

## Interim Guidance Note: Affordable Housing Policy

*A note on the implementation of the affordable housing policy in Westminster in the interim period between the adoption of Westminster's City Plan (Strategic Policies) (2013) and the adoption of Westminster's City Plan (Strategic and Development Management Policies)*

### 1. Introduction

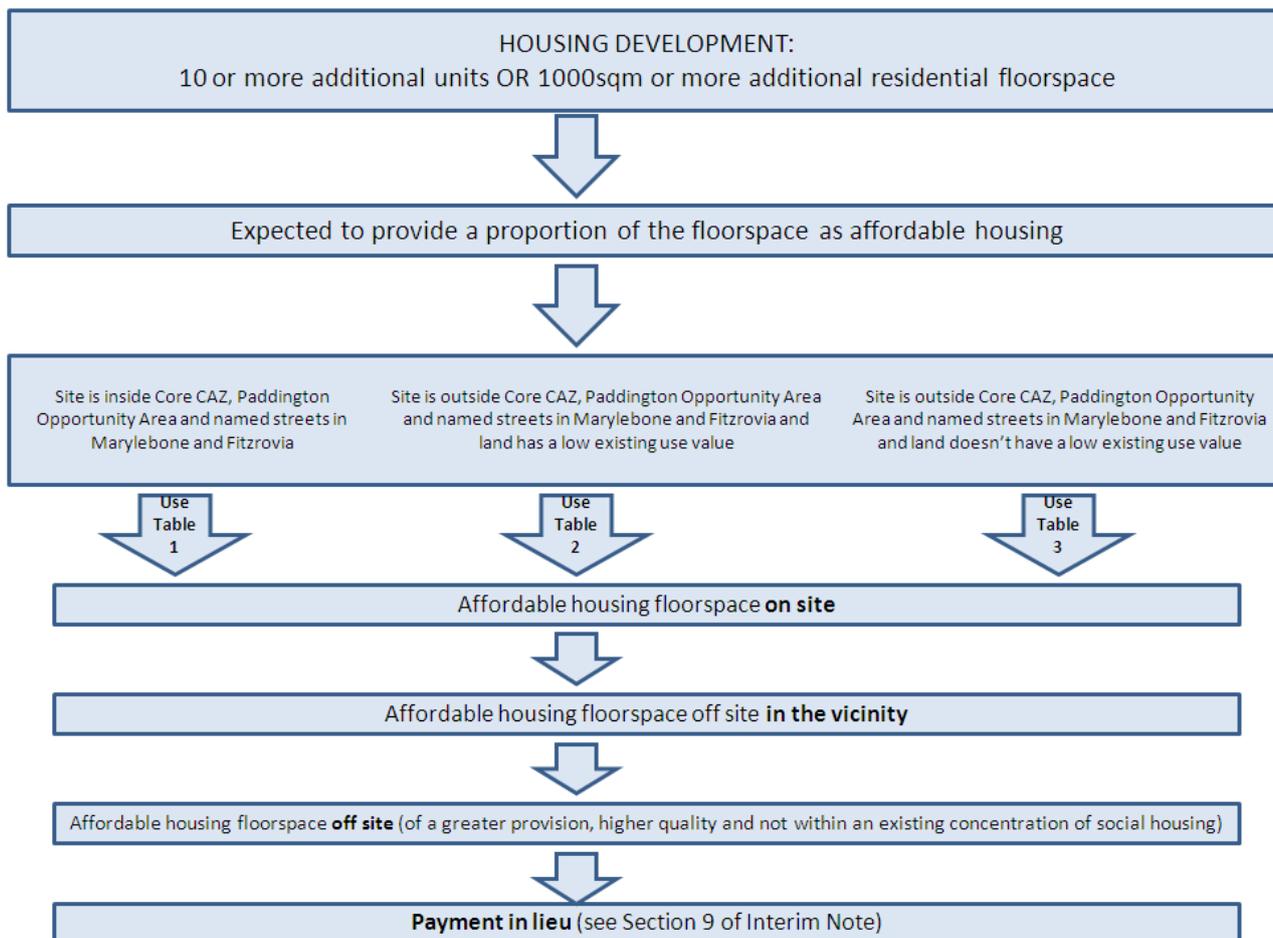
- 1.1 An interim note was originally prepared following the adoption of Westminster's Core Strategy in 2011. The adopted Core Strategy has since been revised to ensure conformity with the National Planning Policy Framework (NPPF) and the London Plan and, from its adoption on 13<sup>th</sup> November 2013, will henceforth be known as Westminster's City Plan (Strategic Policies) 2013. This note is intended to clarify the position regarding the **application** of the affordable housing policy in the period between adoption of Westminster's City Plan (Strategic Policies) (adopted November 2013) and the adoption of Westminster's City Plan (Strategic and Development Management Policies); adoption anticipated 2016.
- 1.2 In the Interim period between the adoption of Westminster's City Plan (Strategic Policies) and Westminster's City Plan (Strategic and Development Management Policies) affordable housing policy S16, must be applied alongside [Tables 3.1 – 3.3 of UDP policy H 4](#). The note does **not** contain 'new' policy it is simply meant as a guide to the way the Council will apply the saved UDP policy alongside the adopted Westminster's City Plan policy (S16).
- 1.3 This note sets out the proportion of floorspace which will be sought for different schemes in this interim period, based on the staircasing proportions in UDP policy H 4 Tables 3.1 – 3.3.
- 1.4 It also addresses how payments in lieu of affordable housing and payments in lieu of residential floorspace in Mixed Use schemes will be calculated where on site provision has been proven to be impractical or unviable in accordance with Westminster's City Plan adopted policy S1.

### 2. Background

- 2.1 For some time the housing market in Westminster has favoured the development of large and sometimes very large homes. This has meant that the adopted UDP Affordable Housing policy (which has a unit threshold and a proportional requirement calculated in units), has not always achieved a fair and appropriate amount of affordable housing in association with developments. Westminster's City Plan (Strategic Policies) Affordable Housing policy S16 addresses this issue by using a 1,000 sqm floorspace threshold at and above which all residential developments will be required to provide affordable housing floorspace.

- 2.2 The Planning Inspector in her report into the Core Strategy (in 2011) supported the use of the floorspace threshold originally set out in Core Strategy policy CS16 (now Westminster's City Plan (Strategic Policies) policy S16). Paragraph 56 of her report stated '*I conclude that the threshold in Policy CS16 is justified and practical, and should assist flexibility and delivery from small sites.*' In reaching her view, the Inspector relied on the Affordable Housing Viability Assessment (DTZ, July 2010). This study supported the thresholds and use of a floorspace proportion and suggested a stepped approach to the floorspace proportions and maximum proportions for different areas/use values. The actual proportions of affordable housing floorspace sought in different schemes will be set out in due course in Westminster's City Plan (Strategic and Development Management Policies).
- 2.3 The Inspector's report also says in paragraph 56 '*The Council produced an interim implementation note to demonstrate how policy would be applied between adoption of the Core Strategy and adoption 12 months hence of the CMP.*' The Core Strategy was adopted on 26<sup>th</sup> January 2011 and has been revised to comply with the NPPF and the London Plan and was adopted on 13<sup>th</sup> November 2013. Following the introduction of the Localism Act and the NPPF in 2012, it was decided to amalgamate the Core Strategy with the City Management Plan (CMP) into one single 'Local Plan' for Westminster containing both strategic and development management policies. Westminster's City Plan: Strategic Policies will be subject to a number of revisions to include development management policies. The first revision to the 'Local Plan' which will be called Westminster's City Plan (Strategic and Development Management Policies) - is expected to be adopted in 2016. This note replaces the original note referred to by the Inspector and has been prepared in order to add clarity to the original note.
- 2.4 Both S16 and UDP policy H 4 recognise that it is sometimes not practical or viable for the affordable housing to be provided on-site. In such circumstances, S16 states that the affordable housing should *then* be provided off-site in the vicinity, and *then* sets out circumstances where off-site beyond the vicinity may be acceptable. When this cascade of options has been fully explored and proved not practical or not viable, the council will consider accepting a Payment in Lieu (PiL) of affordable housing. It is recognised that in some schemes at or marginally above the thresholds of 1,000sqm additional floorspace, or 10 additional units (when the floorspace is less than 1,000 sqm) and a very small affordable floorspace proportion is required, a Payment in Lieu may be more appropriate than on site, off site in the vicinity or off site provision.

## Application of Policy S16 Affordable Housing



### 3. How the UDP and Westminster's City Plan policies will be applied together

3.1 Prior to the adoption of the detailed affordable housing policy in Westminster's City Plan (Strategic and Development Management Policies) the City Council will, when assessing proposals, use the thresholds set out in Westminster's City Plan (Strategic Policies) policy S16, in combination with the unit proportions set out in adopted UDP policy H4 (UDP Tables 3.1 -3.3). This note translates the unit requirement into floorspace and (for larger schemes) takes into account the maximum floorspace proportions suggested in the DTZ Affordable Housing Assessment. The major change in this interim period from UDP policy affects:

- i) Small developments (i.e. schemes of less than 10 units which are over 1,000 square metres); these will be required to provide affordable housing; and
- ii) Very large developments; these will generally be required to provide a greater number of units as the requirement will be based on a proportion of floorspace, rather than a percentage of units.

#### 4. Government changes to affordable housing

- 4.1 Grant funding for affordable housing has been substantially reduced from previous levels and when purchasing land and drawing up schemes, **developers should presume nil grant.**
- 4.2 Affordable Rents will need to meet a range of household incomes in order to address the needs of those who cannot afford market housing. In the forthcoming development management policies Westminster will set out the priorities for affordable housing requirements in order to ensure that new affordable housing can meet the range of identified local needs. Developers are strongly advised to liaise with the Head of Affordable and Private Sector Housing at the pre-planning stage to discuss affordability guidelines (contact: Fergus Coleman, fcoleman@westminster.gov.uk 020 7641 2129).

#### 5. Thresholds

- 5.1 **The affordable housing threshold in Westminster's City Plan policy S16 is 1,000 square metres net increase in residential floorspace OR 10 or more additional units.** This threshold has not changed from the adopted Core Strategy (January 2011).

The threshold which applies in the following scenarios is as follows:

- 3 units/1,200 square metres increase – above the *floorspace threshold*
- 11 units/780 square metres increase - above the *unit threshold*
- 15 units/2,000 square metres increase – above the *floorspace and unit threshold*
- 20 unit/1,500 square metres increase – *above the floorspace and unit threshold*

#### 6. Proportion of affordable housing sought

- 6.1 Where the affordable housing threshold is met or exceeded, the affordable housing provision will be sought as a proportion of floorspace (as set out in Westminster's City Plan: Strategic Policies policy S16). The specific proportion sought will still rely on the Unitary Development Plan policy H 4, and in particular UDP Tables 3.1 to 3.3. However, the unit figures in these tables have been translated into floorspace figures, in order to implement adopted policy S16.
- 6.2 In order to assess the proportion of affordable housing floorspace sought and therefore convert UDP Tables 3.1 – 3.3, we have applied the following assumptions:
- **A housing unit = 100sqm** (*representing a reasonable size home – see Reasoned Justification for policy S16*)
  - **An affordable housing unit = 80sqm** (*recognising that affordable homes tend to be smaller than market homes in Westminster*).

- 6.3 These assumptions have been used to convert the unit requirements contained in UDP Tables 3.1 – 3.3 to a **gross external floorspace** requirement as set out in Tables 1, 2 and 3 below. Tables 1, 2 and 3 are derived from UDP Tables 3.1 – 3.3, but altered to reflect the new threshold and floorspace proportion as set out in policy S16.
- 6.4 Prior to the adoption of the detailed development management policies, the proportion of floorspace sought on individual sites will be expected to comply with Tables 1, 2 and 3 below.

## 7. Maximum floorspace proportions

- 7.1 It is recognised that in Westminster floorspace proportions will, for most schemes, yield a higher number of affordable units than the same proportion based on units. The DTZ [Affordable Housing Viability Assessment](#) examined this issue and concluded that the 30% maximum unit requirement in the Central Activities Zone (CAZ) and 50% outside CAZ, set out in the UDP, would, if converted directly to a floorspace requirement, in many cases be too onerous and thereby threaten viability. The Assessment suggested more appropriate maximum floorspace proportions (see Section 7 of the [Affordable Housing Viability Assessment](#)). These ‘maximum proportions’ of floorspace have been included in Tables 1, 2 and 3 below and hence, the maximum percentage of floorspace required in Tables 1, 2 and 3 below, is lower than the maximum percentage units of units set out in UDP Tables 3.1 – 3.3.
- 7.2 The maximum floorspace proportions of affordable housing sought indicated in the Affordable Housing Viability Assessment are:
- **25%** of floorspace on sites in Core CAZ, Paddington Opportunity Areas and named streets in Marylebone and Fitzrovia (as opposed to 30% in the UDP) (Table 1)
  - **35%** of floorspace on sites outside Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia, where the proposal relates to land having a low existing use value (as opposed to 50% of units in UDP) (Table 2)
  - **35%** on sites outside Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia, where the proposal relates to land *not* having a low existing use value (as opposed to 50% of units in UDP). (Table 3)
- 7.3 The floorspace requirements set out in the staircasing in Tables 1, 2 and 3 below, have been adjusted in order to ensure that no floorspace requirements exceeds the maximum floorspace proportions considered viable in the Affordable Housing Viability Assessment. Map 1 illustrates the areas the tables apply to.

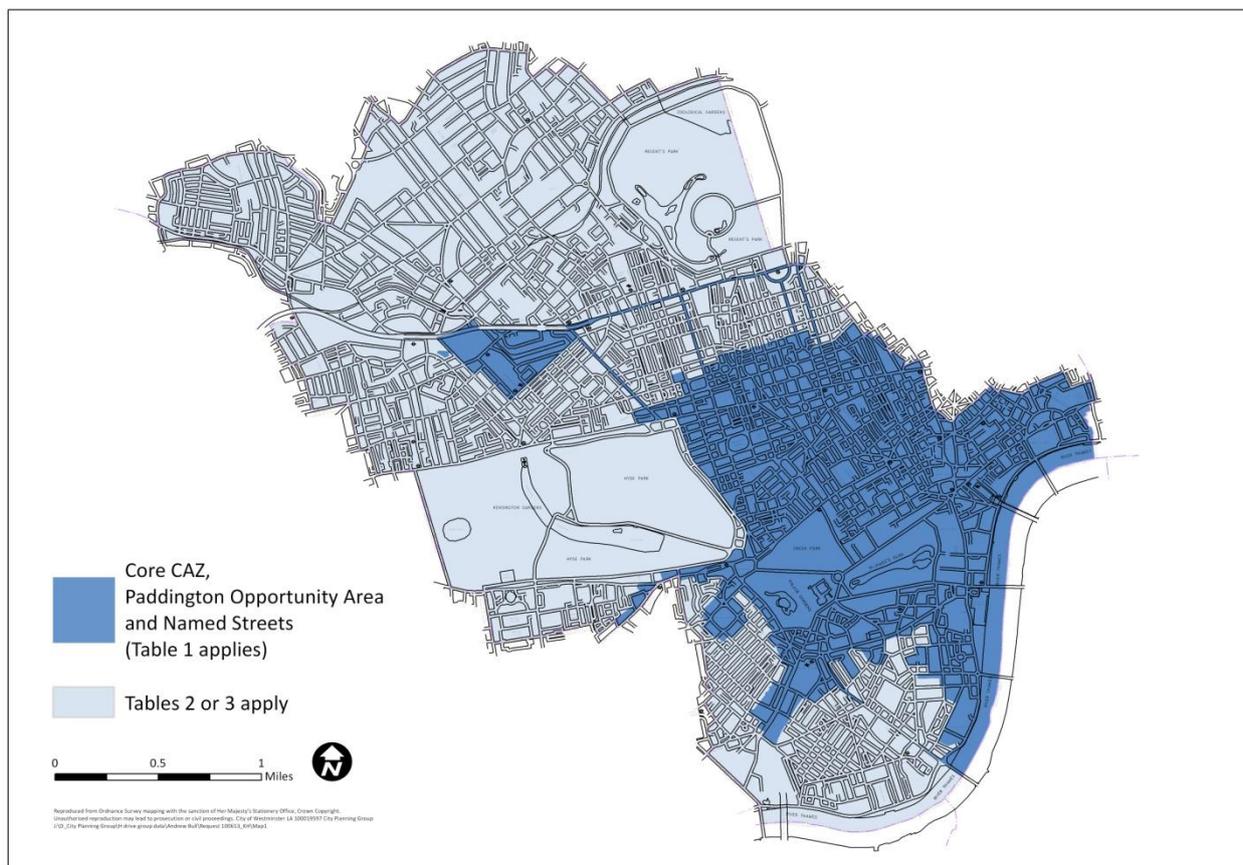
<b>Table 1 Sites in Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia</b>	
<b>Additional floorspace/units (gross external sqm)</b>	<b>Floorspace requirement (in sqm)</b>
10 – 11 units but < 1,000 sqm	80 sqm
12 – 14 units but < 1,000 sqm	160 sqm
15 + units but < 1,000 sqm	240 sqm
1,000-1,199	80 sqm
1,200-1,499	160 sqm
1,500-1,799	240 sqm
1,800-1,999	320 sqm
2,000-2,199	400 sqm
2,200-2,399	480 sqm
2,400-2,499	560 sqm
<b>2,500+</b>	<b>25%</b>

<b>Table 2 Sites outside Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia, where the proposal relates to land having a low existing use value</b>	
<b>Additional floorspace/units (gross external sqm)</b>	<b>Floorspace requirement (in sqm)</b>
10 units but < 1000 sqm	80 sqm
11 units but < 1000 sqm	160 sqm
12 -13 units but < 1000 sqm	240 sqm
14 units but < 1000 sqm	320 sqm
15 + units but < 1000 sqm	350 sqm
1,000 - 1,099	80 sqm
1,100 - 1,199	160 sqm
1,200 -1,399	240 sqm
1,400 -1,499	320 sqm
1,500 -1,599	400 sqm
1,600 -1,799	480 sqm
1,800 - 1,899	560 sqm
1,900 - 2,099	640 sqm
2,100 - 2,299	720 sqm
2,300 - 2,499	800 sqm
<b>2,500+</b>	<b>35%</b>

**Table 3 Sites outside Core CAZ, Paddington Opportunity Area and named streets in Marylebone and Fitzrovia, other than land having a low existing use value (Table 2)**

<b>Additional floorspace/units (floorspace is gross external sqm)</b>	<b>Floorspace requirement (in sqm)</b>
10 -11 units but < 1,000 sqm	80 sqm
12 – 14 units but < 1,000 sqm	160 sqm
15 - 17 units but < 1,000 sqm	240 sqm
18 – 19 units but < 1,000 sqm	320 sqm
20 + units but < 1,000 sqm	350 sqm
1,000-1,199	80 sqm
1,200-1,499	160 sqm
1,500-1,799	240 sqm
1,800-1,999	320 sqm
2,000-2,199	400 sqm
2,200-2,399	480 sqm
2,400-2,499	560 sqm
2,500-2,899	640 sqm
2,900-3,199	720 sqm
3,200-3,499	800 sqm
3,500-3,899	880 sqm
3,900-3,999	960 sqm
4,000-4,099	960 sqm
4,100-4,199	1,040 sqm
4,200-4,399	1,120 sqm
4,400-4,499	1,200 sqm
4,500-4,699	1,280 sqm
4,700-4,799	1,360 sqm
4,800-4,999	1,440 sqm
5,000-5,099	1,520 sqm
5,100-5,299	1,600 sqm
5,300-5,399	1,680 sqm
5,400-5,599	1,760 sqm
5,600-5,699	1,840 sqm
5,700-5,799	1,920 sqm
5,800-5,999	2,000 sqm
<b>6,000 +</b>	<b>35%</b>

**Map 1. Areas referred to in Tables 1, 2 and 3**



## 8. Examples:

The affordable housing required in the following cases are as follows:

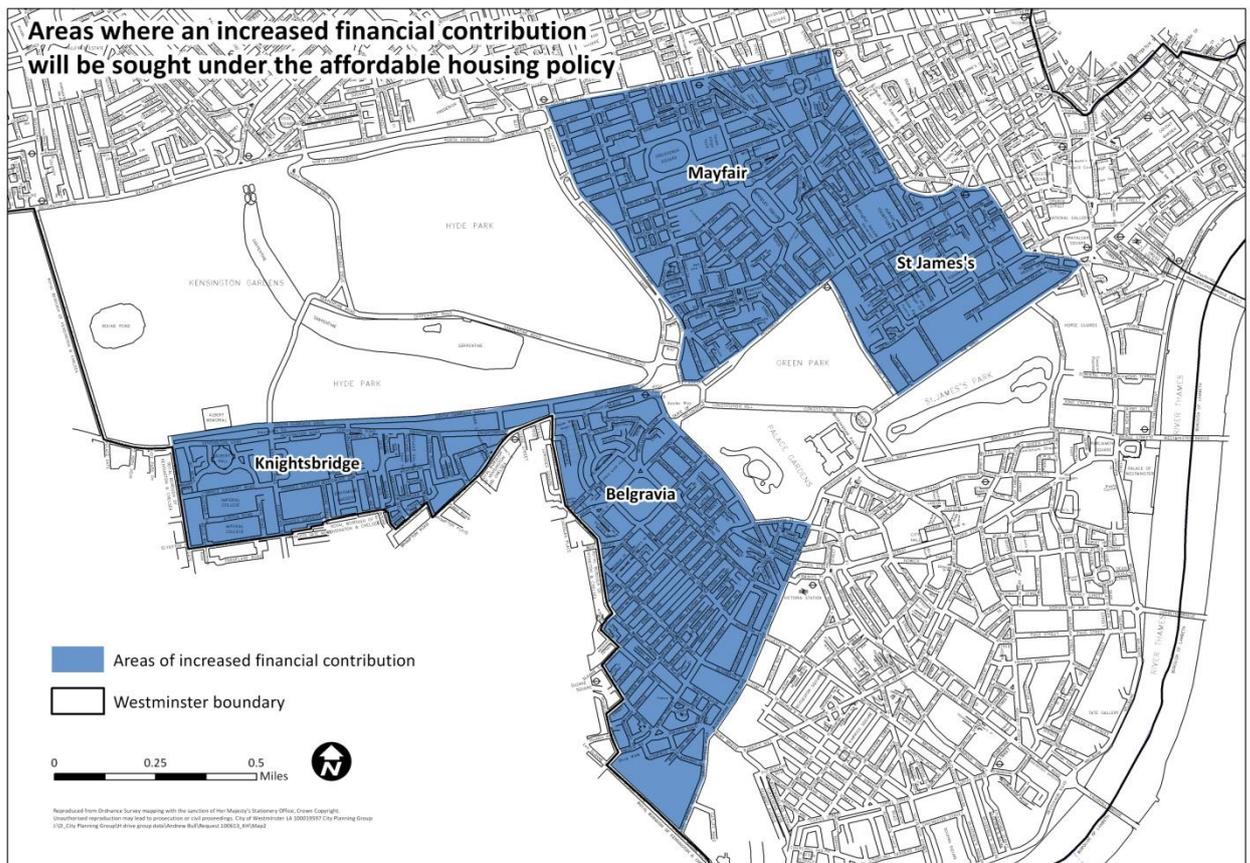
- **3 units /1,200 sqm increase (in Core CAZ): floorspace threshold applies = 160 sqm affordable floorspace required**
- **11 units /780 sqm increase (in Core CAZ): unit threshold applies = 80 sqm affordable floorspace required**
- **15 units/2,000 sqm increase (outside Core CAZ not a low existing use value): floorspace threshold applies = 400 sqm affordable floorspace required**
- **20 unit/1,500 sqm increase (outside Core CAZ with a low existing use value): floorspace threshold applies = 400 sqm affordable floorspace required**

**NB.** The forthcoming development management policies will set out floorspace proportions for affordable housing which, following consultation, may differ from the requirements set out in Tables 1, 2 and 3 above.

## 9. Calculation of Payments in Lieu

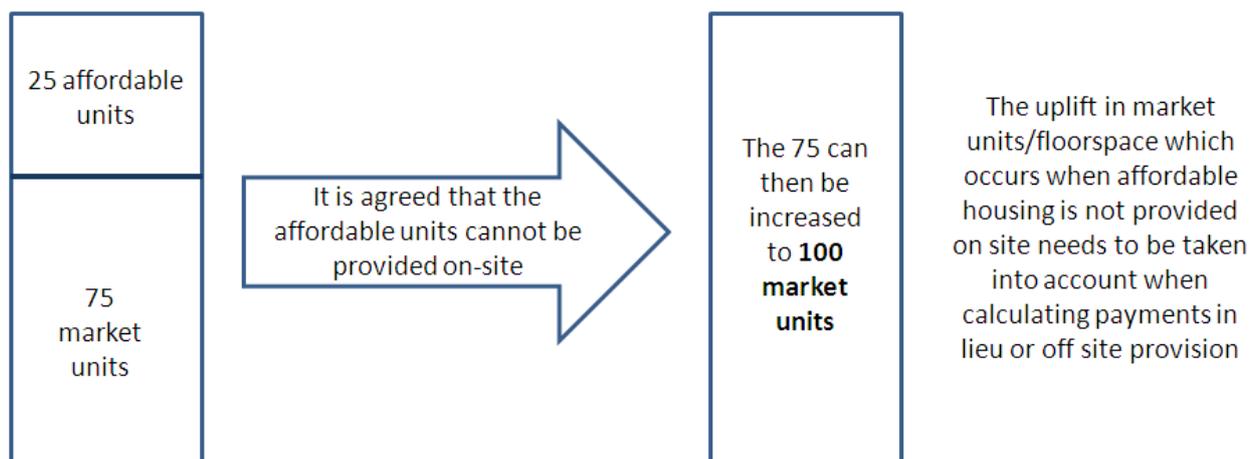
- 9.1 Westminster's City Plan (Strategic Policies) policy S16 only allows for payments in lieu (PiL) of affordable housing provision where the council considers it is not practical or viable to provide it on site or, failing that, off-site. In those circumstances, PiL will be acceptable as a last resort.
- 9.2 Prior to the adoption of the development management policies, the PiL will be calculated as per the UDP formula which is explained below in Table 4 below, but the unit requirement will be converted to a floorspace requirement as per Tables 1, 2 and 3 above. The methodology below factors in the increased amount of on-site market housing that will arise from having no (or partial) on-site affordable housing i.e. the 'uplift' in market housing which occurs when affordable housing is not provided on site. This is the **% increase in market floorspace (c)** in the examples below.
- 9.3 The per unit sum is updated annually on 1<sup>st</sup> April to reflect changes in land values that have occurred in the preceding 12 months. It is currently (2015/16) **£287,000** per unit, and **£383,000** in schemes in the higher value areas of Knightsbridge, Belgravia, Mayfair and St. James's.

Map 2. Higher value areas



Example: 100 unit development.

Using City Plan Policy S16, UDP Policy H 4 and Table 1 the developer would need to provide 25 of the 100 units as affordable units (i.e. 25% of total floorspace)



- 9.4 The methodology for calculating the PiL is likely to change when the development management policies are at a stage where they can be used for development management purposes and have material weight.
- 9.5 N.B. The example calculations below use the per unit sums agreed for 1 April 2015 – 31 March 2016.

<b>Table 4. Formula for calculating a payment in lieu</b>						
<b>(a)</b>	<b>x</b>	<b>(b)</b>	<b>x</b>	<b>(c)</b>	<b>=</b>	<b>PiL</b>
<b>No. of affordable units required</b> Based on appropriate Table 1, 2 or 3 to determine amount of <b>affordable housing floorspace required</b> , then <b>divide</b> by <b>80 sqm</b> (to represent the average gross external floorspace of an affordable unit).		<b>per unit sum</b> From 1 <sup>st</sup> April 2015 £287,000 per unit (£383,000 per unit in high value areas see Map 2)		<b>% increase in market floorspace</b> i) Increase in market floorspace from not providing affordable onsite (same as amount of affordable housing floorspace that would have been provided – see (a)); ii) Divided by the amount of market floorspace expected had affordable housing been provided on site (total floorspace minus affordable floorspace that would have been provided (see (a)); iii) Multiplied by 100		

<b>Table 5. Example 1: 3 units /1,200 sqm additional residential floorspace inside Core CAZ not in higher value area</b>						
<b>(a)</b>	<b>x</b>	<b>(b)</b>	<b>x</b>	<b>(c)</b>	<b>=</b>	<b>PiL</b>
<b>No. of affordable units required</b> Table 1: Affordable Floorspace Requirement = 160sqm 160 divided by 80 = 2 affordable units		<b>per unit sum</b> £ 287,000		<b>% increase in market floorspace</b> i) Increase = 160 sqm (1,040sqm to 1,200sqm) ii) 160 divided by 1,040 iii) x 100 = 15.4%		
<b>2</b>	<b>x</b>	<b>£ 287,000</b>	<b>x</b>	<b>1.15</b> (% increase expressed as a number)	<b>=</b>	<b>£ 660,000</b> (£660,100 rounded)

**Table 6. Example 2: 15 units/2,000sqm additional residential floorspace outside Core CAZ not in low existing use value area**

<b>(a)</b>	<b>x</b>	<b>(b)</b>	<b>x</b>	<b>(c)</b>	<b>=</b>	<b>PiL</b>
<b>No. of affordable units required</b>  Table 3: Affordable Floorspace Requirement = 400sqm  400 divided by 80 = 5 affordable units		<b>per unit sum</b>  £287,000		<b>% increase in market floorspace</b>  i) Increase = 400sqm (1,600sqm to 2,000sqm) ii) 400 divided by 1,600 iii) x 100  = 25.0%		
<b>5</b>	<b>x</b>	<b>£287,000</b>	<b>x</b>	<b>1.25</b> (% increase expressed as a number)	<b>=</b>	<b>£ 1,794,000</b> (£ 1,793,750 rounded)

**Table 7. Example 3: 25 units/5,000sq m additional residential floorspace inside Core CAZ in higher value area**

<b>(a)</b>	<b>x</b>	<b>(b)</b>	<b>x</b>	<b>(c)</b>	<b>=</b>	<b>PiL</b>
<b>No. of affordable units required</b>  Table 1: Affordable Floorspace Requirement = 1,250sqm  1,250 divided by 80 = 16 affordable units		<b>per unit sum</b>  £383,000		<b>% increase in market floorspace</b>  i) Increase = 1,250sqm (3,750sqm to 5,000sqm) ii) 1,250 divided by 3,700 iii) x 100  = 33.8%		
<b>16</b>	<b>x</b>	<b>£383,000</b>	<b>x</b>	<b>1.34</b> (% increase expressed as a number)	<b>=</b>	<b>£8,212,000</b> (£8,211,520 rounded)

In situations where a developer can only provide a partial amount of their affordable housing requirement on site and the council agrees a payment in lieu to make up the shortfall, a different formula is used to calculate the payment for the remaining requirement:

<b>Table 8. Example 4: 5,300 sqm additional residential floorspace outside Core CAZ not in a low existing use value area with 800 sq m affordable housing floorspace on-site</b>												
<b>Step 1</b>		<b>Step 2</b>		<b>Step 3</b>		<b>Step 4</b>		<b>Step 5</b>		<b>Step 6</b>		<b>Step 7</b>
<b>Amount of affordable floorspace required</b>		<b>% increase in market floorspace from not providing the total affordable requirement on site</b>		<b>'new' total amount of affordable floorspace required</b>		<b>shortfall in affordable floorspace</b>		<b>Shortfall in affordable units</b>		<b>per unit sum</b>		<b>PiL</b>
Table 3: Affordable Floorspace Requirement = 1,680 sqm		<p>i) Increase = 880 sqm (3,600sqm to 4,500sqm)</p> <p>ii) 880 divided by 3,600</p> <p>iii) x 100</p> <p>= 24.3%</p> <p>= 1.24</p> <p>(% increase expressed as a number)</p>		<p>(policy requirement multiplied by % increase in market floorspace)</p> <p>1,680 sqm x 1.24</p> <p>=2,083 sqm</p>	=	<p>('new' total amount of affordable required minus actual provision)</p> <p>2,083 – 800</p> <p>=1,283 sqm</p>		<p><math>1.283 \div 80 =</math></p> <p>16.0375 units</p>		£287,000		Units required x per unit sum
1,680 sqm		1.24		2,083 sqm	=	1,283 sqm		<b>16.0375</b>	<b>X</b>	<b>£287,000</b>	=	<b>£4,603,000</b> (£4,602,763 rounded)

## **10. Mixed Use**

10.1 Westminster's City Plan (Strategic Policies) policy S1; 'Mixed Use in the Central Activities Zone' seeks an equivalent amount of residential floorspace on-site where proposals increase the amount of commercial floorspace and where the council considers this to be appropriate and practicable. Prior to the adoption of Westminster's City Plan (Strategic and Development Management Policies) and where it is not considered appropriate or practicable to provide the residential requirement on-site, the approach set out in paragraph 1.66 -1.68 of UDP policy CENT 3 and paragraphs 2.30 – 2.32 of UDP policy COM 2, will be used. The per unit sums are those set out in paragraph 9.3 above.

**This interim policy application note is offered without prejudice to the eventual policies within Westminster's City Plan (Strategic and Development Management Policies) which will be subject to the appropriate statutory consultation, examination and formal adoption.**

**November 2013 (payment in lieu figure updated 1<sup>st</sup> April 2015)**