

Cynllun Datblygu Lleol Cyngnor Bwrdeistref Sirol Merthyr Tudful (2016-2031)
Merthyr Tydfil County Borough Council Local Development Plan (2016-2031)

PAPURAU CEFNDIR | BACKGROUND PAPER
AFFORDABLE HOUSING

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Executive Summary

1. This paper has been prepared in order demonstrate how the issue of affordable housing has been covered in the Replacement Local Development Plan.
2. This paper explains the level and location of need across the County Borough, and how this need has informed the policy approach of the LDP.
3. The levels of affordable housing sought as planning obligations are explained, together with the threshold for contributions, and how the Plan aims to maximise affordable housing delivery through other mechanisms, such as affordable housing exception sites.
4. This paper also explains how the affordable housing target contained in LDP Policy SW2 has been arrived at, including the distribution of individual components by Growth Area of the LDP.

1. Introduction

- 1.1 This paper forms part of a series of background papers prepared by Merthyr Tydfil County Borough Council (MTCBC) to inform the Deposit version of the Replacement Local Development Plan (LDP) 2016-2031.
- 1.2 The issue of affordable housing is fundamental to the LDP as it is one of the key issues identified in relation to housing at both local and national scale. This paper will provide information on why the affordable housing target proposed in the Plan is appropriate; how the level of affordable housing proposed corresponds with levels of identified need; how the Plan target will be achieved using various policy approaches.
- 1.3 Economic viability is also a key consideration when levels of affordable housing are being proposed in development plans. This paper will also clarify how the findings of the LDP Viability Assessment have informed policies, allocations and the distribution of growth contained in the Deposit Plan.

2. Background

- 2.1 The strategy of the replacement LDP requires the delivery of 2,250 dwellings over the Plan period. Objective 4 of the LDP aims to ensure that there is sufficient provision of housing and affordable housing to address local housing needs.
- 2.2 The level of affordable housing need identified in the Council's Local Housing Market Assessment (LHMA) (2014) is significantly higher than the overall housing provision of the LDP. Consequently the LDP has to maximise the amount of affordable housing provided through the planning system. There are a number of policy approaches that LDPs can use to do this, including allocating 100% affordable housing sites; including specific targets and thresholds for affordable housing on development sites according to viability, and formulating a policy to supports the provision of affordable housing exception sites.
- 2.3 The LDP is also required to set an overall target for the provision of affordable housing that will be delivered through the planning system. The target included in the Replacement LDP will be explained in this paper.

3. Affordable Housing Need

- 3.1 The Council's most recent Local Housing Market Assessment (LHMA) identifies an annual need of 366 affordable dwellings, with the vast majority of need (338 dwellings or 92%) being for social rented units. Table 1 shows the proportion of the total need across the County Borough on a ward basis and groups the wards by growth area of the LDP strategy.

Table 1 – Affordable Housing Need by Ward and Growth Area

	Ward	Annual affordable need (no of dwellings)	Need over LDP period (no of dwellings)
Primary Growth Area	Cyfarthfa	53	795
	Dowlais	46.2	693
	Gurnos	7.2	108
	Park	33.2	498
	Penydarren	54.2	813
	Town	78	1170
	Vaynor	33.2	498
	TOTAL	305	4575
Other Growth Area	Bedlinog	23	345
	Merthyr Vale	-4.6	-69
	Plymouth	19.8	297
	Treharris	23.6	354
		TOTAL	61.8

- 3.2 There remains a high level of need in the County Borough in spite of the fact that the affordable housing target contained in the current LDP has already been achieved, with over 350 affordable dwellings delivered by the end of 2016/17, compared to a target of 260 affordable dwellings by the end of the Plan period.
- 3.3 The figures included in Table 1 identify the gross level of need and do not split the need by tenure. This has primarily been done as the vast majority of need, 92%, is for social rented properties. There is an identified need for 17 Low Cost Home Ownership (LCHO) units per annum, and 11 Intermediate Rented (IR) units per annum, with the highest need for LCHO in Dowlais and Town, and the highest need for IR in Treharris. It should be pointed out that whilst these figures make up a small proportion of overall need, delivering units of these tenures will help to diversify the affordable housing stock and give greater choice in terms of affordable housing in the future.
- 3.4 The strategy of the Replacement LDP includes an overall housing provision of 2820 dwellings over the Plan period, compared to an indicative affordable housing need of 5490 dwellings based on the latest need evidence (LHMA 366 annual need figure x 15 years). A scenario such as this, where the affordable housing need is more than the total housing provision in a County Borough, is a common situation. The total level of housing provision in a LDP has to be set at a deliverable level. Given that the current LDP has under-delivered in regard to the level of housing, this is a particularly important consideration in Merthyr Tydfil.
- 3.5 These figures are not delivery targets. They are an indication of the scale of the affordable housing issue and a benchmark to which the Council will work towards as far as practically deliverable.

4. Viability Assessment

- 4.1 A Viability Assessment has been prepared in order to inform the Replacement Plan in regard to the level and distribution of housing growth; the viability of sites across the County Borough (including the appropriateness of the scale and density of sites); and whether the level of affordable housing contained in policy targets is appropriate taking development viability into consideration.
- 4.2 The Council's Viability Assessment indicates that the levels of affordable housing sought in Policy AS22 of the current LDP (10% in the Primary Growth Area and 5% in the Other Growth Area) remain viable and appropriate. The report takes the fact that Community Infrastructure Levy (CIL) was adopted in the County Borough in 2014 into consideration, and recommends that these targets should continue to be the policy targets in the Replacement LDP.
- 4.3 The assessment also shows that due to the differential requirements in terms of CIL and affordable housing across the growth areas of the Plan, housing development is generally viable across the entire County Borough, enabling housing provision to be made to meet the different levels of need in the area.
- 4.4 The total housing provision of the LDP is distributed with approximately 70% in the Primary Growth Area and 30% in the Other Growth Area. Whilst this does not exactly match the LHMA distribution of need identified in Table 1 (that equates to 83% in the Primary Growth Area, 17% in the Other Growth Area), the principle of directing the majority of housing growth towards the main Merthyr Tydfil settlement is established. Also, the areas that have the highest levels of need (Town, Cyfarthfa, Penydarren and Dowlais) are located in an area where the affordable housing policy target is higher.
- 4.5 The fact that the Viability Assessment has shown that development is generally viable across the County Borough has also enabled sites to be allocated in the Other Growth Area that will assist in ensuring that the smaller communities of the County Borough remain viable by retaining a critical level of population.

5 Small site viability and policy threshold

- 5.1 The Viability Assessment examines the viability of large sites (10 units or more) and determines appropriate levels of affordable housing and CIL. In order to ascertain where the threshold to trigger contributions should be set, the viability of small sites needs to be considered.
- 5.2 In the current adopted LDP, Policy AS22 sets a threshold of 10 dwellings or more for an on-site contribution towards affordable housing, and seeks to secure a financial contribution on sites of less than 10 dwellings. As the policy framework is being reconsidered, and the existing policies have been in use for 7 years, it is now an appropriate time to decide whether the threshold should be amended.

- 5.3 A review of all planning applications for residential development since adoption of the current LDP provides clear evidence that it would be appropriate to change the threshold so that affordable housing contributions are only sought on schemes delivering 5 units or more.
- 5.4 Over 200 applications for residential development under 10 dwellings have been received by the Council since the current LDP was adopted in May 2011. It should be noted that some of these applications will include renewals of permission, or new applications on the same site that an application was received earlier in the Plan period. Whilst this may appear to be double counting in regard to the number of applications received, it remains appropriate to consider all these applications in this case, as the level of any planning obligation (including affordable housing) has been considered on each individual application.
- 5.5 Approximately 30 applications have been received that propose between 5 and 9 dwellings, and it was deemed viable to seek a contribution towards affordable housing on 8 of these applications. Whilst it appears that the majority of these types of applications cannot support affordable housing, it remains appropriate to seek contributions on developments of this size as they can make an important contribution towards maximising affordable housing provision, as well as the overall housing provision proposed in the LDP. Of the developments where contributions have been viable, four have been proposals for 6 dwellings, 3 have been proposals for 8 dwellings and one was for a scheme of 5 dwellings.
- 5.6 During the same timeframe, over 170 applications were received for schemes delivering 4 units or less, with of half of these being for single dwellings (applications for single dwellings that form part of larger sites where viability has already been examined have not considered for this exercise).
- 5.7 Having considered development viability as part of the development management process, none of the application sites for 4 or less dwellings resulted in a contribution towards affordable housing being sought due to the fact that if a contribution were to be sought, it would likely render the development financially unviable. There are several factors that have contributed to this situation.
- 5.8 Firstly, the viability of single plot, self-build dwellings (which make up a large proportion of these developments) is markedly different to schemes where more than one dwelling is being constructed and sold for profit. Land values are proportionately much higher for single plots. There is also the fact that these dwellings are generally not being built to sell on for profit, they are being built to live in by the people constructing them. This results in the build costs of these dwellings being higher as people want to build as high a quality dwelling as possible.
- 5.9 The evidence also indicates that there would appear to be a critical mass of housing developments where the viability of constructing dwellings becomes more favourable. The fact that no schemes of 2, 3 or 4 dwellings have been able to contribute towards affordable housing, whereas nearly a third of schemes of between 5 and 9 dwellings have been able to contribute, would indicate that it

would be appropriate to set the threshold for financial contributions at 5 dwellings and above.

5.10 Analysing the figures above gives a clear indication that seeking affordable housing contributions (or other planning obligations) on development of less than 5 dwellings is not appropriate. Developments of this size are marginal in terms of economic viability, and placing onerous requirements on schemes of this size could negatively affect an important sector of housebuilding in the County Borough.

5.11 The evidence indicates that it remains viable to seek contributions on schemes of 5 or more dwellings, thus assisting in maximising the level of affordable housing delivered, and the thresholds in LDP Policy SW9 reflect these findings.

6 Affordable Housing Target

6.1 Replacement LDP Policy SW2: Provision of Affordable Housing sets a target of 251 affordable dwellings to be delivered across the County Borough, during the Plan period. This target includes contributions from completions and committed sites, additional housing from new allocations, and windfall sites as identified in Policy SW3.

6.2 In line with the overall spatial distribution of housing in the Replacement LDP, the majority of the affordable housing target will be delivered in the Primary Growth Area.

Table 2 – Components of the Replacement LDP Affordable Housing Target

Component	Primary Growth Area	Other Growth Area	TOTAL
Commitments/ completions since LDP base date (1 st April 2016)	13	71	84
Contribution from remaining sites under Policy SW3, assuming compliance with Policy SW9	149	13	162
Contribution from windfall sites assuming compliance with Policy SW9	4	1	5
TOTAL	166	85	251

6.3 The 84 commitments/completions since the base date consist of 13 completions at St Peter and St Paul Church, Abercanaid; 23 completions at Walters Terrace, Aberfan; 43 affordable dwellings consented on Project Riverside, Merthyr Vale and 5 affordable units consented at Manor View, Trelewis. The following row in Table 2 consists of an assumption that all remaining allocated sites will deliver policy compliant levels of affordable housing on site (10% in the Primary Growth Area, 5% in the Other Growth Area). Similarly, with regard to windfall sites, it is assumed that policy compliant levels of affordable housing will be achieved.

7 Conclusions

- 7.1 There is a high level of affordable housing need across the County Borough, and accordingly, the Replacement LDP aims to maximise the delivery of affordable housing through various policy measures.
- 7.2 The LDP Viability Assessment has indicated that the levels of on-site affordable housing sought as planning obligations, on developments of more than 10 dwellings, should be 10% in the Primary Growth Area and 5% in the Other Growth Area. This policy should assist in the delivery of nearly 200 affordable dwellings, a significant proportion of the Plan's affordable housing target.
- 7.3 In order to maximise affordable housing delivery, Policy SW9 also facilitates the securing of financial contributions on sites of 5 units or more. This approach differs slightly to the current LDP policy (which aims to secure contributions on any size of development), based on the evidence explained in Section 5 of this paper.
- 7.4 Policy SW5: Affordable Housing Exception Sites sets out a policy framework that allows small scale affordable housing developments to be delivered outside existing settlement boundaries, again, enabling as much affordable housing to be delivered as possible in areas with the greatest need. It is worth noting that there is no assumed number of dwellings to be delivered from this policy, given that by their nature, the sites are 'exceptions' and difficult to predict.
- 7.5 Housing allocations at St Peter and St Paul Church, Abercanaid and at Walters Terrace, Aberfan have delivered 100% affordable housing. Whilst no further sites are allocated as 100% affordable housing (or are currently expected to provide 100% affordable housing), the Council will continue to work with Registered Social Landlords active in the County Borough in order to determine whether any remaining allocations (or other windfall sites) could be developed as 100% affordable housing.