1.2 This addendum clarifies the Mole Valley position on affordable housing in relation to:

- the thresholds at which on-site affordable housing and off-site affordable housing contributions are required
- how the new Vacant Building Credit will be calculated and applied

Affordable Housing Thresholds

1.3 Mole Valley has an adopted affordable housing policy in Core Strategy Policy CS4. This policy is amplified by the Affordable Housing Supplementary Planning Document which was published in February 2010 and updated in July 2014 and again in January 2018.

1.4 Core Strategy Policy CS4 sets out a sliding-scale approach for residential developments to contribute to the provision of affordable housing, either as a financial contribution or on-site provision depending on the size of the scheme.

1.5 The new national planning policy guidance on the use of planning obligations requires the criteria in the policy to be reinterpreted, and the following changes therefore apply (see table 1.1):

<table>
<thead>
<tr>
<th>Units</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>6-9</td>
<td>None</td>
<td>Financial contribution equivalent to providing 20% of the total number of dwellings as affordable.</td>
</tr>
<tr>
<td>10-14</td>
<td>30% of units on-site</td>
<td>30% of units on-site</td>
</tr>
<tr>
<td>15+</td>
<td>40% of units on-site</td>
<td>40% of units on-site</td>
</tr>
</tbody>
</table>

Table 1.1: When Affordable Housing is Required

1.6 For the purposes of table 1.1 only ‘rural’ is defined as the civil parishes of Abinger, Betchworth, Buckland, Charlwood, Headley, Holmwood, Leigh, Mickleham, Newdigate and Ockley, and any land within the Area of Outstanding Natural Beauty. A map showing this area is attached (see appendix 1).

1.7 The table above does not apply to rural exception sites.

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1 'Rural area’ is defined under Section 157(1) of the Housing Act 1985 and the Housing (Right to Buy)(Designated Rural Areas and Designated Regions)(England)(No.2) Order 2005/2908
Vacant Building Credit

1.8  The Written Ministerial Statement November 2014 introduced the Vacant Building Credit, which is now incorporated in the National Planning Policy Framework February 2019.

1.9  Where a vacant building is brought back into lawful use, or is demolished to be replaced by a new building, the developer is entitled to a ‘credit’ equivalent to the existing Gross External Area of the relevant vacant buildings, which is offset against the affordable housing contribution for the development.

1.10  The Vacant Building Credit applies to on-site affordable housing as well as financial contributions to off-site provision.

1.11  Vacant Building Credit does not apply where the building has been abandoned. ‘Abandonment’ in this context follows the interpretation in general planning law, and depends on factors such as the condition of the building, length of non-use, whether there has been an intervening use and evidence of the owner’s intentions.

1.12  Mole Valley will calculate the financial contribution required for affordable housing in accordance with the methodology set out in Section 5.20 in the Affordable Housing SPD. In cases where Vacant Building Credit is applicable, follow additional steps 5 and 6 (see below);

Vacant Building Credit - additional steps in calculation:

For each property type:

Steps 1-4:  See guidance in Affordable Housing SPD

The resultant figure is the affordable housing contribution due on the development, unless the vacant building credit is applicable. If this is the case then the following steps should be followed to achieve the final figure:

Step 5:  Express the gross floor area (GEA) of the vacant building/s as a percentage of the gross floor area (GEA) of the proposed replacement building/s that are the subject of the planning application.

Step 6:  This percentage should be deducted from the affordable housing contribution calculated at step 4, giving the final affordable housing contribution due. For on-site affordable housing, the percentage in step 5 will be applied to the required percentage of affordable housing and rounded up or down, as appropriate.

Calculating the Vacant Building Credit

1.13  Applicants need to provide the gross external floor area (GEA) of any vacant building that they wish to claim vacant building credit on, and the proposed buildings. The GEAs must be signed off by a RICS Chartered Surveyor or RIBA member architect.

1.14  The following examples show how the methodology for calculating affordable housing contributions would be applied to a proposed development. The examples include affordable housing as a financial contribution and on-site affordable housing. These are for illustrative purposes only and should not to be relied upon for calculation purposes.
Example A: Financial Contribution

Proposed development of 8 units in a rural area attracts an affordable housing contribution (SPD addendum 1.5)

For calculation purposes open market value (OMV) and the guide size of an equivalent affordable home is as follows:

<table>
<thead>
<tr>
<th>1 x 4 bed detached house (210m²)</th>
<th>OMV - £925,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 x 3 bed detached houses (150m²)</td>
<td>OMV - £750,000 each</td>
</tr>
<tr>
<td>2 x 2 bed semi-detached houses (115m²)</td>
<td>OMV - £500,000 each</td>
</tr>
<tr>
<td>1 x 2 bed bungalow (93m²)</td>
<td>OMV - £525,000</td>
</tr>
</tbody>
</table>

Size - 210m² (4 bed house) | Guide size for a 4 bed affordable home - 100m² |
Size - 150m² (3 bed houses) | Guide size for a 3 bed affordable home - 85m² |
Size - 115m² & 93m² (2 bed units) | Guide size for a 2 bed affordable home - 75m² |

**Step 1:** Open market value (OMV) of a relevant or comparative property divided by the size of the property and multiplied by the appropriate affordable housing size that would have been required on site.

- 4 bed house - £925,000 / 210m² = £4,405  
  £4,405 x 100m² = £440,500
- 3 bed house - £750,000 / 150m² = £5,000  
  £5,000 x 85m² = £425,000
- 2 bed house - £500,000 / 115m² = £4,348  
  £4,348 x 75m² = £326,100
- Bungalow - £520,000 / 93m² = £5,591  
  £5,591 x 75m² = £419,325

**Step 2:** Multiply the OMV (completed sale value, or GDV) by the residual land value percentage (30%)

- 4 bed house - £440,500 x 30% = £132,150 (base land / plot value)
- 3 bed houses - £425,500 x 30% = £127,500
- 2 bed houses - £326,100 x 30% = £97,830
- Bungalow - £419,325 x 30% = £125,798
Step 3: Add 15% to the step 2 result to reflect site acquisition and servicing costs (this gives the per unit sum for that property type)

4 bed house - £132,150 + 15% = £151,973
3 bed houses - £127,500 + 15% = £146,625
2 bed houses - £97,830 + 15% = £112,505
Bungalow - £125,798 + 15% = £144,668

Step 4: Apply to the relevant site number and proportion (i.e. 20%)

4 bed house - £151,973 x 20% x 1 = £30,395
3 bed houses - £146,625 x 20% x 4 = £117,300
2 bed houses - £112,505 x 20% x 2 = £45,002
Bungalow - £144,668 x 20% x 1 = £28,933

**Total required sum for all 8 units = £221,630**

Example B: On-site affordable housing and applying the Vacant Building Credit

Existing development: existing buildings on site to be demolished (total 865m² GEA).

Steps 1-4: Proposed development: scheme of 26 dwellings (1607.1 m² GEA). There is a requirement for 40% of units to be affordable housing on site, which equates to 10 affordable dwellings before any adjustment for vacant building credit.

Vacant building credit:

Step 5: The GEA of the vacant buildings to be demolished as a percentage of the GEA of the replacement buildings:

\[
\frac{865\text{m}^2}{1607.1\text{m}^2} \times 100\% = 54\%
\]

Step 6: The percentage in step 5 to be deducted from the on-site affordable housing provision calculated in steps 1-4:

\[54\% \times 10\text{ affordable dwellings} = 5\text{ affordable dwellings}\]
\[10 \text{ (steps 1-4)} - 5 \text{ (step 6)} = 5\text{ affordable dwellings}\]

NB: rounded to the nearest whole dwelling

**Total contribution required - five affordable dwellings** need to be provided on site
Rural Area for Affordable Housing and Planning Contributions

- Mole Valley Boundary
- Rural Area for Affordable Housing & Planning Contributions