

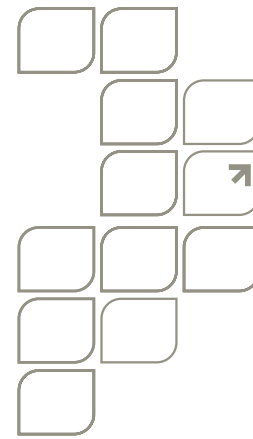
Working together

Homes for Scotland wishes to engage with all parties involved in the provision of affordable and starter homes in an attempt to generate a workable, practical planning policy that respects existing statutory provisions.

All parties involved in providing affordable housing must work together. This requires co-operation between private home-builders, primarily through Homes for Scotland, and public sector interests such as the Scottish Executive, COSLA, Communities Scotland, Local Authority Planning and Housing Departments, specialist housing providers, Registered Housing Associations and other funders.

Suggestions and comments arising from the content of this discussion paper should be submitted to Homes for Scotland by 30 November, 2003.

Where appropriate, please relate comments to paragraph reference numbers. Submissions should be sent to Allan Lundmark, Director of Planning and Communications at the address below, or by e-mail to a.lundmark@homesforscotland.com



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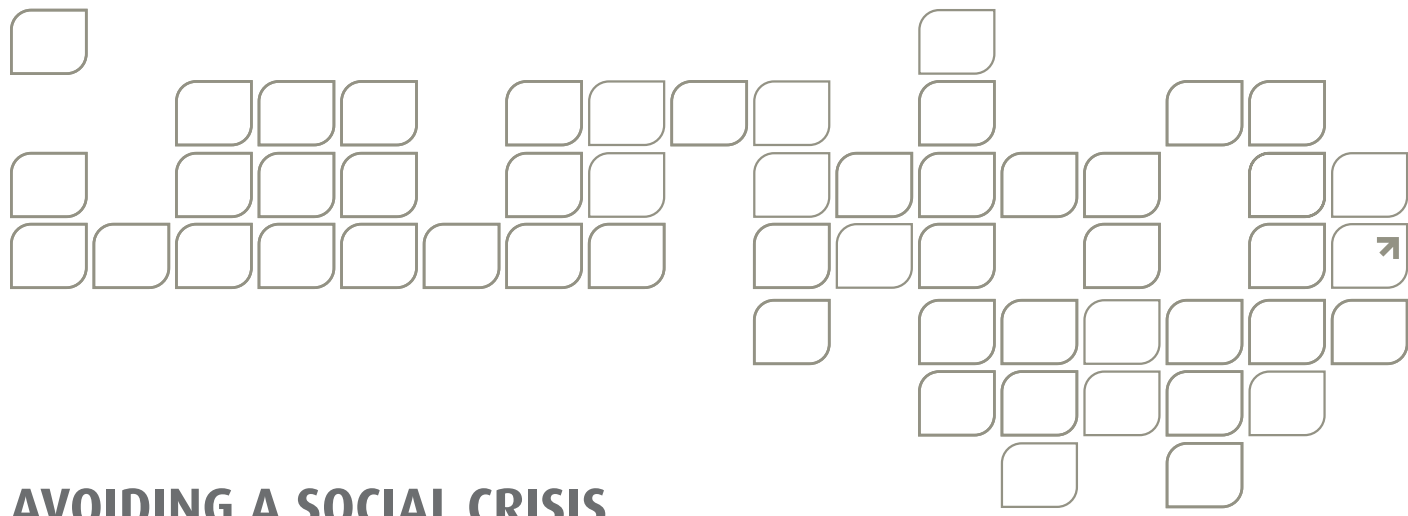
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improving living in scotland



AVOIDING A SOCIAL CRISIS

Affordable housing and Starter homes

A Consultation Paper



It is a fundamental tenet of Homes for Scotland that people should have the right to choose where they want to live and that there should be an adequate and appropriate range of housing in communities throughout Scotland. Homes for Scotland welcomes opportunities to inform and influence debate and decision making on housing in Scotland.

The home building industry, which Homes for Scotland represents, is committed to supporting the Scottish Executive and other public sector organisations in meeting Scotland's current and future housing needs.

Through this paper, Homes for Scotland wishes to consult on a new approach to help national and local government to meet their housing and social inclusion objectives by removing blockages that are hindering the provision of all forms of housing, including social rented and low cost ownership homes.

Following a period of consultation, a final version of this paper will be submitted formally to the Scottish Executive. All relevant comments and suggestions will be made available to interested parties.

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A growing social crisis

- 1.1 Currently, no clear and concise statutory mechanism is available to assist the effective provision of affordable housing. The mechanisms being used are cumbersome and, in some cases, probably ultra vires.
- 1.2 Unilaterally, some planning authorities have introduced policies through Local Plans and by the use of Supplementary Planning Guidance. By and large these initiatives rely upon an uncertain interpretation of statute and have been introduced without engaging fully with the private sector.
- 1.3 Recent policies have failed to deliver affordable housing effectively. These policies are frustrating, delaying and preventing development and, generally, exacerbating the very issue they seek to remedy.
- 1.4 Uncertainty and lack of clarity in stating policy mean that developers and financiers cannot make robust commercial decisions when land is being secured for development.
- 1.5 Every new house, regardless of value, location or tenure, helps to meet need. That said, it is accepted that the operation of the open market precludes access for some people. Affordable housing policies are meant to address this issue and, to a large extent, do so when providers of affordable housing can acquire land for development.
- 1.6 The problems arise in pressured housing market areas where competition for land or demand for stock forces prices up. Current affordable housing policies seek to address this issue but they are not rooted in a firm understanding of development economics or of the workings of the housing market.
- 1.7 The policies, though well intentioned, are contributing to the shortage of housing and helping to fuel inflation in property prices, in turn acting against the provision of affordable housing and magnifying social exclusion issues.
- 1.8 The current system is clearly not working to anyone's benefit. A new approach is required to deliver both affordable housing and homes for the open market.

Setting the Scene

- 2.1 The provision of affordable housing is a concern for Government and the industry alike. Home builders, substantial contributors to a strong Scottish economy, are ready to play a full part in remedying a fast-growing social crisis caused by Scotland's failure to build enough new homes to meet the urgent demands of changing demographics and social aspirations.
- 2.2 Homes for Scotland has estimated that to meet Scotland's projected need for affordable housing, an investment of some £600million of taxpayers' money will be required every year. Any shortfall in this level of investment will mean a corresponding shortfall in the number of affordable homes.
- 2.3 At present there is a widely held belief that affordable homes can be provided through planning gain, at the cost of landowners or developers, in exchange for permission to build. There is no basis for this in law and it can be argued that this is simply taxation by the back door, with no parliamentary consent.
- 2.4 Attempts to develop affordable housing policies have been clouded by several fundamental misconceptions and two particular misconceptions lie at the heart of our current difficulties; first, understanding of the term affordable housing and, second, belief that house prices have been driven upwards by a shortage of land.
 - 2.4.1 Every new house finds a customer who can afford to finance the purchase or the rental of that house. The real social issue is how to assist those who cannot afford the first step into the open housing market. Therefore, the challenge is to provide an appropriate mix of starter homes and affordable family housing.
 - 2.4.2 There is no shortage of land per se in Scotland. At present only some 2% of the nation's land is developed. Seven out of every ten new homes are being built on re-used land. Even if all the new homes needed to meet Scotland's expected needs were built on green field land, it would take 70 years to cover just 3% of our land mass.
- 2.5 What is in short supply is land with planning consent for homes. That shortage of land with planning consent is the under-lying cause of many of Scotland's housing problems and a particular barrier to building new affordable housing. The responsibility for this rests with planning authorities.
- 2.6 Affordable housing is a social need. That need exists in the community irrespective of any development proposal. It does not arise as a direct result of a planning application. Consequently it is not, nor can it be, a planning gain issue.
- 2.7 Expectations on affordable housing can be achieved only through local authorities working with private home-builders, managing planning differently and investing public and other finance effectively.
- 2.8 Policy on affordable housing should be based on a comprehensive understanding and analysis of the needs of the local housing market. Land for affordable housing should be clearly identified and should be additional to the requirements of the private housing market.

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What is affordable housing?

- 3.1 Affordable housing should encompass both low cost market and other forms of housing, irrespective of tenure or ownership and should provide for:
 - key workers
 - shared ownership/equity
 - housing for social rent
 - housing for mid-rent
 - market rental
 - sheltered housing other than that provided at open market values
 - special needs housing
 - houses in multiple occupancy
 - student accommodation
- 3.2 Affordable housing can be provided by a number of agencies or by the private sector and can rarely be provided exclusively by Registered Social Landlords.
- 3.3 Affordable homes should be available to people whose personal circumstances require public and other assistance for permanent homes or for short-term housing needs

Establishing Need

- 4.1 The need for new affordable housing varies within Scotland. Some areas have an adequate supply, or even a surplus, while there are shortages in rapidly growing communities and in rural areas.
- 4.2 Local planning authorities have a duty to establish the number of houses needed and, through their Development Plans, allocate sufficient, effective land for all housing requirements.
- 4.3 While the primary objective is to ensure there is enough land to deliver the required number of houses, planners need to ensure there is a mix of housing types and sizes to provide a balanced range of housing to meet all aspirations and requirements. It is neither a requirement nor desirable that all forms of affordable housing are provided in every settlement or in every development location.
- 4.4 In pressurised markets, all forms of tenure and type are needed. To encourage the creation of mixed communities (SPP3 Para 79), there should be a balanced range of housing opportunities and no exclusive provision for any one group of home-users.

Assessing Need

- 5.1 It will always be necessary to make a formal assessment of the needs for affordable housing. Assessment should include factors such as:
 - Local house prices and rents
 - Local incomes
 - Supply and suitability of the existing local affordable housing, including subsidised and low-cost market housing
 - The size and type of local households
 - The type of affordable housing best suited to local needs.

Options and Choice

- 6.1 Affordable housing in larger planned developments could provide a range of housing opportunities for low cost home ownership, shared ownership, market rental, sheltered and specialist needs housing, together with houses in multiple occupancy and could provide for key workers. Such requirement should be justified by reference to a housing needs assessment.
- 6.2 Homes for Scotland believes that, in planning terms, it is desirable for substantial new housing developments to incorporate a reasonable mix and balance of house types and sizes to cater for a range of needs. To provide that mix, land must be released on the basis that housing demand and need are being met in full in the planning area.
- 6.3 There is a requirement for housing right across the social spectrum. This is most important in pressurised markets such as Edinburgh, East and West Lothian and Aberdeen. It is essential that land is specifically identified for affordable housing.
- 6.4 To provide the necessary range of housing opportunities, it is appropriate higher density and housing mix is used to enable low cost home ownership to be provided more cost-effectively.
- 6.5 Planning briefs for such sites should promote the provision of this much needed accommodation and developers should be aware of this requirement when acquiring land.
- 6.6 While, by law, developers cannot be coerced into providing land for affordable housing, there may be mutual benefit, for social or commercial reasons, to consider off-site development or commuted payments. Commuted payments can only relate to costs associated with land purchase and not the provision of the affordable houses.

Design and Social Inclusion

- 7.1 Affordable homes should not be distinguishable from other forms of housing. Design standards should be on a par with those applied to private homes. It is also important that affordable homes and their environs should be maintained to a high standard so that they are physically integrated effectively into their communities.

Land Supply

- 8.1 An essential component of the delivery of affordable housing is a minimum five-year supply of effective land, approved at the start and maintained in perpetuity, regardless of the status of the Local Plan. The long-term settlement strategy envisaged in SPP3 should also address the provision of affordable housing either as part of planned, balanced mixed-use developments or by identifying specific sites.
- 8.2 By contrast, a policy based upon a reliance on windfall sites will have a damaging inflationary impact on land values thereby exacerbating the problems of affordability. Experience has shown that the greatest delays in the procurement of affordable housing arise from windfall sites.
- 8.3 The main, and potentially most effective, opportunity for providing affordable housing should come from large-scale brown-field opportunities, together with green-field releases of land.

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Developing a solution

- 9.1 As a pre-cursor to considering how the home building industry should advise Government on alleviating the growing crisis, Homes for Scotland conducted extensive consultation with its members, with senior public sector policymakers, and with experts in Scottish planning law.
- 9.2 In addition the Opinion of Senior Counsel was obtained on the practice of some local authorities to make it a condition of planning consent that private home builders allocate a specific proportion of homes for affordable housing.
- 9.3 Homes for Scotland wishes to enter into a dialogue with all public and private sector bodies concerned with the provision of affordable housing. Homes for Scotland believes that the context for that dialogue must be set within the following parameters:
 - 9.3.1 It is unlawful to reject an otherwise acceptable housing proposal because it does not contain an element of affordable housing.
 - 9.3.2 No nexus exists between a planning application for a housing development and affordable housing need, which exists irrespective of the planning application.
 - 9.3.3 Affordable housing need does not arise as a consequence of a planning application for mainstream housing, therefore there is no detriment to be remedied.
 - 9.3.4 It is inappropriate for a planning authority to attempt to coerce a developer to enter into a Section 75 agreement to provide affordable housing.
 - 9.3.5 Planning consent for mainstream housing should not be withheld pending agreement on the provision of affordable homes a practice that is tantamount to selling a planning consent.

Recommendations

- 10.1 Homes for Scotland proposes the following as essential steps towards delivering affordable housing effectively in Scotland:
- 10.2 Planning authorities should identify a significantly increased land supply to meet demand and need in full and should use specific large scale land releases to procure a full range of house types, including starter homes and affordable housing.
- 10.3 When supported by a robust, tested housing needs assessment, a planning authority should be entitled to reserve a proportion of a development site to be made available for affordable housing.
- 10.4 Land made available for affordable housing under a Section 75 Agreement should be valued for affordable housing.
- 10.5 An independent valuation should be required for the transfer of land designated for affordable housing, as planning authorities do not have power to require a capital asset to be transferred at no-cost or at less than commercial value.
- 10.6 Where land for affordable housing is reserved under a Section 75 Agreement, any arrangement to develop that land must stand separate from the consent for the housing covered by the original planning application.
- 10.7 Effective integrated housing development could be achieved through partnerships with Registered Social Landlords or by allowing developers to build an appropriate range of starter homes utilising reduced values for land allocated for affordable housing.
- 10.8 Integrated design of all housing elements in a development should be encouraged, as should phased and orderly building programmes.
- 10.9 To ensure consistency of practice across Scotland in achieving their objectives, the Scottish Executive should direct rather than guide local authorities on these key aspects of delivering affordable housing effectively.