

## Appendix B

### Interpretation of Planning Policies to reflect First Homes requirement

#### **Policy L2 – Meeting Housing Needs**

- L2.14 In terms of the required affordable housing provision, the Council will adopt the following principles:
- (a) The expected method of delivery will be on site;
  - (b) At least 50% of the affordable housing provision will be required to be accommodation suitable for families;
  - (c) In developments where there is a mix of both houses and apartments, the affordable housing element should reflect the overall mix of unit types on the site; and
  - ~~(d) A split of 50:50 in the affordable housing units to be provided between intermediate (commonly shared ownership) and social/affordable rented housing units, unless exceptional circumstances can be demonstrated as set out in the Planning Obligations SPD~~
  - d) 25% of all affordable homes provided will be First Homes as per the definition in national guidance. The remaining 75% of affordable homes to be provided will be split 50:50 between intermediate and social/affordable rent (i.e. 37.5% intermediate and 37.5% social/affordable rent).
- L2.15a The Council will not normally support affordable housing provision that is only “affordable” at the time of first occupation. Developers will be required to demonstrate that the units will be “affordable” to subsequent occupiers.
- L2.15b The landowner should enter into a planning obligation under section 106 of the Town and Country Planning Act 1990 enforceable by the local planning authority that it:
- (a) secures the delivery of the First Homes; and,
  - (b) ensures that a legal restriction is registered onto a First Home’s title on its first sale.
- Justification
- 11.19 The economic viability study concluded that varying this split between intermediate (commonly shared ownership) and social rented housing would not make a substantial difference to the viability of schemes. However it does recommend that the Council should remain flexible to variation in the affordable housing tenure split, where circumstances suggest that it is appropriate and that these should be established on a site by site basis. The Planning Obligations SPD gives further guidance in this respect.
- The national standard for a First Home is:
- a) A First Home must be discounted by a minimum of 30% against the market value;
  - b) After the discount has been applied, the first sale of the home must be at a price no higher than £250,000 (outside of London); and

- c) The home is sold to a person who meets the First Homes eligibility criteria (as defined in paragraph 6 of the Finance Act 2003. Please refer to Appendix A of this report for the full definition).

Once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy.

## **SPD1 – Planning Obligations**

### Affordable Housing

- 3.4. Affordable housing is defined in NPPF as: “social rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision”. From 28 June 2021, a home meeting the criteria of a First Home will also be considered to meet the definition of ‘affordable housing’ for planning purposes.
- 3.5. Affordable housing remains outside of the scope of CIL and will continue to be delivered through the use of S106 legal agreement. It should usually be delivered onsite and will be required to remain affordable in perpetuity, except where subject to statutory rights such as Right to Acquire and Right to Enfranchise.
- 3.6. There is an identified need for more affordable housing within Trafford as set out in the Strategic Housing Market Assessment (SHMA) December 2008 and the SHMA Update Report May 2010. Data collected in these reports highlights that Trafford consistently exhibits the largest affordability ratio of income to house price, suggesting the greatest affordability problem in Greater Manchester.
- 3.7. The Council will seek to secure appropriate levels of affordable housing in accordance with Policy L2 of the Trafford Core Strategy (adopted January 2012). The following is an extract from the policy, and highlights some key principles:
- (a) The expected method of delivery will be on site;
  - (b) At least 50% of the affordable housing provision will be required to be accommodation suitable for families;
  - (c) In developments where there is a mix of both houses and apartments, the affordable housing element should reflect the overall mix of unit types on the site; and
  - ~~(d) A split of 50:50 in the affordable housing units to be provided between intermediate (commonly shared ownership) and social/affordable rented housing units.~~
- (d) 25% of all affordable homes provided will be First Homes as per the definition in national guidance. The remaining 75% of affordable homes to be provided will be split 50:50 between intermediate and social/affordable rent (i.e. 37.5% intermediate and 37.5% social/affordable rent).

- 3.8. Trafford does not perform as a single uniform property market, as established in the Trafford Economic Viability Study (TEVS) May 2009, and the 2011 update. Instead it has a number of sub markets, each distinct from the other in terms of market performance and offer. Trafford is divided into “hot”, “moderate” and “cold” markets to reflect these spatial distinctions. These market areas have different thresholds and percentage requirements for the provision of affordable housing on development sites.
- 3.9. The areas for affordable housing are shown as a map in Appendix 3 of this document. For avoidance of doubt, it should be noted that the “hot”, “moderate” and “cold” sub market areas for Affordable Housing Provision are different from the “hot”, “moderate” and “cold” charging zones within the adopted Trafford CIL Charging Schedule. Table 3.2 below sets out the broad areas covered by each sub market area.
- 3.10. In line with advice from PINS, Policy L2 of the Trafford Core Strategy assumes “normal” market conditions, as defined within the TEVS. Any variance from normal market conditions will be considered when determining the appropriate level of contributions. Developers should contact the local planning authority before submitting a planning application to agree the state of the economic market and therefore the required level of affordable housing.
- 3.11. Within “hot” market locations, a 40% affordable housing target will normally be applied. However under “good” market conditions this will be raised to a 45% requirement and maintained at 40%, or decreased as is deemed necessary on an individual site basis under “poor” market conditions.
- 3.12. Within “moderate” market locations, a 20% affordable housing target will normally be applied, with a flexibility to increase this to a 25% requirement under “good” market conditions and decreased to 10% under “poor” market conditions.
- 3.13. Within “cold” market locations no more than a 5% affordable housing target will be applied under normal market conditions, with a flexibility to raise this to a 10% requirement under “good” conditions. The supporting text of Policy L2 recognises that under “poor” market conditions a 5% contribution could inhibit development in cold market locations and therefore applications for development under these market conditions will not trigger a requirement for the provision of affordable housing.
- 3.14. In those areas where the nature of the development is such that, in viability terms, it will perform differently to generic developments within a specified market location, the affordable housing contribution will be determined via a site specific viability study, and will not normally exceed 40%. This will apply in the case of most of the strategic locations.
- 3.15. ~~A ratio of 50:50 between intermediate (commonly shared ownership) and social rented housing should be sought in both North and South Trafford, in line with the findings of the SHMA.~~

The following affordable housing tenure split should be sought in both North and South Trafford in line with the findings of the SHMA and NPPG requirements: 25% of all affordable homes provided will be First Homes as per the definition in national guidance. The remaining 75% of affordable homes to be provided will be split 50:50 between intermediate and social/affordable rent (i.e. 37.5% intermediate and 37.5% social/affordable rent).

- 3.16. The minimum threshold for qualifying sites will be 5 residential units in the borough's "hot" and "moderate" market locations and 15 within the borough's "cold" market locations. In considering whether a development meets the threshold for providing affordable housing, the Council will consider the net increase in the number of dwellings on site. This policy applies to the conversion of any building, whether already in residential use. The artificial sub-division of a site will not be permitted to circumvent this policy.
- 3.17. Developers will be required to ensure that their proposals meet the standards set out in Trafford Core Strategy Policies L5 – Climate Change and L7 – Design; and conform to the Homes and Communities Agency's Design and Quality standards or any successor standards.
- 3.18. Affordable housing should:
- be fully integrated into the site as a whole;
  - avoid designs that result in high maintenance or service charges;
  - reflect the overall mix of property type and sizes;
  - be tenure neutral so that affordable housing is indistinguishable in visual terms from market housing; and
  - be phased to ensure that the delivery of the affordable units reflects the phasing of the scheme as a whole.
- 3.19. The Council's Housing Strategy team can provide advice on:
- The requirement for affordable housing on a particular site;
  - Local housing needs;
  - The involvement of an RP partner;
  - Maximum sales prices and target rents;
  - The acceptability of the form of provision required;
  - Calculation of financial formulae;
- 3.20. An Affordable Housing Statement will be required for developments above the threshold requiring the provision of affordable housing otherwise the Council may not be able to validate the planning application. The statement should include the following information:
- The number of affordable residential units to be provided;
  - The mix of affordable units in terms of type (**first homes** / intermediate / social rented) and size (number of bedrooms and gross floorspace);
  - Plans showing the location of affordable housing units;
  - The design approach to the affordable element of the scheme;
  - How the affordable housing units are to be managed and, where this involves a Registered Provider, their details.
- 3.21. In the case of outline applications where it is not possible to specify the precise amount of affordable housing, a statement of intent should be submitted outlining how affordable housing will be provided in line with Core Strategy Policy L2.
- 3.22. Where residential accommodation has shared facilities and is not self-contained, for example supported housing and residential care homes that fall under Class C2 (Residential Institutions) of the Town and Country Planning (Use Classes) Order

1987 and its subsequent amendments, it is regarded as an institutional use and may be exempt from the requirement to deliver affordable housing.

- 3.23. “Live-work units” will need to be judged on a case by case basis. Where the development is predominantly residential in character with offices incorporated or attached, Policy L2 will apply.
- 3.24. Where development involves the use of gypsy and traveller land, there will be an expectation of a contribution towards affordable housing subject to individual viability assessments.
- 3.25. Affordable housing should be provided on site as part of a development proposal. On-site provision can be made in several ways and will be agreed with the local planning authority on a site by site basis. The following are on-site delivery options for developers:
- Build the housing and then transfer to a Registered Provider (RP) to provide either rented or intermediate housing.
  - Transfer the land to an RP at discounted value and the RP develops the housing to provide either rented or intermediate housing.
  - Build the housing and then sell at below market price to eligible households. This will usually require a marketing strategy to be agreed between the Council and the Developer.
  - Build the housing and then rent at an affordable rent with the property managed in accordance with standards set by the HCA or its successor.
- 3.26. The preferred method of delivery is for the transfer of the affordable units to an RP. However where it is agreed that properties will be sold at a discounted market price, the Council will need to be satisfied that the level of discount to eligible purchasers is sufficient to enable them to obtain mortgage credit equivalent to 3 x average household income in the district where the discounted units are provided. If this does not achieve a discounted sales price which meets the CLG criteria (or its equivalent), it would not be deemed to be an acceptable form of affordable housing in accordance with Policy L2 of the Trafford Core Strategy.
- 3.27. The Council will need to be satisfied that any agreement reached between a developer and RP for the on-site provision of affordable housing will ensure that the rental levels or shared ownership costs will be affordable initially and in the long term. Where affordable rented properties are concerned, rental charges should be calculated in line with the prevailing Homes and Communities guidance.
- 3.28. Service charges and ground rent charges for dwellings should be set at levels which do not exceed the amounts needed to manage and maintain the properties to housing association standards, and should be fully transparent in their contents and calculation methods.
- 3.29. Where affordable housing is to be owned and retained (as opposed to managed) by a body other than an RP, equivalent safeguards concerning its long term nature and recycling of benefit will need to be secured by way of a legal agreement.
- 3.30. It is recognised that where an RP develops a property for shared ownership funded by public subsidy, occupiers have the right to staircase to full ownership. On re-sale there will therefore be no subsequent benefit to future occupiers, as the current occupier would be entitled to sell the unit at the full market value of the property. In

these cases, the Council expects any recyclable receipts arising to the RP from staircasing to be reinvested within Trafford for affordable housing provision.

- 3.31. In exceptional circumstances it may not be possible or appropriate to deliver affordable housing on site, so provision may be made on an alternative site, through payment of a commuted financial contribution, or an alternative form of delivery. These circumstances include:
- Where the affordable housing can be more effectively secured by bringing existing housing back into use, e.g. empty properties in the private sector;
  - Where providing the affordable housing elsewhere is more likely to widen housing choice and encourage a better social mix, e.g. providing family homes in other areas of need.
- 3.32. Where it is agreed that exceptional circumstances exist for off-site provision of units, the Council will need to be satisfied that the alternative is appropriate.
- 3.33. Where it is agreed that circumstances exist to justify the use of a commuted financial sum, this should be paid to Trafford Council where it will be put into a ring-fenced account for the provision of affordable housing. These sums will be utilised for new affordable housing schemes, bringing vacant properties back into use as affordable housing and improving or converting existing housing for use as affordable housing. These sums may be utilised either for an RP scheme or may be utilised in the private sector to improve dwellings for use by the Council's nominated tenants.
- 3.34. The commuted sum should ensure that there is no difference in the proportionate level of contribution towards affordable housing between an on- and off-site option. An assumption will be made that ~~50% of the on-site provision would be low cost home ownership and 50% social rented tenure~~ **25% of the on site provision would be for First Homes with the remaining 75% of affordable homes to be provided will be split 50:50 between intermediate and social/affordable rent (i.e. 37.5% intermediate and 37.5% social/affordable rent).** The value of on-site affordable housing provision within the market location of the planning application site should be established, i.e. what an RP would reasonably expect to pay for it in order to generate an acceptable NPV. The difference between the open market value and the discounted value of the affordable housing units will constitute the affordable housing commuted sum. The value of the affordable housing units will vary on a site by site basis and must achieve an equivalent acceptable NPV for the RP which will be agreed with the LPA at an appropriate time in the planning process.
- 3.35. The following calculation is an example of how a commuted sum would be established:
- Total number of units on site = 60
- Number of affordable units = 24 (based on 40% target provision)
- Open Market Value (OMV) of affordable housing units = £3,600,000
- Affordable Housing Value of units = £2,340,000
- Difference between OMV and Affordable Housing Value = £1,260,000
- Total Commuted sum = £1,260,000
- 3.36. A commuted sum will be secured with a S106 legal agreement which will specify the amount of the sum to be paid, when it should be paid, how it will be used, the time

scale for spending the money and appropriate sanctions if this undertaking is not honoured.