

# Christchurch and East Dorset Core Strategy – Examination in Public

Matter 7C –Affordable Housing

Meyrick Estate Management Ltd (360382)

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Matter 7C –Affordable Housing (AH)

1. This statement is made on behalf of Meyrick Estate Management Ltd (MEM) (Rep 360382) in response to the matters and issues to augment evidence provided in the statements and technical reports made at pre submission and proposed modification stage. This statement considers the questions raised by the Inspector under **Matter 7C** and highlights why the plan as proposed remains unsound and how modifications to the plan can make it sound.

**Question 1 Are the percentage requirements for affordable housing set out in LN3 justified by viability evidence?**

1. MEM has commissioned reports by housing land experts *Intelligent Land* to substantiate this statement. The report is attached as an annex 1 to this statement entitled Report 2. This detailed report augments and support the statement.
2. The basis of the original pre submission draft policy was from viability evidence in the Three Dragons Report 2008 (ED 37.3). In the response to pre submission consultation and in the proposed modifications the Council chose to reduce the reliance on this report as they accept it is out of date. However, there is no additional formal study and instead the viability evidence for the affordable housing percentages set out in policy LN3 is 'post-justified' by the application of the work by Peter Brett Associates for the CIL viability testing (ED23.1) which was for a quite different purpose.
3. This is evidenced form the Consultation Affordable Housing SPD (OD24.1) which states that:

“To ensure absolute flexibility there is no minimum affordable housing percentage requirement, however, recent independent research (Peter Brett Associates, January 2013) has confirmed baseline viability minimums of 30% affordable housing provision across Christchurch and East Dorset.”
4. Contrary to the inference in Paragraph 4.8 quoted above of the Consultation Draft Housing and Affordable Housing Supplementary Planning Document, the Peter Brett report does not

set out to determine or justify an acceptable affordable housing percentage across Christchurch and East Dorset. It instead trials the draft affordable housing policy at a range of affordable housing requirements to test the acceptability of range of off-site financial contribution scenarios.

5. Rather than being confirmation of an acceptable affordable housing percentage across Christchurch and East Dorset, it appears that the 30%, chosen to be consistent with affordable housing percentage contributions used in the Community Infrastructure Levy (CIL) viability testing, is actually the **maximum** percentage at which the study shows viability of its test schemes is maintained.
6. Therefore the percentage requirements for affordable housing set out in LN3 are not justified by viability evidence, which is flawed. The councils appear to have misinterpreted the use of a 30% baseline in the Peter Brett report.

**Question2 Should the percentages reflect property market areas rather than a greenfield/ brownfield differential?**

7. Affordable housing percentages should not reflect property market areas or greenfield / brownfield differential as this is not necessarily reflective of the site's ability to deliver affordable housing. In order to promote the maximum delivery of affordable housing and to ensure that affordable housing is not under delivered in lesser value areas it should be the CIL contribution level that should vary between Market Areas and the Greenfield / Brownfield differential in order to maintain viability and promote the maximum delivery of affordable housing. This is explained in detail in the accompanying report at annex I

**Question3 Are viability testing assumptions realistic with regard to:  
Residual land values  
Density  
Other costs such as SANG/CIL/mitigation/ space standards**

8. As explained in the response to Question 1 above regarding the viability testing assumptions are incorrect and the policy is therefore flawed. The affordable housing viability testing

assumptions relied upon in Christchurch and East Dorset Councils' Consultation Draft Housing and Affordable Housing Supplementary Planning Document also include land purchase costs of £1,500,000 per hectare in East Dorset to £1,650,000 per hectare in Christchurch. The expert report at Annex I considers these levels to be wholly inadequate. This is highly significant as it appears that the testing models in the Peter Brett report dated June 2013 (ref ED23.1) use a land purchase price which is at best two thirds of what it should be but does not evidence it. This has very significant consequences for the model and therefore it is not robust or effective.

9. The density assumptions for the basis of affordable housing were originally made in Three Dragons Study 2008 (ref). These are now considered too high. The testing now relied upon in the Peter Brett study (ED23.1) are considered too simplistic. This is explained in detail in Annex I.
  
10. The affordable housing viability testing assumptions relied upon in Christchurch and East Dorset Councils' Consultation Draft Housing and Affordable Housing Supplementary Planning Document include CIL at £100 per square metre (£6,300 per house and £4,700 per flat) and other Section 106 Agreement costs at £35,000 per hectare (£1,000 per dwelling). In the light of the conclusions of Paragraph 4.6 above, the assumption of a CIL level of £100 per square metre and other Section 106 Agreement costs at £35,000 per hectare cannot be considered realistic. Furthermore, there does not appear to be any provision in the draft CIL policy to reduce the CIL payable where a landowner provides his own SANGS ( See also response to Matter 10, question 3 by 360382). This further contributes to unrealistically high level of the proposed CIL rate which impacts upon the level of affordable provision on all sites, as all are required to provide affordable housing.

**Question 4 Will the low trigger for providing AH prevent development from coming forward?**

11. It is considered that the low trigger may not entirely prevent development coming forward but will lead to delays in delivery as site owners will need to wait for a significant

improvement in the market to achieve the current policy aspirations of the Council or the viability testing which is being introduced by the Affordable Housing SPD and supported in the NPPF will lead to negotiations on viability on every site and a significant underperformance of affordable delivery. Table C of Annex I to Matter I

12. shows that this is likely to remain at zero until 2015 and will significantly under perform for the life of the plan. The greenfield sites are the only mechanism for increasing AH supply in the short to medium term.

**Question 5 Does recent viability testing for CIL indicate any changes to policy are needed?**

13. Viability testing assumptions relied upon by East Dorset and Christchurch Councils in relation to residual land values and development density are unrealistically simplistic and fundamentally flawed. In particular, the assumption of land costs which are 50% short of their realistic value renders virtually all development scenarios in the Peter Brett Report (ED 23.1) unviable at only 30% affordable housing, which is itself significantly below proposed policy. This is likely to lead to the need for a viability assessment in respect of every residential application and a continuation of the chronic under delivery of affordable housing. Within Christchurch the expert report (Annex 1 to statement on Matter 1) estimates very low affordable delivery in the next two years, following a detailed review of all sites.
14. The recent viability testing for CIL strongly indicates that changes to policy are needed in order to produce a workable policy framework that does not rely on universal viability testing and does not fail in the delivery of market and affordable housing. The introduction of an unreliable policy framework will result in abnormal peaks and troughs in scheme proposals. A rush of applications can be foreseen ahead of mandatory CIL charging with a lull thereafter which will continue until the commencement of tariff reviews and other changes in local planning policy which will cause another surge in applications, and so on.
15. Significant modifications to proposed policy are required in order to establish a balanced policy environment within which much needed new market and affordable homes can be viably and reliably delivered on schedule without the constant need for reference to site specific viability testing.

**Does the plan fail the Soundness Tests in its policies on Affordable Housing?**

16. The plan fails to meet the any of the 'Soundness Tests' with regard to affordable housing.

**What modifications are required to make the plan sound?**

17. Allocation of additional green field sites to increase the supply of affordable homes by open market cross subsidy.
  
18. Reconsider the affordable housing thresholds and percentages based on more rigorous testing and realistic assumptions about land costs.

Annex 1 – Report 2 Intelligent Land