

Local Plan Independent Examination

OPDC Response to Matter and Issue 9

Matter 9: Whether the Plan’s policies towards the provision of affordable housing would be justified or effective (derived from the twenty-fourth Key Issue of table 5 of Key document 5 identified at Regulation 19(1) stage and the first Key Issue of table 7 of Key document 5 identified at Regulation 19(2) stage and representations 2/H2/2 by GLA, LBBarnet, LBBrent, LBE, LBHarrow, LBHounslow, LB Hillingdon, LBH&F, 2/H2/12 by Sian Berry AM and 2/G/55, 2/H3/1 and 2/G/55 and 2/H3/2 by Old Oak Park Ltd amongst others)

Although I am content with the officers’ response to this Matter set out in Appendices E and J to Key document 5, a Hearing session will be required if representors exercise their right to be heard.

OPDC response:

1.1 The London Boroughs of Brent, Ealing and Hammersmith & Fulham and others have raised concerns about whether the proposed affordable housing tenure split of 30% social rent/London Affordable Rent and 70% Intermediate meets the objectively assessed need for market and affordable housing as required by the National Planning Policy Framework (NPPF). OPDC and the 3 boroughs have set out their respective positions in an Issues Statement which has been provided to the Inspector and published on OPDC’s examination webpage.

Overarching 50% Affordable Housing Requirements

1.2 In his 2018 London Housing Strategy (document OSD23), the Mayor of London expects the GLA’s functional bodies, including OPDC, to target an average of 50% affordable housing across the portfolio of new sites they bring forward.

1.3 The Draft New London Plan (document OSD14) policy H6b requires public sector land and de-designated Strategic Industrial Location (SIL) land to meet a 50% affordable housing threshold to be considered for the fast-track planning route. This means that residential developments meeting or exceeding a 50% affordable housing without public subsidy are not required to submit detailed viability information. Approximately 90% of OPDC’s developable area is public sector land or de-designated SIL land and will be required to meet this higher threshold in order for a scheme to be fast-tracked. The threshold for other sites will be a minimum of 35% affordable housing without public subsidy to follow the fast-track route.

1.4 Given the strategic direction to functional bodies in the Mayor’s London Housing Strategy (document OSD23) and the threshold requirements in the Draft New London Plan (document OSD14), OPDC has developed Policy H2 to set an overall target of 50% affordable housing to achieve general conformity with the Draft New London Plan under

section 24 (1)(b) of the Planning and Compulsory Purchase Act 2004 and consistency with the NPPF.

Affordable Housing Tenures

- 1.5 The Draft New London Plan (document OSD14) requires a tenure mix policy that includes at least 30% of the affordable housing as social rent and/or London Affordable Rent, 30% as intermediate and 40% to be a combination of the above based on need, determined locally. The Mayor's preferred housing tenures, set out in the London Housing Strategy and Draft New London Plan, are social rent and/or London Affordable Rent for eligible households on the lowest incomes and London Living Rent and London Shared Ownership for households who cannot afford to rent or buy on the open market. All of these tenures meet the requirements of the NPPF.
- 1.6 OPDC's Strategic Housing Market Assessment (SHMA) (document SD44) identifies a need for 86% social rent and/or London Affordable Rent. However, this need is model based and considers whether different household types can afford to rent or buy a home on the open market in the local area. It does not consider whether individual households would qualify for allocation of social rent. Actual qualification is determined by the borough's housing allocations schemes and is determined through the Housing Act 1996 and other homelessness legislation.
- 1.7 By providing a greater range of affordable housing tenures, OPDC can help to ensure a mixed, balanced and sustainable community with housing that is affordable to people on a range of household incomes. This includes London Living Rent for people who would otherwise be living in the private rented sector and be unable to afford to save a deposit to buy their own home. It also includes London Shared Ownership for households who are unable to attain homeownership in the open market. This range of tenures enables people who work in London's essential public services to live and work in the local area.

Affordable Housing Viability

- 1.8 OPDC is required to set a policy that delivers a wide choice of high quality homes, including affordable homes and widen opportunities for home ownership and create sustainable, inclusive and mixed communities informed by an assessment of viability ([para 50, 173 NPPF](#) and [PPG 001 Ref ID 10-001-20180724](#)) to ensure the Local Plan is deliverable and sound. In addition to the SHMA (SD44), which identifies need, OPDC has also produced an Affordable Housing Viability Assessment (AHVA). This (document SD41) has evaluated the economic viability of delivering affordable housing in a range of different scenarios, both in terms of tenures and overall quantum. This has been used in addition to the SHMA's evidence on housing needs to set OPDC's affordable housing policies. The AHVA demonstrates that Policy H2 is deliverable and meets the requirements set out in the London Housing Strategy and Draft New London Plan and demonstrates that a 50% affordable housing target is deliverable.
- 1.9 The AHVA (document SD41) carried out a viability appraisal on five one-hectare notional sites across the OPDC area with a range of densities, locations, sales values and existing use values. This has enabled OPDC to consider how best to achieve the Mayor's 50% affordable housing requirements, whilst also considering the specific requirements and challenges of this complex brownfield area.
- 1.10 The AHVA (document SD41) tested a number of development scenarios and affordable housing levels, including an overall target to deliver 35% and 50% affordable housing respectively with a tenure split in each of 30%, 43% and 70% social rent/London Affordable

Rent housing, with the remainder provided as intermediate housing. Each of these tenure scenarios are compliant with the Draft New London Plan:

- 70% social rent/London Affordable Rent and 30% Intermediate;
- 43% social rent/London Affordable Rent and 57% Intermediate; and
- 30% social rent/London Affordable Rent and 70% Intermediate.

- 1.11 The results are shown in Table 1 below. They are based on current existing use values, likely current/future (non-grown) sales values, construction costs and other costs. Given the requirement for OPDC as a Mayoral functional body to target an average of 50% affordable housing for development and the fact that the Draft New London Plan policy H6b requires public sector land and SIL land to meet a 50% affordable housing target and threshold, the AHVA (document SD41) first tested the tenure splits assuming 50% affordable housing to demonstrate that the tenure policy is sound. None of the sites tested were able to deliver either 70% or 43% social rent/London Affordable Rent. However, three of the sites were able to deliver tenure mix that included 30% social rent/London Affordable Rent and remain viable.
- 1.12 The AHVA (document SD41) also tested the lower threshold. At 35% affordable housing four of the sites were able to deliver an affordable housing tenure mix, including both 30% and 43% social rent/London Affordable Rent and remain viable although viability was generally marginal at 43%. However, with 90% of the sites being public sector land and / or de-designated Strategic Industrial Location, OPDC has had to primarily consider how the 50% affordable housing target and threshold can be reached when setting the overall tenure policy.
- 1.13 None of the sites tested were able to deliver 70% social rent/London Affordable Rent. The appraisals are very sensitive to both the overall percentage of affordable housing but also the percentage of social rent/London Affordable Rent as this tenure generally has values of less than one third of private values whereas London Shared Ownership has values of approximately two thirds of private sales values. This results in more affordable homes overall being delivered.
- 1.14 The appraisals are also very sensitive to potential sales values, construction costs (which are linked to density) and existing use land values (Threshold Land Values) and the viability of the notional sites varies for the same tenure mix depending on these factors. Site B, that has a higher Threshold Land Value and the lowest sales values, cannot deliver 35% affordable housing even with the lowest percentage of social rent/London Affordable Rent.

Table 1- Summary of viability testing

% Overall affordable	London Affordable Rent: Intermediate	Site 1	Site 2	Site 3	Site 4	Site 5
50%	70/30	No	No	No	No	No
	43/57	No	No	No	No	No
	30/70	No	Yes	No	Yes	Yes
35%	70/30	No	No	No	No	No
	43/57	Marginal	Yes	No	Yes	Yes
	30/70	Yes	Yes	No	Yes	Yes

- 1.15 In light of the viability testing above, OPDC has set a target for a minimum 30% social rent/London Affordable Rent. To set a target for social/ rent/London Affordable Rent based on the 86% need would require the overarching affordable housing target to be lower. OPDC maintains that it is justified to apply the proposed tenure split given the viability

evidence in relation to the impact of delivery of London Affordable Rent on the overall quantum of affordable homes that may be delivered. This would not be supported by the Mayor or be in general conformity with the Draft New London Plan (document OSD14). In accordance with the Town and Country Planning Act 1990 Section 21A, as a local planning authority within Greater London, OPDC's Local Plan must be in general conformity with the London Plan.

- 1.16 OPDC has received a letter from the Deputy Mayor (appended to this response) which recognises Old Oak and Park Royal as one of the most challenging Opportunity Areas in London. With the changes made to the policy post consultation, which seek to prioritise more social rent/London Affordable Rent where possible, the Mayor confirms that OPDC is proposing an affordable housing and tenure policy that is in general conformity with the Draft New London Plan (document OSD14). It is also consistent with national policy given the NPPF's requirement for policies to ensure viability and deliverability (see para 173 of NPPF (2012)).

Other Viability Challenges

- 1.17 The AHVA (SD41) shows the challenges in viably delivering high proportions of social rent/London Affordable Rent in the OPDC area. The viability challenge is also evidenced in OPDC's successful bid for funding from the Housing Infrastructure Fund to unlock development in Old Oak North by providing key strategic physical infrastructure. The business case demonstrated market failure in the area and an overall deficit position of £242m that requires significant public sector investment in infrastructure alongside private sector funding to support the quantum of housing required to meet London Plan housing targets.
- 1.18 Whilst it is recognised that viability constraints are not peculiar to OPDC, the area is a challenging and complex industrial location with previous heavy industry to bring forward for housing development compared to more typical local planning authority (LPA) areas. There are specific challenges to viability that are not found to the same extent in neighbouring LPAs such as LBB, LBE and LBH&F. The challenges are summarised in Table 2 and set out in further detail below.

Table 2: Challenges to viability of development in Old Oak and Park Royal

	Challenge	Quantum
1	Majority of land is public sector and/or de-designated industrial land	90% of land. Other LPAs will have a greater variety of land types including existing residential sites that can be intensified.
2	High existing use values due to OPDC being a successful industrial location	£5.2m - £11.6m per hectare
3	High construction costs due to density and sustainability standards	£2,446 - £3,229 per sqm
4	High land contamination costs due to previous industrial uses	Average of £380,000 per hectare
5	Significant on-site strategic infrastructure requirements	Currently estimated at over £3 billion.

6	Relatively lower sales values than other areas of West London	Based on recent planning applications Sales values in the OPDC area are between £700-£800 sqft
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- 1.19 Currently, development in the OPDC area is achieving sales values of between £700 to £800 per square foot. This is evidenced through sales values in the financial appraisals of planning applications that have been approved in the area. This is generally lower than the sales values that are being achieved in similar large-scale mixed use and mixed tenure housing developments in parts of neighbouring LBB, LBE and LBH&F. Evidence from Rightmove (see map 1 below) shows that new homes on mixed-use developments in parts of these boroughs can reach asking prices of £2,000 per square foot. These higher sales values could support higher levels of social rent and/or London Affordable Rent.
- 1.20 Given that much of the developable area in OPDC is being de-designated through the Local Plan from Strategic Industrial Location, there are relatively high existing use values of between £5.2million and £11.6million per hectare due to the area being an existing successful industrial location. High existing use values means it is more challenging to deliver substantial amounts of social rent and/or London Affordable Rent.
- 1.21 In addition to larger brownfield development locations, typically, LPAs would have some under-used sites such as car parks or garages located on existing council housing estates close to existing and sufficient physical and social infrastructure which could be infilled to provide higher levels of social rent/London Affordable Rent. There are no such infill sites within the OPDC developable area.
- 1.22 The existing industrial nature of the land that is being de-designated means that there will be extensive land contamination costs when developing sites for housing. The AHVA (document SD41) has identified that the land remediation costs would likely average £380,000 per hectare and will have to be factored into the costs in any affordable housing viability appraisal. This may limit the ability for a site to contribute high levels of affordable housing and particularly social rent/London Affordable Rent.
- 1.23 As an Opportunity Area with a target to deliver at least 25,500 homes, there will be higher densities than in many other areas and this will result in high construction costs. OPDC's AHVA (document SD41) estimates these to be in the range of £2,446 to £3,229 per square metre. This also has an impact on the viability of delivering higher levels of social rent and/or London Affordable Rent.
- 1.24 The final key challenge in Old Oak and Park Royal compared to other areas is that significant proportions of sites will need to contribute to the delivery of strategic infrastructure. Total strategic infrastructure costs are currently estimated at over £3 billion.
- 1.25 In recognition of the viability challenges, OPDC has sought to make amendments to Policy H2 and the supporting text to support delivering the maximum amount of social rent/London Affordable Rent deliverable on sites. The changes include:
1. 30% Social rent/London Affordable Rent is now clearly expressed as a minimum requirement, meaning more than 30% where viable can be delivered.
 2. Prioritising additional social rent/London Affordable Rent units where early, mid and late stage review mechanisms demonstrate additional development value.
 3. Where schemes meet the Mayor's threshold and public grant becomes available, the policy confirms it will also prioritise social rent/London Affordable Rent housing.
 4. If schemes do not meet the Mayor's threshold and benefit from the Fast Track Viability route, the policy will seek to exceed the social rent/London Affordable Rent tenure target – this will be another incentive to push developers to meet the threshold and be determined through a thorough assessment of viability.

5. Recognising the importance of securing affordable housing for London's essential workers (key workers).
6. Reviewing the whole policy and its associated evidence at the earliest opportunity following adoption to ensure that it remains deliverable.

Family housing and viability

- 1.26 There were a range of views expressed in relation to family housing, including the viability of delivering 25% family housing in a high density location and whether a target should be set for market and intermediate housing.
- 1.27 OPDC's SHMA (document SD44) has identified that there is a clear need for family sized housing units (3 or more bedrooms) across the affordable (51%) and market (64%) respectively. This is in contrast to actual delivery across tenures in London in the last 10 years which has seen about 20% of all homes being delivered as family units.
- 1.28 The AHVA (document SD41) tested the impact of delivering different bed size mixes:
 - SHMA mix for all tenures: London Affordable Rent, Intermediate and market meaning large amounts of family housing overall;
 - Market delivery for all tenures London Affordable Rent, Intermediate and market; and
 - 25% family housing overall to include SHMA compliant London Affordable Rent, recognising that the market can be incentivised to increase the delivery of family housing above the current 20% pan-London provision.
- 1.29 Of the four bed size mixes tested, the most viable is the market delivery of unit sizes across all tenures which generally results in smaller units. The least viable is the delivery of all units at the size requirements set out in the SHMA (document SD44). A greater emphasis on 1 and 2 beds units increases the overall viability of development as these units usually have a higher value per square foot than family units.
- 1.30 The Draft New London Plan (document OSD14) states that boroughs should not set prescriptive size mix requirements for market and intermediate homes. However, Policy H3 specifies that developments should deliver a London Affordable Rent housing mix in accordance with OPDC's most up to date SHMA (document SD44). This meets the acute need for London Affordable Rent but also provides some market family and intermediate housing to help meet local needs. It provides a balance between delivering 50% family housing requirements as identified in the SHMA and providing an appropriate design response for high density family housing.
- 1.31 Setting an artificially high family housing target would mean that many units delivered would not have access to acceptable private or communal amenity space or other amenities. These units would unlikely be attractive to families with children.

Conclusions

- 1.32 Overall OPDC consider that this demonstrates that the affordable housing and family policies are sound, effective and deliverable. In setting sound affordable tenure and family housing policies, OPDC has had to take account of, and balance, several factors, including:
 - The requirement in the Draft New London Plan (document OSD14) that public land and de-designated Strategic Industrial Location that must achieve at least 50% affordable housing without public subsidy to meet the fast-track threshold.
 - The 86% need for social rent/London Affordable Rent identified in OPDC's SHMA (document SD44).

- Evidence in the AHVA (document SD41) that only 30% social rent/London Affordable Rent can viably deliver 50% affordable housing.
- The specific viability challenges of developing within Opportunity Areas which have complex brownfield land which require significant investment in physical infrastructure.
- The 51% need for family housing identified in OPDC's SHMA and the need to provide adequate access to private or communal amenity space.

1.33 OPDC considers that the policy is in general conformity with the Draft New London Plan. It is also consistent with national policy given the NPPF's requirement for policies to ensure viability and deliverability.

Appendix**Table 3: Data from Rightmove on expected sales values in other high-density schemes in West London**

No.	Sq ft	Asking price	per SQ ft	Address	Postcode
1	1129	£2,300,000	£2,037	Goldhurst House, Fulham Reach, Fulham	W6 9GD
2	934	£1,500,000	£1,606	Lillie Square, Lillie Road, Earls Court	SW6 1UE
3	571	£900,000	£1,576	Lockside House, Chelsea Creek, Fulham	SW6 2FS
4	438	£635,000	£1,450	Dickens Yard, Ealing	W5 2UQ
5	898	£1,039,950	£1,158	Filmworks, 56-61 New Broadway, Ealing	W5 2TD
6	525	£565,000	£1,076	Birchside Apartments, 1 Albert Road, Queens Park	NW6 5FS
7	867	£900,000	£1,038	Marquis House, Sovereign Court, 45 Beadon Road, Hammersmith	W6 0JZ
8	1201	£985,000	£820	The Avenue, Queens Park	NW6 7YG

Map 1: Rightmove evidence of asking prices

