

PART 1

Decision Maker: DEVELOPMENT CONTROL COMMITTEE

Date: Tuesday 24th March 2015

Decision Type: Non-Urgent Non-Executive Non-Key

Title: LB BROMLEY LOCAL INTERMEDIATE HOUSING INCOME THRESHOLD REVIEW

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Chief Officer: Jim Kehoe, Chief Planner

Ward: (All Wards);

1. Reason for report

This report seeks Members agreement to amend the income threshold for intermediate housing to reflect the changes primarily in housing prices to ensure the housing is accessible to local residents. The Council's current local intermediate housing income threshold figure of £35,000 does not adequately reflect local house prices and incomes. The Council's Supplementary Planning Documents on Affordable Housing and Planning Obligations specify that the figure will be reviewed regularly. This is further supported by recent requests for deeds of variations to S106 agreements to adjust the threshold to allow intermediate units to be more accessible to households on slightly higher incomes.

2. **RECOMMENDATION(S)**

(i) **Agree reviewed local upper limit intermediate housing income thresholds for 1, 2 and 3 bedroom units as follows:**

1 bedroom units	£38,800
2 bedroom units	£50,500
3 bedroom units	£62,500

GLA upper limit applies to 4 bedroom units+

Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Quality Environment:
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Financial

1. Cost of proposal: No Cost:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Planning Division Budget (Excl Building Control & Land Charges)
 4. Total current budget for this head: £1.588m
 5. Source of funding: Existing controllable revenue budget for 2014/15
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Staff

1. Number of staff (current and additional): 60ftes
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Not Applicable:
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): All residents in the Borough as well as those making planning applications for development in the Borough.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

Background

- 3.1 It is considered that there is a need to review the Council's local intermediate housing income threshold figure of £35,000 to ensure current local house prices and incomes are adequately reflected. The Council's Supplementary Planning Documents on Affordable Housing and Planning Obligations specify that the figure will be reviewed regularly. This is further supported by recent requests for deeds of variations to S106 agreements to adjust the threshold to allow intermediate units to be more accessible to households on slightly higher incomes.
- 3.2 Some initial work was undertaken in September 2014 by the Council's Planning Policy and Housing Teams to ascertain whether the cap should be raised and to what extent. Initial findings showed that the eligibility criteria could be increased to £45,000 but ongoing work highlighted that setting thresholds for different sized dwellings would be advantageous and reflect differences in prices of the units.
- 3.4 A deed of variation for DC/11/02100/FULL1 High Street Beckenham was considered and agreed by Development Control Committee in February 2015 to make reference to an income threshold of £45,000.

4.0 Policy Context

National Planning Policy Framework (March 2012) (NPPF)

- 4.1 To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:

"Where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time" (paragraph 50, bullet 3).

The London Plan (The Spatial Development Strategy for London consolidated with changes since 2011)

- 4.2 The definition of affordable housing within Policy 3.10 states that affordable housing is 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. Paragraph 3.61 specifies that intermediate housing should meet the criteria outlined in Policy 3.10 and be homes available for sale or rent at a cost above social rent but below market levels. These can include shared equity other low cost homes for sale and intermediate rent, but not affordable rent. Households whose annual income is in the range of £18,100 - £66,000 should be eligible for new intermediate homes. For homes with more than two bedrooms, which are particularly suitable for families, the upper end of this eligibility range will be extended to £80,000. These figures will be updated annually in the London Plan Annual Monitoring Report.
- 4.3 Paragraph 3.62 specifies that eligibility criteria for intermediate housing may be set locally to recognise the individual characteristics of local housing markets but should not compromise Policy 3.11 to maximise affordable housing provision. If boroughs wish to set eligibility criteria below the levels set out above planning conditions or agreements should secure them at the reduced levels for no more than three months from the point of initial marketing (whether that be when new or at re-sale or re-let) and they should then be offered without further restrictions to those who meet the London-wide eligibility criteria as set out in the London Housing Strategy.
- 4.4 The latest update set out in the GLA 2014 London Plan Annual Monitoring Report (LPAMR) sets the upper threshold at £66,000 and for homes with more than two bedrooms £80,000. For information paragraph 3.33 of the LPAMR specifies that for criterion A of Policy 3.10 that provision is affordable to be met, the purchase price must be no greater than 3.5 times the household income limit specified or (for products where a rent is paid) the annual housing costs, including rent and service charge, should be no greater than 40% of net household income.

- 4.5 Paragraph 3.62 of the LPAMR expands on the above specifying that increased provision of intermediate housing is one of the ways in which the supply of affordable housing can be expanded and qualifying prices and rents should be set locally to recognise the individual characteristics of local housing markets.

2015-18 GLA Housing Investment Programme

- 4.6 The Council has agreed with the GLA for the inclusion of the following clause within its 2015-18 GLA Programme which refers to local affordability criteria and thus, will be applicable to any scheme within an RP GLA programme during this timescale:

“The borough will expect intermediate units to adhere to local affordability criteria set out within local planning guidance (currently under review). These criteria will cascade, pan London, to London Plan affordability levels after 6 months of exclusive marketing to Bromley residents. All homes must be marketed at least 9 months before completion.

The provider of the shared ownership units will be required to notify the Council’s Housing Needs team of the availability of units 4 weeks in advance of the exclusive Bromley marketing period and to provide detailed marketing literature that may be placed on the Council website”.

- 4.7 Any schemes included within the above Programme/Framework would need to adhere to the above clause. The clause would also need to be included within relevant S106 agreements.

Housing Supplementary Planning Guidance (November 2012)

- 4.8 Paragraph 4.2.7 makes reference to affordability thresholds highlighting that ranges are updated annually to reflect changes in lower quartile house prices.
- 4.9 Paragraph 4.2.10 specifies that local planning authorities should seek to ensure that intermediate provision is for households within the full range of incomes below the upper limit and provides a range of dwelling types in terms of a mix of unit sizes in light of priority attached to provision of affordable family accommodation. In ensuring intermediate products are properly accounted as affordable housing, boroughs should test the associated housing costs against comparable market products taking into account size, quality and location (para 4.2.12).

Unitary Development Plan (2006) and Affordable Housing (2008) and Planning Obligations (2010) Supplementary Planning Documents (SPDs)

- 4.10 Paragraph 4.19 of the Unitary Development Plan specifies that intermediate housing is sub-market housing available to people on moderate incomes who cannot afford to buy or rent housing generally available on the open market. This is presently defined as households on an income of less than £40,000 per annum (as at 2004), however this figure will be reviewed annually to reflect changes in income:house price ratios. Intermediate housing may take the form of shared ownership, low cost home ownership or sub market rented housing. Through the SPD process (2008) the figure of £40,000 was reviewed and amended to £35,000 per household.

5.0 Review of LB Bromley Local Intermediate Housing Affordability Threshold

- 5.1 Examples of schemes below illustrate that units have been acquired above and below the current eligibility threshold of £35,000 over the past year. Importantly though the size of deposits that have been made available have varied considerably too and three of the unit types listed below have been acquired by households in excess of £35,000 (possibly with large deposits).

Homesdale Road, Bromley (Moat Housing Completed February 2014)

Unit	Household income range	Average household income
1no one bed flat	£27,000 (deposit £29,005)	£27,000

6no two bed flats	£25,315 - £47,528 (deposit range £3,740 - £29,005)	£39,448 (average deposit - £12,236)
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Share range: 30% - 60%

The Ridge, St Mary Cray (Affinity Sutton based on 18 reservations (as at 1 September 2014))

Unit	Household income range	Average household income
5no one bed flats	£20,358 – £48,360 (deposit range £4,000 - £25,000)	£32,271 (average deposit £13,200)
11no two bed flat	£23,629 – £55,985 (deposit range £4,000 - £12,000)	£36,973 (average deposit £6,773)
2no three bed flats	£23,000 – £25,666 (deposit range £10,000 - £35,000)	£24,333 (average deposit - £22,500)

Share range: 35% - 60%

- 5.2 The above illustrates that a review of the current threshold of £35,000 is justified to ensure intermediate units are more accessible to households on higher incomes and to also reflect increases in local house prices.
- 5.3 To establish an upper limit gross income threshold for intermediate housing it is considered that finding the midpoint between social-rented unit capitalised values (SHMA 2014) and lower quartile house prices (SELHP April 2014) would be appropriate (see Table 1 below) to establish a value upon which to work out the income level.

	Social rented (SHMA 2014)		Lower quartile house prices (SELHP April 2014)	Midpoint between social rented capitalised values and lower quartile house prices
1 bed unit	<£106,900 capitalised value	<£600 monthly cost	£165,000	£135,950
2 bed unit	<£133,700 capitalised value	<£750 monthly cost	£220,000	£176,800
3 bed unit	<£142,600 capitalised value	<£800 monthly cost	£294,613	£218,606
4 bed unit	<£151,500 capitalised value	<£850 monthly cost	£430,000	£290,750

Table 1: Price thresholds used for the affordability calculation (SHMA 2014) and Lower quartile house prices (SELHP Market Trends Bulletin April 2014))

- 5.4 The mid-point values can then be divided by 3.5 to establish the gross income that would be needed to access the units (based on GLA advice that the purchase price must be no greater than 3.5 times the household income limit specified) or for products where a rent is paid the annual housing costs, including rent and service charge, should be no greater than 40% of net household income. The household income required to access the units is set out below:

- 1 bedroom £38,842 (40% net income = £906 / month)
- 2 bedroom £50,514 (40% net income = £1178/month)
- 3 bedroom £62,458 (40% net income = £1457/month)

- 5.5 It is considered that a range of upper limit income thresholds for 1, 2 and 3 bedroom units would be more suitable than setting an individual threshold overall. This approach ensures appropriate income levels can be set for different unit sizes in line with the ranges set out above. It is also in line with the GLA's approach that partly differentiates between different sized units. The GLA upper limit of £80,000 is considered applicable for 4+ bedroom units.
- 5.6 The table attached to this report in Appendix 1 illustrates that current share to buy units could be accessed on the suggested income ranges based on 40% net income being available for annual housing costs, including rent and service charges.

Responses on the above approach from Registered Providers

- 5.7 Registered Providers were informed of the above approach and their responses are summarised below (RP) and LBB Planning officer comments on the RP responses are shown in italics.

- (i) RP - Threshold review welcomed and methodology/income thresholds supported. Improvement on existing threshold of £35,000 for all sized units. Welcome London-wide criteria after three months.

LBB officer – RP response is noted and welcomed. See paragraph 4.6-4.7 above in relation to 2015-18 GLA Framework/Programme and when GLA thresholds apply.

- (ii) RP - House price growth in recent years has exceeded all expectations yet incomes have remained almost stagnant apart from in the last quarter. Resulted in widening affordability gap for those people to access home ownership, drawing buyers to shared ownership units resulting in demand exceeding supply tenfold. Hometrack data shows house prices nine times average incomes.

LBB officer – RP response is noted.

- (iii) RP - Income restrictions should be set at GLA levels (including 4 bed units that should be set at GLA upper limit) however it is understood why the Council might want to ensure local residents can access intermediate housing.

Proposed thresholds for different sized units does not simplify purchaser journey and is at odds with what GLA are trying to achieve. Where boroughs operate local thresholds it can be perceived arbitrary by prospective customers and disincentive to pursuing their interest. The following issues can also arise; advantage to buyers with large deposits, creates anomaly to adjoining boroughs that use Mayor's criteria, creates longer sales periods, excludes households whose income exceeds local criteria but lower than Mayor's criteria.

LBB officer – RP response noted. The aim of the proposed local thresholds for different unit sizes is to ensure they are made available for local residents to access initially based on local house prices in line with GLA guidance. Appendix 1 illustrates that recent schemes could be accessed on the proposed thresholds. It is considered that the GLA upper limit should be applicable to 4+ bedroom units.

- (iv) Important to balance current market values against local medium incomes as any large disconnect affects providers as they search for ways to meet affordability constraints (i.e. lowering rent on unsold equity). This can affect the providers viability and restrict supply (i.e. negotiations will try to reduce number of intermediate homes through Planning process).

LBB officer – RP response is noted.

- (v) RP - The intermediate housing values set out by LB Bromley are low for the area (Hometrack data useful). The following median values are considered more realistic: 1 bed unit - £205,000, 2 bed unit - £273,034, 3 bed unit - £300,000 (although average on open market = £427,578 for a 3 bed unit). GLA guidance of 3.5 times divider is only a guide and suggests using Capital Funding Guide.

LBB officer – RP response is welcomed and noted. It is considered that the methodology used to establish the midpoint between capitalised social rented units and lower quartile house prices (sub regional SHMA 2014) adheres to GLA advice on reviewing thresholds and results in realistic income

levels by which to access intermediate units. It is noted that prices vary across the Borough but there is concern that the median values above could result in thresholds in excess of those specified by the GLA.

- (vi) RP - Registered providers ran median values through affordability calculator using LB Bromley's proposed income thresholds. For all the median values the proposed income thresholds supported the GLA standard rental charge of 2.75%. It would also result in the first sale being a reasonable share (i.e. 40% as opposed to 25% minimum share – assuming 10% deposit). However when average three bed value of £427,578 was used the share had to be reduced to 25%. Therefore recommend GLA upper threshold of £80,000 is used for 3 bed+.

LBB officer – RP response on appropriateness of LBB income thresholds for 1 and 2 bed units welcomed. Using an average open market value to assess three bed units could result in the value being too high and therefore the necessary income threshold needed also being slightly too high.. Additionally, if local income levels are set too high it could be interpreted that such levels could access the open market in some parts of the Borough. It is important to also note that the Mayor has adopted FALP changes resulting in GLA income levels (i.e. £80,000 for 3 bed +) after 3 months of marketing where relevant (see paras 4.6-4.7 above).

- (vii) RP - In areas of high value consider off site provision of intermediate homes (i.e. areas where proposed income thresholds cannot be met without rental charge being reduced significantly. More value can be derived from an off-site provision ensuring Bromley gets the maximum number of homes and customer will be incentivised to staircase.

LBB officer – Off-site provision can be considered on a case by case basis in accordance with adopted UDP policies H2 and H3.

6.0 POLICY IMPLICATIONS

- 6.1 Any change to the intermediate income threshold as set out in this report would need to be considered alongside the existing SPDs on Affordable Housing and Planning Obligations. The current threshold of £35,000 would be superseded by any thresholds agreed as part of this report.

7.0 LEGAL IMPLICATIONS

- 7.1 Any change to the local intermediate income threshold would need to be reflected in any future legal agreements. If the threshold is not reviewed there is likely to be an increase in deeds of variations on a case by case basis.

Non-Applicable Sections:	Financial
Background Documents: (Access via Contact Officer)	2006 Unitary Development Plan SPDs on Affordable Housing and Planning Obligations Sub regional SHMA 2014 National Planning Policy Framework (March 2012) The London Plan (FALP 2015) GLA Housing SPG GLA Annual Monitoring Report 2014 2015-18 GLA Framework/Programme

Examples of current Borough intermediate housing schemes and reviewed income levels

Location	Full Price	Share price	No. bedrooms	Estimated monthly cost (mortgage, rent and service charge)	40% net threshold income
Ray Hanna Apartments Main Road Biggin Hill TN16 3JR	£170,000	£85,000 (50%)	1	£779	£906
7 William Petty Way Orpington Bromley BR5 4GN	£160,000	£80,000 (50%)	1	£681	£906
24 Archery Lane Bromley BR2 9FR	£210,000	£84,000 (40%)	1	£776	£906
24 Archery Lane Bromley BR2 9FR	£260,000	£104,000 (40%)	2	£988	£1178
Ray Hanna Apartments Main Road Biggin Hill TN16 3JR	£220,000	£99,000 (45%)	2	£946	£1178
Orchard Grove Orpington Bromley BR6 0BF	£250,000	£100,000 (40%)	2	£966	£1178
Stead Close Chislehurst London BR7 6SF	£475,000	£190,000 (40%)	3	£1697	£1457
14 Queen Adelaide Road Penge London SE20 7DX	£373,000	£186,500 (50%)	3	£1093	£1457
The Berry Fields Orpington BR5	£320,000	£80,000 (25%)	3	£976	£1457

Source www.shareto buy.com/sharedownershipproperties
(27/1/2015)