

## **G5 Design of Affordable Housing**

**Affordable housing should not be able to be differentiated by design, quality, specification, location within the site, timing of the development or by significant difference in access to services and amenities.**

**This guidance will be put into practice by:**

- Promoting consultation between the developer and Registered Provider regarding the required specification of the dwellings.
- Ensuring that affordable units are integrated into the scheme.
- Ensuring that the specification of affordable units is equivalent to that of the market units unless otherwise agreed by the Council and the purchasing RP.

## **G6 Occupation of Affordable Housing**

**Housing negotiated using this guidance should be affordable to those on low or insecure incomes and occupied by those in greatest need.**

**Occupation of rented units should be according to the City Council's Housing Service Lettings Policy.**

**Occupation of low cost home ownership units should be by households whose total income prevents them from affording housing on the open market.**

### **Definitions**

**'Greatest need'**– households without permanent accommodation, those whose accommodation is unsuitable because of disability, medical needs, care needs, overcrowding, harassment or violence, or for other reasons.

**This guidance will be put into practice by:**

- Nominating households from the Council's Housing Register to any rented units.
- Where appropriate, negotiating the development of intermediate housing where

houses can be purchased or rented by households on low incomes as defined above.

## **G7 Ensuring Continued Affordability**

**Housing built as a result of this guidance should remain affordable, or, if affordability cannot be preserved and units are sold, the proceeds should be re-invested to provide affordable housing in the city.**

**Affordable housing should not be subject to management or parking costs which would render the unit unaffordable.**

### **Definitions**

**'Affordability'** – as set out in Section 4 above.

### **This guidance will be put into practice by:**

- Recycling the proceeds from the sale of affordable housing to provide further new affordable homes.
- Ensuring that any service charges are affordable in the long term.

## **APPENDIX 1**

### **Model Planning Condition for Outline Applications**

No development shall commence until a scheme for the delivery of affordable housing equivalent to no less than [XX]% of the Gross Internal Area to be provided as part of the development, or an alternative percentage figure agreed with the Local Planning Authority following an independent viability assessment has been submitted to the Local Planning Authority for approval. The affordable housing shall be provided for sale to a Registered Provider at a transfer price stipulated by the Council as part of the approved scheme.

The scheme shall include details of:

- a) The number, type, tenure and location of the affordable housing;
- b) The timing for the construction of the affordable housing and its phasing in relation to the occupancy of the market housing;
- c) The arrangements to ensure that such provision is affordable for both first and future occupiers of the affordable housing or if not possible for the subsidy to be recycled for alternative affordable housing provision;
- d) Proposals for the provision of a financial contribution, to be calculated in accordance with the current policy at that time, which shall be used for the delivery of affordable housing within [XXXX] should the Local Planning Authority consider that it is not suitable to provide some or all of the affordable housing on-site

The affordable housing shall be provided in accordance with the approved scheme.

## APPENDIX 2

### Formula for Calculating Provision of Affordable Housing

$$\text{Developer contribution} = (A - B) \times (C \times D)$$

Where:

A = Market value of the development per square metre<sup>8</sup>  
(Estimated Gross Development Value/Gross Internal Area)

B = Transfer Price (£850 per square metre)

C = Percentage expected level of affordable housing (see Guideline G2)

D = Gross Internal Area of units

#### Worked Example

Development site of 100 three-bedroom houses. Each house has a Gross Internal Area of 80 sqm, and a market value of £180,000.

The market value per square metre is therefore  $(£180,000 \times 100) / (100 \times 80)$  or £2,250.

Market value = £2,250 per sqm

Transfer price = £850 per sqm

Percentage expected level of affordable housing = 30%

Total size of units in square metres = 100 units x 80 sqm = 8000sqm

**Developer contribution =  $(2250 - 850) \times (0.30 \times 8000) = £3,360,000$**

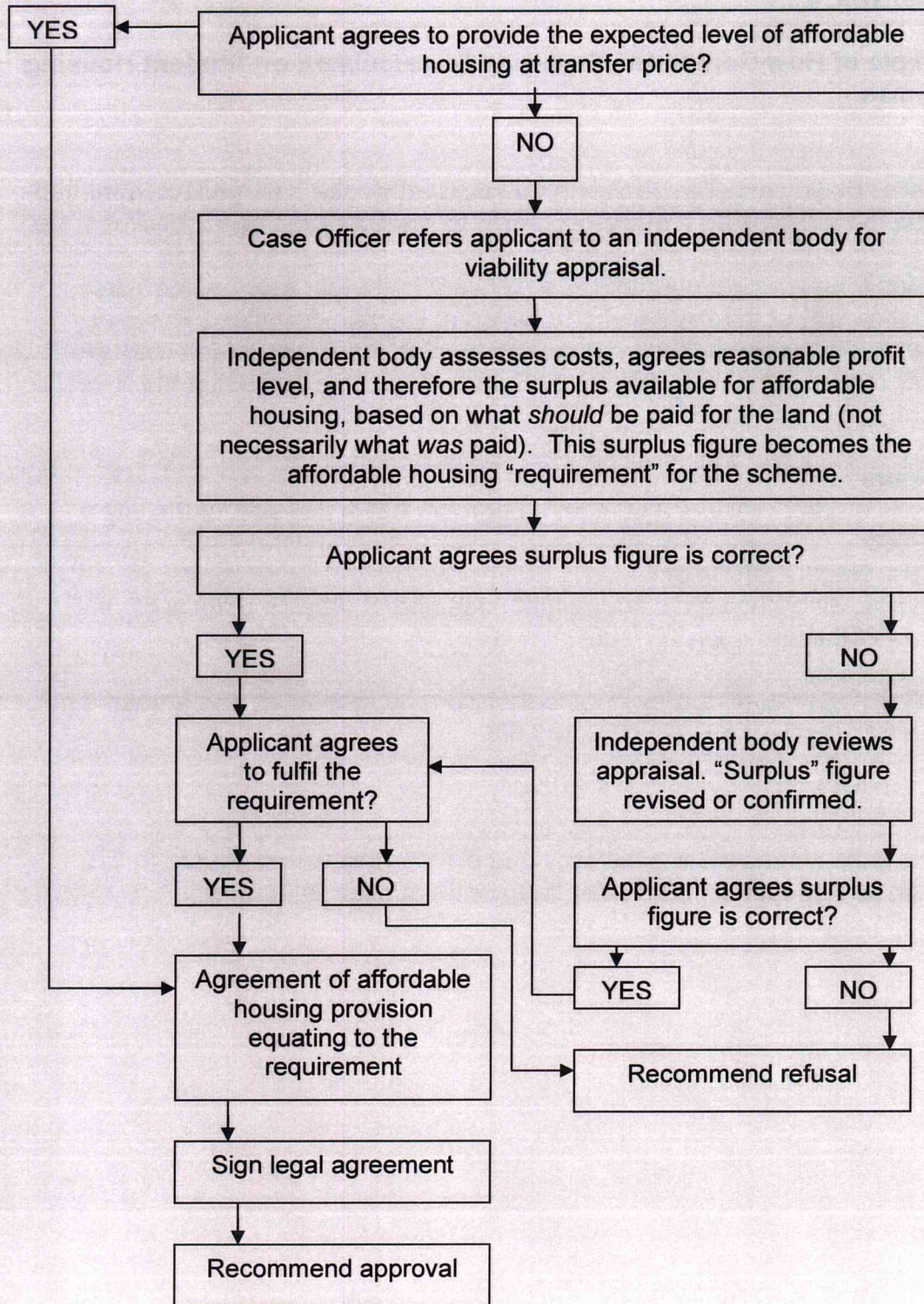
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<sup>8</sup> To be established by an independent valuation where agreement cannot be reached between the local planning authority and the developer.

## APPENDIX 3

### Assessing an Appropriate Level of Affordable Housing on a Development

- It is assumed that the impact of providing the expected level of affordable housing should primarily be on land value. The expectation is that developers will pay an appropriate price for land taking into account the requirement to contribute towards affordable housing.
- Where the applicant cannot meet the expected level of affordable housing, agreement will need to be reached on an appropriate level. Developers will be required to provide a full breakdown of development costs and anticipated values, to be appraised by an independent body approved by the Council (currently the Valuation Office) at the developer's expense.
- The process for appraisal of an appropriate level of affordable housing will be as follows:



## Appendix 4

### Example of How Commuted Sum may be calculated on Student Housing Schemes

Student housing scheme providing 100 student cluster flats (400 student bed spaces, based on 4 bed spaces equating to the floor area of a 2 bedroom flat)

Affordable housing requirement is equivalent to the expected percentage (Guideline G2) of the units being provided at the transfer price. However, because the student flats do not usually have a 'market price' (as they are usually rented out) the developer contribution is calculated using the average market price of a 2 bedroom flat in that part of the city.

Therefore:

Average market value of a 60 sqm 2 bedroom flat in that part of the city = £130,000

Transfer Price = £850/sqm

Therefore, difference between market price and affordable price is £2,167 p/sqm - £850/sqm = £1,317/sqm

The **developer contribution** would therefore be (expected percentage e.g. 30% x 6,000sqm) x £1,317 = **£2,370,600**

**OR**

If affordable homes were to be provided **on-site** this would equate to 120 student bed spaces (in 30 cluster flats) or 30 affordable homes.

## Appendix 5

### Viability Reappraisal

In the current housing market, it is possible that there may be some planning permissions granted with a low or no affordable housing contribution in the Affordable Housing Market Areas with an expected contribution of 10% or 30%. However, these schemes may not be built until the market improves, at which time a higher level of affordable housing may be viable. In this instance, it would be appropriate to re-appraise the viability of the scheme to determine whether any affordable housing contribution would be viable.

The mechanism for viability re-appraisal is as follows:

#### Index Linking

At the initial planning application stage, where the applicant cannot meet the full expected developer contribution for the relevant Affordable Housing Market Area (see Guideline G2), a viability assessment should be undertaken through the District Valuation Office as set out in Appendix 3. This will identify what level of contribution is viable at the outset, if any.

The Council would then agree with the developer a point at which a re-appraisal is triggered. This would be secured through a S106 agreement. For phased schemes the re-appraisal would be linked to each phase. For other schemes triggers could be set as follows:

- The S106 agreement states that 50% of the permission must be completed within 3 years otherwise a re-calculation is done which is valid for a further 2 years; or
- For apartment schemes the shell must be completed or eaves height reached within the 3 years otherwise a re-calculation is done which is valid for a further 2 years.

The scheme would then be re-appraised using the following relevant indices:

- Building Cost Information Service database
- Land Registry House Price Index

The S106 agreement would include a clause which states that if upon re-assessment it is found that the Affordable Housing contribution has increased, but it is too late to provide a unit on site or the new figure does not equate to a full unit, in which case the equivalent monetary figure is provided.

If the applicant would prefer not to use the Index Linking approach, then an alternative option would be a Full Re-appraisal, using the same trigger points as above.

**Appendix 6**  
**Map of Sheffield Affordable Housing Market Areas (2014)**

