

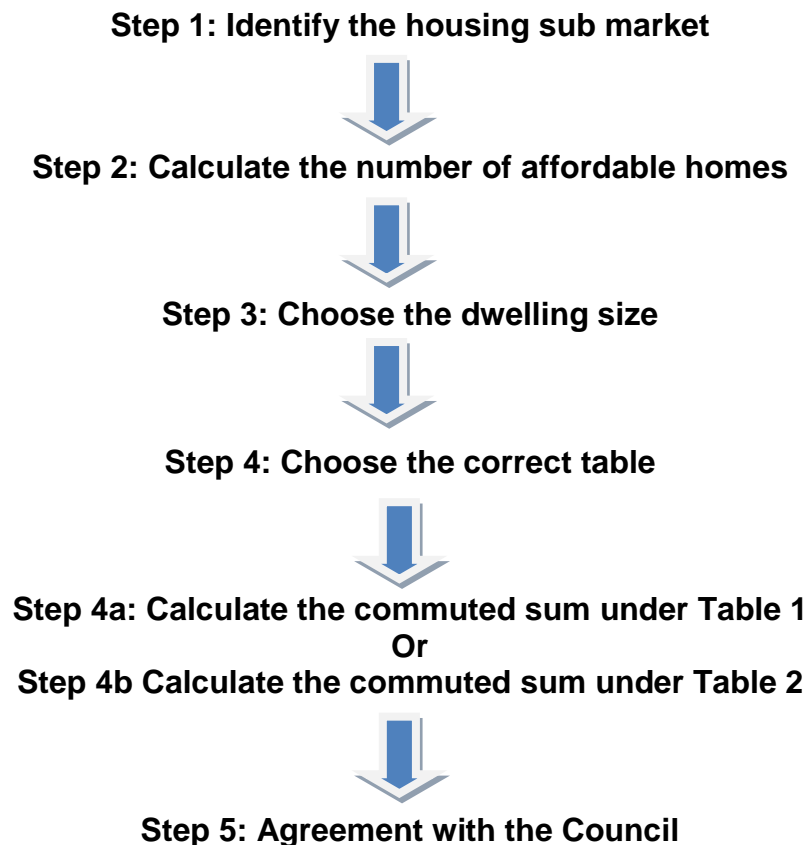
# How to calculate the contribution for affordable housing as part of a planning application

2 April 2013

The Council introduced a policy in November 2012 as part of the Purbeck Local Plan Part 1 (Policy AH: Affordable Housing) that requires that any schemes for new residential development over 2 dwellings (net) or sites of 0.05 hectares<sup>1</sup> must provide a proportion as affordable housing.

This paper sets out how applicants for planning permission can calculate the contribution for affordable housing. It provides the detail of how the Council will calculate the requirements set out in the Purbeck Local Plan Part 1 and the Affordable Housing Supplementary Planning Document (April 2013). The Council encourages applicants to make calculations as early as possible, preferably when negotiating the purchase price of land or during the pre-application process. This will (i) ensure that the agreed land price between developer and landowner is reasonable and (ii) reduce the risk of any delay in the planning application process.

It is a six stage process as follows:



Each stage is detailed below:

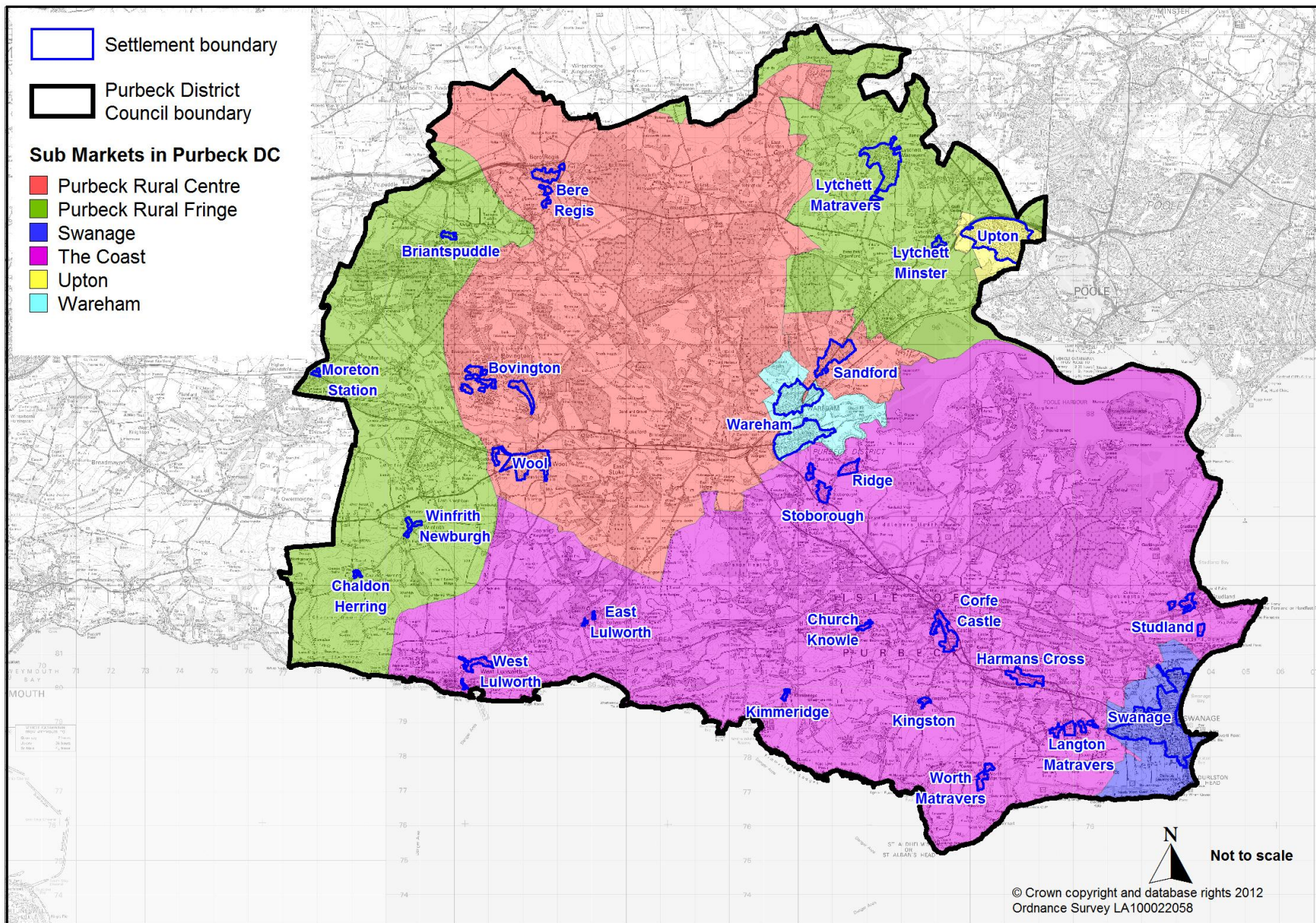
## **Step 1: Identify the housing sub market**

On the map overleaf identify which housing sub market the site falls within.

---

<sup>1</sup> Excludes replacement dwellings with no net gain, parts of mixed use sites and hotels as set out in para 14 of the Affordable Housing Supplementary Planning Document (April 2013).

Map 1: Housing sub markets in Purbeck



## Step 2: Calculate the number of affordable homes

If the site is in the Swanage or the Coast sub markets you must provide 50% of the homes on the site as affordable.

If the site is in the Upton, Wareham, Purbeck Rural Fringe or Purbeck Rural Centre sub markets you must provide 40% of the homes on the site as affordable.

If the proportion would result in a whole affordable home it must be built on the site. If the proportion is for a part of an affordable home, the applicant must pay a financial contribution, which is called a 'commuted sum'.

### Worked Example 1:

2 homes in the Wareham sub market (40% affordable housing)

2 homes x 0.4 (40%) = 0.8 affordable homes

As it isn't physically possible to build 0.8 of a home, you would build 2 market homes and pay a financial contribution of 0.8 of a home.

### Worked Example 2:

3 homes in the Swanage sub market (50% affordable housing)

3 homes x 0.5 (50%) = 1.5 affordable homes

As it isn't physically possible to build 0.5 of a home, you would build 2 market homes and 1 affordable home. In addition, you will be expected to pay a financial contribution of 0.5 of a dwelling.

If the result is a whole unit(s), go straight to step 5. However, if the result includes a part unit i.e. (0.5 or 0.8 of a home) continue to step 3 to start calculating the financial contribution for the part unit.

## Step 3: Choose the dwelling size

In the relevant table, select the house size that corresponds to the smallest market home that will be built if the Council grants planning permission.

### Worked Example 1:

2 homes in the Wareham sub market (40% affordable housing), comprising a 4 bed detached and 3 bed detached.

In this example of a housing mix, the smallest market unit is a 3 bed detached home.

### Worked Example 2:

3 homes in the Swanage sub market (50% affordable housing), comprising two 3 bed semi-detached market homes and a 3 bed detached affordable home.

In this example of a housing mix, the smallest market unit is a 3 bed semi-detached home.

#### Step 4: Choose the correct table

- Table 1 is relevant if you need to calculate a part of an affordable home (**go to Step 4a**);  
Or,
- Table 2 is relevant only for schemes where the planning application is for a single home on a site area of over 0.05 hectares (**go to step 4b**).

#### Step 4a: Calculate the commuted sum from Table 1

In Table 1, cross reference the type and size of home that you identified in step 3 with the relevant housing sub market that you identified in step 1. The colour columns represent the colours on the map.

Table 1: Calculating part of a unit

Type of home	Sub market					
	Upton	Rural Centre	Wareham	Rural Fringe	Swanage	Coast
Studio flat	2,500	4,000	5,000	6,000	6,500	7,000
1 bed flat	3,500	4,500	6,000	6,500	8,000	9,000
2 bed flat	7,000	8,500	10,000	12,000	15,500	14,500
3 bed flat	9,000	10,500	12,500	13,500	16,500	17,000
2 bed terrace/ town house	8,500	10,000	11,500	13,000	15,500	16,500
3 bed terrace/ town house	9,500	11,000	13,000	14,500	17,000	18,500
4 bed terrace/ town house	9,000	10,500	13,500	14,500	17,500	19,000
2 bed semi	8,000	9,500	11,500	13,000	15,500	16,500
3 bed semi	8,500	10,000	13,000	14,000	16,500	18,000
4 bed semi	9,500	11,000	10,500	15,500	18,500	20,500
3 bed detached	9,000	10,500	13,500	15,500	18,500	20,000
4 bed detached	10,500	13,000	16,000	19,000	23,000	25,000
5 bed detached	12,500	15,000	19,500	22,000	26,500	29,000
2 bed bungalow	8,500	10,000	12,500	14,000	17,000	18,500
3 bed bungalow	10,000	11,500	14,000	16,000	19,000	21,000

The figures listed in Table 1 are the equivalent financial contribution of building 10% of an affordable dwelling in that location. To calculate the commuted sum multiply the part units by the financial contribution listed. The sum total is the amount you must pay to the Council.

#### Worked Example 1:

2 homes in the Wareham sub market (40% affordable housing), comprising a 4 bed detached and 3 bed detached and a financial contribution of 0.8 of a 3 bed detached home.

Proportion of a dwelling that the applicant must provide as a financial contribution = 80% (which is 0.8 of a home)

Equivalent financial contribution of 10% of the smallest market home (3 bed detached) = £13,500 (which is 0.1 of a home)

Calculate the contribution = £13,500 x 8

Total financial contribution to be paid = **£108,000**

### Worked Example 2:

3 homes in the Swanage sub market (50% affordable housing), comprising two 3 bed semi-detached market homes, a 3 bed detached affordable home and a financial contribution of 0.5 of a 3 bed semi detached home.

Proportion of a dwelling that the applicant must provide as a financial contribution = 50% (which is 0.5 of a home)

Equivalent financial contribution of 10% of the smallest market home (3 bed semi detached) = £16,500 (which is 0.1 of a home)

Calculate the contribution = £16,500 x 5

Total financial contribution to be paid = **£82,500** (in addition to building a 3 bed detached affordable home)

Now go to step 5.

### **Step 4b: Calculate the commuted sum from Table 2**

In Table 2, cross reference the type and size of home that you identified in step 3 with the relevant housing sub market that you identified in step 1. The colour columns represent the colours on the map.

Table 2: Contributions for single dwellings on sites exceeding 0.05 hectares

Type of home	Sub market					
	Upton	Rural Centre	Wareham	Rural Fringe	Swanage	Coast
Studio flat	5,000	8,000	20,000	24,000	32,500	35,000
1 bed flat	10,500	18,000	24,000	26,000	40,000	45,000
2 bed flat	28,000	34,000	40,000	48,000	77,500	72,500
3 bed flat	27,000	42,000	50,000	54,000	82,500	85,000
2 bed terrace/ town house	34,000	40,000	46,000	52,000	77,500	82,500
3 bed terrace/ town house	38,000	44,000	52,000	58,000	85,000	92,500
4 bed terrace/ town house	27,000	42,000	54,000	58,000	87,500	95,000
2 bed semi	32,000	38,000	46,000	52,000	77,500	82,500
3 bed semi	34,000	40,000	52,000	56,000	82,500	90,000
4 bed semi	33,250	44,000	42,000	62,000	92,500	102,500
3 bed detached	36,000	42,000	54,000	62,000	92,500	100,000
4 bed detached	42,000	52,000	64,000	76,000	115,000	125,000
5 bed detached	50,000	60,000	78,000	88,000	132,500	145,000
2 bed bungalow	34,000	40,000	50,000	56,000	85,000	92,500
3 bed bungalow	40,000	46,000	56,000	64,000	95,000	105,000

The figure listed provides the total contribution. It is the equivalent financial contribution of building 40% or 50% of an affordable dwelling in that location. There is no need to make any calculation.

## **Step 5: Agreement with the Council**

You will need to enter into a Section 106 agreement with the Council as part of the grant of planning permission, to agree to provide the affordable housing contribution (on site and/or financial contribution).

If you disagree with the affordable housing contribution, you will need to apply to the Council for an independent assessment of your development scheme. The Council uses the District Valuer who charges a fee for this purpose, which the Council will pass to the applicant. The Council will not challenge the results of the independent assessment.

## **Further Information**

Contact the Technical Support Development Management team at [planning@purbeck-dc.gov.uk](mailto:planning@purbeck-dc.gov.uk) or 01929 557278

## **FAQs**

Q: How were the figures in the tables calculated?

A: The financial contributions are based on the principle of equivalence. That is to say land owners should make the same equivalent affordable housing contribution whether an on site or a payment-in-lieu is made. Broadly, the contributions are the difference between the residual value of a scheme with and without affordable housing. The indicative sums take into account the varying policy positions in relation to the two main sub markets agreed with the development industry.

Q: Why does the contribution for the same sized dwelling differ across sub markets?

A: Each commuted sum takes into account the development costs, including build costs, professional fees, etc. and land costs. The land costs have been calculated based upon past sales of dwellings. Despite the economic downturn, house prices in Purbeck have not fallen, and past house prices provide the most accurate guide to land values. These vary significantly across Purbeck and that is why the financial contributions vary significantly between the housing sub markets.

Q: What will the Council use the money for?

A: The Council will aggregate all of the contributions it receives to bring forward new affordable homes in Purbeck. These may be by buying an existing home and letting it as an affordable home, or purchase and develop a site for affordable housing. Each new affordable home will be managed by a Registered Provider to ensure it remains affordable forever for Purbeck residents.

Q: Why does the Council charge 40% of a dwelling in one area and 50% in another?

A: The Council policy requires in the Swanage and Coast sub markets that a proportion of 50% of all dwellings in the scheme must be affordable. This is because the land values are higher and can contribute a higher amount of affordable housing without making the scheme unviable. In the rest of the District the policy is 40% as the land values are lower and it would development would not be viable if it had to provide a higher proportion of affordable housing.

Q: Where can I see evidence of house prices and land values?

A: These are in Residential Development Economic Testing (2008 plus revisions) on the Council website at <http://www.dorsetforyou.com/evidence/purbeck> and in the Three Dragons Dorset Toolkit at <http://www.dorsetforyou.com/406834>

Q: Are the financial contributions up to date?

A: The Council will publish an update to the financial contributions on an annual basis.

Q: Can I pay a financial contribution rather than build affordable homes on the site?

A: The Council policy is to provide affordable housing on site. In very exceptional circumstances following an independent assessment, the District Valuer may recommend that building affordable housing on-site makes the housing scheme unviable and the Council should therefore agree to off site provision or a financial contribution. In these instances, an appropriate off site contribution will be calculated as set out in Step 4a for the full proportion of housing (either 40% or 50%).

Q: I can't tell from the map which sub market my site is in?

A: The sub markets are based on postcodes split as follows:

- The Coast                               BH19 3 and Bh20 5
- Swanage                                 BH19 1 and BH19 2
- Purbeck rural fringe                BH16 6, BH21 4, DT2 7, DT2 8 and DT11 9
- Wareham                                BH20 4
- Purbeck Rural Centre               BH20 6 and BH20 7
- Upton                                    BH16 5

Q: How do I calculate affordable housing contribution under an outline planning application?

A: You will need to tell us the size and types of dwelling as part of the outline planning application.