

CD076



AFFORDABLE HOUSING

DRAFT

SUPPLEMENTARY PLANNING

GUIDANCE

Planning and Economic Regeneration
Newport City Council
Civic Centre
Newport
South Wales
NP20 4UR

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AFFORDABLE HOUSING DRAFT SPG

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1 Executive Summary

Housing Needs Survey

1.1 Recent rises in house prices in Newport (20% on average in 2003) have emphasised the findings of the Housing Requirements Study 2003 carried out for the Council by ORS, a spinout company of Swansea University. Comprehensive interviews were carried out with a large sample of households (over 3,500) in Newport, giving an extensive database of information.

1.2 The survey revealed that even those on average income would experience a £40-50,000 affordability gap between the level of mortgage they could sustain and average property prices. In addition to future needs of households that will be unable to secure appropriate accommodation in the private sector, the survey also revealed a considerable backlog of current unmet needs.

Policy Context

1.3 The Welsh Assembly Government has highlighted the importance of securing affordable housing in its policy documents. This is reflected in the Council's Unitary Development Plan, which provides the policy basis for seeking to negotiate elements of affordable housing on all new housing developments.

Basic Requirements

1.4 Although the Housing Requirements Study estimated an annual need for 40% of new house building to be affordable. This could have a significant effect on the viability of schemes, so in order to facilitate development a reduced level of 30% affordable housing is being sought on sites above a certain threshold, currently set at 1 hectare and above and also those of 25 dwellings or more.

1.5 Affordable housing should normally be provided on-site, though in exceptional circumstances it may be provided off-site or a commuted sum paid in lieu.

1.6 Registered Social Landlords are key partners in the process and the Council will involve them at an early stage in negotiations with developers.

1.7 The main types of affordable housing being sought in Newport are Homebuy, where the occupier purchases a proportion of the equity, and social rented.

2 Policy Context

Planning Policy Wales

- 2.1 Planning Policy Wales (PPW) published in March 2002 by the Welsh Assembly Government (WAG) provides the overarching national strategic guidance with regards to land use planning matters in Wales. Paragraph 2.3.2 states that Local Planning Authorities should:

“Ensure that all local communities - both urban and rural - have sufficient good quality housing for their needs, including affordable housing for local needs and for special needs where appropriate, in safe neighbourhoods.”

- 2.2 Paragraph 9.1.2 requires that local planning authorities should make appropriate provision for affordable housing through the encouragement of mixed tenure communities, and make the most efficient use of land.

- 2.3 A community’s need for affordable housing is recognised in paragraph 9.2.14 as being a material planning consideration when formulating local planning policies, and determining individual planning applications. Robust evidence of need is required, and account should be taken of market and site conditions, together with a statement of what is regarded as affordable, and what arrangements will be expected to ensure it remains reserved for those who need it (paragraph 9.2.15). Further guidance on affordable housing is provided by the Welsh Assembly Government in the form of a Technical Advice Note (TAN).

Technical Advice Note 2: Planning and Affordable Housing

- 2.4 Planning Guidance (Wales) Technical Advice Note 2: Planning and Affordable Housing (TAN(W)2) of November 1996 states that any development plan policy relating to affordable housing should be based upon a good understanding of the needs of the area over the plan period, and should be related to the authority’s housing strategy.

- 2.5 TAN(W)2 states that where an affordable housing need can be demonstrated, then the Local Planning Authority should indicate how many affordable homes are required. Indicative targets should be set for specific suitable sites either as a number of homes or as a percentage of the total homes to be provided on the site. There is also a clear stipulation (paragraph 8b) that local authorities when seeking to secure affordable housing on sites should have regard to the following factors:

- \$ site size
- \$ suitability and economics of provision
- \$ costs associated with development of the site (e.g. remediation)
- \$ provision of affordable housing prejudicing realisation of other planning objectives.

- 2.6 Clear guidance is given in paragraph 14 that both conditions or planning obligations may be used to achieve a development that ensures a mixed development that will contribute to the identified need for affordable housing, and that some of that housing built is occupied, either initially or in perpetuity, only by people in need of such affordable housing.

2nd Proposed Changes to the Deposit Newport Unitary Development Plan 1996 - 2011

- 2.7 The Unitary Development Plan contains a policy, H5 in the 2nd Proposed Changes to the Plan, which is unchanged from the Deposit version as follows:

H5 NEW HOUSING DEVELOPMENT ON A SUBSTANTIAL SCALE SHOULD CONTAIN A MIX OF HOUSE TYPES AND SIZES CAPABLE OF MEETING A RANGE OF HOUSING NEEDS. THE COUNCIL WILL IN PARTICULAR SEEK TO NEGOTIATE APPROPRIATE ELEMENTS OF AFFORDABLE HOUSING.

- 2.8 The supporting text (paragraph 3.53) to Policy H5 identifies that, as a guideline, the development of 25 or more units in the urban area, or 10 or more units in a village, will be viewed as appropriate for consideration to be given to the inclusion of elements of affordable housing. The plan also states a general level of 30% affordable housing as an appropriate guideline.

Newport Housing Strategy 2004 - 2009

- 2.9 The Newport Housing Strategy is a statutory document prepared by Newport City Council and partners for the Welsh Assembly Government on a five year cycle, with operational and business plans published on an annual basis. The Strategy identifies key issues and challenges the City needs to tackle in housing and regeneration terms, and sets out strategies and objectives for addressing them. The overarching aim of the Housing Strategy (2004 – 2009) is to “to provide a range of good quality, sustainable and affordable housing in all tenures to meet the needs of Newport people”. At a more detailed level, affordability and the need to ensure an adequate range and supply of affordable accommodation in Newport, is raised as a key issue of the Strategy. The planning system and the use of S106 agreements is highlighted as a key mechanism for achieving the successful delivery of affordable housing.

3 Definitions

Affordability and Affordable Housing

- 3.1 Affordable housing is used to describe certain below market price properties that are available either for sale or rent to select categories of people. Affordability determines whether people have the ability (financial resources) to satisfy their housing requirements by buying or renting on the open market without subsidy. Affordability can be assessed in a number of different ways, but each one depends on common factors that are crucial to the analysis. The affordability of any particular household will depend on the relationship between:

\$ the amount that the household is able to afford, and
\$ the cost of appropriate local housing.

Social Rent

- 3.2 Social Rented Housing is housing available to rent at affordable, below market levels. Lower rents are possible because the Government subsidises local authorities and registered social landlords (RSLs), who are the main providers of social rented housing in Wales. Social rented accommodation is allocated according to needs-based allocation systems administered by RSLs and/or the Council.

Sub Market Rent

- 3.3 Rent levels are set at a level higher than a purely social rent, but lower than market rent levels, and affordable for households in housing need. Sub market rented housing is normally provided by an RSL with a local management presence.

Shared Equity/Homebuy

- 3.4 This form of tenure enables the resident to own part of the dwelling and rent the remainder, usually from an RSL. The Homebuy scheme is run by Housing Associations and where it is available a Registered Social Landlord provides an equity loan for an agreed percentage (usually 30% but up to 50% in some areas) of the purchase price. The purchaser funds the balance through a conventional mortgage and savings. No interest is payable on the loan, but when the loan is repaid, the amount repayable will be the same agreed percentage of the value of the property at that time. The loan can be repaid at any time but must be repaid when the property is sold.

4 Evidence of Need

Newport Housing Requirements Study 2003

- 4.1 In 2003, Opinion Research Services, a spin-out company of the University of Wales, Swansea, carried out a housing needs survey for Newport City Council. Using a well-established methodology, the study achieved interviews with 3,510 households, providing a wealth of data. The study also analysed property prices from 22 local estate agents, together with purchase price information from the Land Registry. Information was also obtained from local letting agents as to rental costs. These enable calculations of affordability to be made between household income and housing costs.
- 4.2 The study calculated the total current backlog of households in unsuitable accommodation (in 2003) and the proportion which was seen to be unable to afford to rent or buy in the market. The total need is also reduced by, for example, the potential for in-situ improvements to unsuitable housing, the re-occupation of vacated properties, out-migration and movement into care.
- 4.3 Newly arising need for affordable housing is also calculated in the study, comprising a proportion of total new household formation, those leaving institutions, existing households falling into priority need, and in-migrant households unable to afford market housing.
- 4.4 On the supply side, the amount of affordable housing likely to be available can be summarised as the number of relets, plus newly completed units, less any taken out of use.
- 4.5 Bringing together the demand and supply sides, and assuming that the existing backlog can be cleared in five years, the Housing Requirements Study calculated a total annual building requirement of about 620 dwellings. This is broadly in line with the Unitary Development figure which averages out at 570 units over the ten years 2001 - 2011. If the backlog identified in the Housing Requirements Study were to be cleared over the UDP period, rather than 5 years, the figures would be almost identical.

5 How The Policy Will Be Applied

Percentage Requirement

- 5.1 The Housing Requirements Study (2003) calculates a requirement for 40% of new housing units to be affordable. This is on the basis of addressing the current backlog within 5 years and meeting newly arising needs as they occur. The UDP, however, covers a longer period, to 2011, and in order not to diminish the total amount of affordable housing secured, a level of 30% affordable units will be sought on new housing sites.

Size of Site

- 5.2 The policy will apply to developments in the urban area of 1 hectare or more and to those of 25 units or more, whatever the size of site. Outside the urban boundary, the comparable thresholds will be for developments of 0.4 hectares and 10 or more units. Where sites are sub-divided, the Council will seek to secure an appropriate amount of affordable housing as if the whole site were to be developed. Where part of the site has previously been developed, subsequent developers will be expected to make provision to reflect the numbers on the combined parts of the site.

Location of Affordable Housing

- 5.3 Normally, affordable housing should be provided on-site. This should help in the creation of inclusive, mixed communities. Off-site provision will only be considered in exceptional circumstances, for example as part of a strategic approach agreed with the local authority, bearing in mind the Unitary Development Plan, the Housing Strategy and area based regeneration strategies, and the developer will need to demonstrate that:
- i) the delivery of the off-site affordable dwellings is assured. This could be, for example, through a formal agreement with a housing association about the provision of the units; and
 - ii) there is a sufficient number of affordable units proposed. The number of affordable units should be based on the combined total of the units on both sites.
- 5.4 In the rare cases where off-site provision is acceptable, the onus will be on the developer to demonstrate this. The developer will be responsible for liaison with the Council and RSLs to identify a suitable site or sites and agree development arrangements. Such sites will need to be acceptable in planning terms, conforming to the Newport Unitary Development Plan.
- 5.5 Landowners and developers are advised to make early contact with the local authority to clarify requirements and discuss relevant issues, including density, and how best to achieve a mutually acceptable approach to achieving a good quality and appropriate development. Relevant contacts in the local authority are included in Appendix 1.
- 5.6 Where there are over-riding difficulties in providing the required affordable dwellings, either on-site or off-site, there may be scope for a commuted sum to be paid by the developer to discharge the affordable housing requirement. The sum

should reflect the resulting cost savings and the uplift in value of the site. Appendix 3 sets out the basis for such a calculation.

Financial Arrangements

- 5.7 The preferred arrangement will be for developers to build the affordable housing themselves and to transfer it to a registered social landlord. This means of building will help to ensure consistency in the design and materials used in the development as a whole and contribute to the social inclusion agenda. Model planning agreements to satisfy these requirements are set out on Appendix 5.
- 5.8 The Council has a long-term joint commissioning partnership with RSLs to secure the strategic provision of all types of housing accommodation. This covers minimum standards of service in management terms, allocation of Social Housing Grant, specialisms of the housing associations and the long-term allocation of affordable housing sites. A list of housing associations developing in Newport is included as Appendix 2. Other housing associations may just manage rather than develop accommodation. The Council will normally allocate a housing association to each site where affordable housing is to be provided on the basis of that RSL's development capacity, grant monies available, other properties in the area, rental levels and other relevant issues.
- 5.9 The financial calculation required of the developer is set out in Appendix 3, together with the Acceptable Cost Guidelines published by the Welsh Assembly Government. RSLs are non-profit making organisations, regulated by the Welsh Assembly Government working jointly with local authorities. Any surplus monies are ploughed back into social housing in the area, including new build, the rehabilitation of empty properties and the funding of the additional cost for specialist housing.
- 5.10 The proportion of different types of affordable housing required will need to reflect current assessments of need, as set out in Appendix 4. Specialised accommodation may be required for elderly persons' dwellings or for those with disabilities. Adjustments to financial calculations would then be required as higher grant rates are normally required. Because of the extra cost of these types of accommodation, fewer units may be required in order not to increase the total cost to the developer.

Phasing

- 5.11 The occupation of general needs housing should be linked to the completion and transfer of the related affordable units. On large developments this should be phased so that the affordable housing is provided in step with the general housing. Appropriate trigger points should be included in planning agreements (see Appendix 5). This should help in the creation of inclusive, mixed communities. These requirements will apply wherever the affordable housing is to be provided.

Perpetuity

- 5.12 Where an RSL is involved, it will have its own controls on occupancy. Where some other form of tenure is involved, it will be necessary for there to be appropriate long term occupancy arrangements, which may be secured through

planning conditions or planning obligations. In these cases the Council will require full nomination rights, which will be exercised according to the Council's allocations policy as current at the time. The key requirement is that any housing that is provided as affordable should remain in the affordable stock each time there is a change of occupant.

Types of Accommodation

- 5.13 Affordable housing is required in a range of sizes. The mix of property types will be influenced by the circumstances of each site and evidence of housing need. The Housing Requirements Study (2003), however, found that the greatest demand and the biggest shortfall was for two bedroom accommodation, although there is also a considerable requirement for additional four-bedroom homes. This may be explained by the preponderance of 3 or more bedroom dwellings built over many decades, and also by likely demographic changes. Between 2001 and 2011, the number of children in Newport is likely to remain fairly steady, but the number of 15-29 year olds is set to rise significantly, the number of 30-44 year olds will fall, and all age groups over 45 are set to rise.

Tenure

- 5.14 Affordable housing can be provided in a variety of tenures. These range from social rented from a Registered Social Landlord (RSL) through to Homebuy where the occupier can afford to purchase part of the equity of the property. Another variation is discount market housing where future sales must be at the same percentage discount and to a person(s) in genuine housing need. Therefore an RSL will probably be the appropriate body to act as agent to ensure the benefit of low cost is retained in perpetuity. Appendix 4 summarises the findings of the Housing Requirements Study with regard to the proportions required of each type of tenure.

Special Needs

- 5.15 Where the affordable housing to be provided is designed to meet special housing needs beyond the normal Building Regulation requirements for new dwellings, an appropriate reduction in the proportion of affordable housing will be allowed to reflect the additional cost of such dwellings.

Design

- 5.16 In order to meet the objective of creating inclusive, mixed communities, it is important that the affordable elements of a housing scheme should be well integrated into the scheme as a whole. This means that they should not be segregated, and should preferably be dispersed throughout the development. Integration will also be assisted by the use of a common design theme through the development and if the developer also builds the affordable housing. It will be appropriate for higher density parts of a development to be located near to public transport routes and other facilities. Other considerations such as Secured By Design principles and Lifetime Homes should also be given due regard.

Abnormal Development Costs

- 5.17 The Council, through the Unitary Development Plan, expresses a clear priority for the reuse of previously developed land. This “brownfield strategy” as well as making good use of the land itself, helps to bring visual and wider environmental benefits while contributing to the more general regeneration of the whole area. Such sites do, however, sometimes have abnormal development costs, especially where remediation of contamination from former uses is required. In these cases, if insistence on the full proportion of affordable units would render the development unviable, then the developer may seek a reduction in the requirement in order that the development might proceed. Any such negotiation would need to be on an “open book” basis.

Planning Permission

- 5.18 Applicants are advised to make early contact with the local authority in order to achieve a mutually acceptable approach and to avoid the justification of a refusal of permission.

APPENDICES

- 1 Newport City Council Contacts
- 2 Registered Social Landlords
- 3 Financial Calculations and Acceptable Cost Guidelines
- 4 The Need For Affordable Housing
- 5 Model Planning Agreements

Appendix 1

Newport City Council Contacts

Housing

Judith Askew
Housing Enabling and Projects Manager
Tel: 01633 232151
Email: judith.askew@newport.gov.uk

Lisa Balfe
Housing Enabling Officer
Tel: 01633 233387
Email: lisa.balfe@newport.gov.uk

Planning Policy

Graham Fry
Principal Planning Officer (Policy)
Tel: 01633 233223
Email: graham.fry@newport.gov.uk

James Hooker
Planning Officer
Tel: 01633 232514
Email: james.hooker@newport.gov.uk

Development Control

Neil Boardman
Principal Planning Officer (Applications)
Tel: 01633 232509
Email: neil.boardman@newport.gov.uk

West: Roger Richards
Senior Planning Officer
Tel: 01633 232544
Email: roger.richards@newport.gov.uk

East: Joanne Vaughan
Senior Planning Officer
Tel: 01633 232835
Email: joanne.vaughan@newport.gov.uk

Registered Social Landlords Developing Affordable Housing Schemes in Newport

Gwerin (Cymru) Housing Association Ltd

4 Gold Tops
Newport
NP20 4PG

Tel: 01633 259679
Fax No: 01633 267204

Glamorgan & Gwent Housing Association

387 Newport Road
Cardiff
CF24 1GG

Tel: 02920 2047 3767
Fax No: 02920 482 474

Fairlake Properties

Exchange House
High Street
Newport
South Wales
NP20 1AA

Tel: 01633 679977
Fax: 01633 245930

Off-site Calculation

In those exceptional circumstances where off-site provision is permitted under this guidance, the total number of affordable units built should normally be 30% of the total number of units on all sites. The calculation of the number of affordable units is therefore as follows:

$$\frac{(\text{No of units on main site}) \times 0.3}{0.7}$$

So for example, if on a site for 100 dwellings, the developer was seeking to provide the affordable units off-site, the number would be:

$$\frac{100 \times 0.3}{0.7} = 43$$

The total units built on the two sites would be $100 + 43 = 143$ with 43 being 30% of 143.

Commuted Sums

Where a commuted sum is being considered in place of provision on-site, the calculation should be carried out on the above basis, namely that the contribution should reflect the number of units that would have been needed off-site. This will thereby reflect the uplift in the value of the site by the removal of the affordable housing requirement. Normally it will be assumed that half the units would have been Homebuy and half social rented; this will reduce the impact on the developer compared to the alternative of all properties being social rented.

Appendix 4

The Need For Affordable Housing

1.0 KEY FACTS AND FIGURES ABOUT NEWPORT CITY

- Newport has a growing population, rising from 133,318 in 1991 to 137,011 in 2001 (+2.8%). In 2001, the population resided in 56,535 households¹.
- Household demographics continue to change; households occupied by single persons have increased significantly (+3.4%), reflecting a decrease in overall household size by 0.11%. Single parent households increased from 5.1% in 1991 to 12.3% in 2001, as did residents aged over 65 (+0.4%) and children aged 0-15 years. However, there has been a decrease in the 16-29 age band (4.2%)¹.
- Newport has the 2nd largest population of people from a Black and Minority Ethnic (BME) background in Wales (4.8%); however, the percentage population varies between different wards. In Pillgwenlly 24.9% of the resident population are from a BME background compared to 1.4% of the population in Llanwern.
- As the population changes, the housing needs and demands of the resident population also changes. There is a need to provide for smaller families and single person households, and, given the increase in the proportion of older people in Newport, there will be additional pressure to provide housing which is suitable for those over 65, the frail elderly, and disabled, many of whom will be living alone.
- Overall, average unemployment levels stands at 6.2% of the economically active population, which is higher than the England and Wales average of 5%, although levels will vary between wards. For example, unemployment in Pillgwenlly is 13.8% and in Tredegar Park is 11.8%. In other wards such as Langstone (2.4%) and Caerleon/Rogerstone (3.2%) unemployment levels are significantly lower¹.
- The average gross wage for Newport was £21,685 (between April 2002-April 2003); this equates to £422 per week. In this period, 43% of all wage earners earned less than £13,000 per year².
- House prices in Newport have risen considerably, and in the third quarter of 2003, prices increased by approximately 20%; equating to an average sale price of £111,088 and is higher than the Welsh average of £105,381 for the same period³.
- Owner occupation is indicated in the Housing Requirement Study to be 67%, which is slightly lower than the Census average for all Wales (71%). The number of households' renting from the Council or Housing Associations is 26%, compared to the all Wales Census figure of 18%. Private renting was 6% and comparable with the Welsh average at 7%. It is important to note that the occupation of different tenures will vary between the Newport wards⁴.
- 22% of the housing stock predates 1919 and 19% predates 1944⁴

¹ Census 2001 – Newport City Council

² New Earnings Survey (2002)

³ Newport Housing Market Trends, DTZ Pbeda, January 2004

⁴ Housing Requirement Study 2003, Opinion Research Services

2.0 AFFORDABILITY & AFFORDABLE HOUSING

It is important to differentiate between affordability and affordable housing. The term 'affordable housing' is used to describe certain below market price properties that are available either for sale or rent to select categories of people. 'Affordability' determines whether people have the ability (financial resources) to satisfy their housing requirements by buying or renting on the open market without subsidy. Affordability can be assessed in a number of different ways, but each one depends on common factors that are crucial to the analysis. The affordability of any particular household will depend on the relationship between:

- The amount that the household is able to afford, and
- The cost of appropriate local housing⁴.

2.0a Distribution of Earnings for Full-Time Employees:

		Newport	Wales	UK
Ave Earnings (gross) 2003		£21,685	£21,389	£25,170
Ave Weekly Income		£421.90	£414.50	£475.0
% Earned under	£250	17.9%	21%	16.1%
	£350	43.2%	48.5%	40.7%
	£460	65.9%	69.2%	61.3%
Lowest 10% earned less than		£218.7	£210.3	£222.7
Highest 10% earned more than		£628.0	£658.4	£770.0

Calculations based on data from New Earnings Survey April 2003, Office for National Statistics

2.0b House Price Affordability - Single earner households

	Ave Earnings (gross) 2003	Lowest 10% Earnings	Highest 10%
Level of Earnings	£21,685	£11,372.40	£32,656
Property price based on 3x annual salary (95% mortgage)	£68,307.75	£35,823.06	£102,866
Ave property price (Jan 2004)	£120,006	£120,006	£120,006
Affordability gap	£51,698.25	£84,182.94	£17,140
Property price based on 3.5x annual salary (95% mortgage)	£79,692.37	£41,793.57	£120,010.8
Ave property price (Jan 2004)	£120,006	£120,006	£120,006
Affordability gap	£40,313.63	£78,212.43	(£ - 4.80)

Calculations based on data from New Earnings Survey April 2003, Office for National Statistics

⁴ Housing Requirement Study 2003, Opinion Research Services

2.0c Dual earning households

	Ave Earnings (gross) 2003	Lowest 10% Earnings	Highest 10%
Level of Earnings	£21,685	£11,372.4	£32,656
Property price based on 3x Primary annual salary, plus 1x salary of 2 nd earner (assuming equal pay and 95% mortgage)	£91,077	£47,764.08	£137,155.2
Ave property price (Jan 2004)*	£120,006	£120,006	£120,006
Affordability gap	£28,929	£72,241.92	(£-17,149.2)
Level of Earnings	£21,685	£11,372.4	£32,656
Property price based on 3.5x Primary annual salary, plus 1x salary of 2 nd earner (assuming equal pay and 95% mortgage)	£102,461.6	£53,733.75	£154,299.6
Ave property price (Jan 2004)	£120,006	£120,006	£120,006
Affordability gap	£17,544.4	£66,272.25	(£ - 34,293.6)

Calculations based on data from New Earnings Survey April 2003, Office for National Statistics

Whilst the table above illustrates the affordability threshold of low, median, and high earners, affordability is calculated on an average property price. Therefore, it is important to acknowledge that there will be properties within a spectrum of prices available for people with different access thresholds to purchase.

2.1 Market Rents

Assessing affordability for rents is based upon a comparison of the amount available for housing costs against the minimum rent for the property size required. Households (depending upon their type) are assumed able to pay various percentages of their total pre-tax income towards their housing costs. For single people or couples without children, the Housing Requirement Study has assumed 25% of gross income to be available for housing costs. The affordability ratio decreases for households including dependent persons.

Access threshold levels for all households relate to their income, available capital and outgoings. It would be reasonable to suggest that any household should be able to access properties within the lowest quartile of market rents by size of property and the access thresholds are based on this.

3.0 DEMAND FOR SOCIAL HOUSING

The table below shows the number of people registered for social housing with the City Council and the four main Registered Social Landlords in Newport: Charter Housing Association, Gwerin Housing Association, Glamorgan & Gwent Housing Association and Newport Housing Trust.

3.0a Total Number Of Applications On Combined Waiting Lists (May 2004)

	NCC	CHARTER	GWERIN	G&G	NHT	TOTAL
TOTAL ACTIVE	6775	2000	1500	1324	1382	12,981

3.0b Total Apps With Priority Or More Than 100 Points (May 2004)

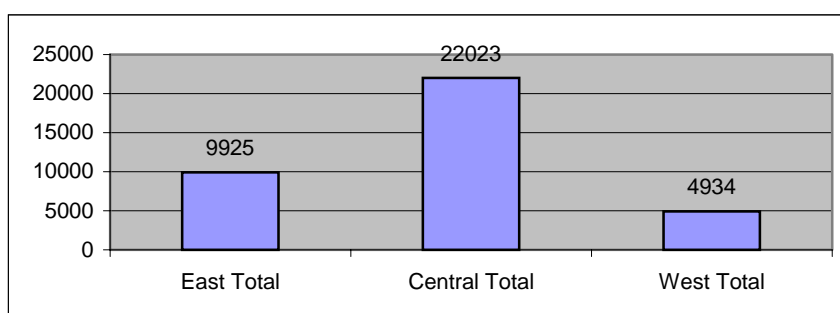
TOTAL ACTIVE	454
TOTAL DEFERRED	661
TOTAL	1095

3.0c % Of NCC Apps According To Age (May 2004)

Age	Number	%
0-17	111	1.60%
18-24	1177	17.37%
25-60	3221	47.54%
60+	2266	33.44%

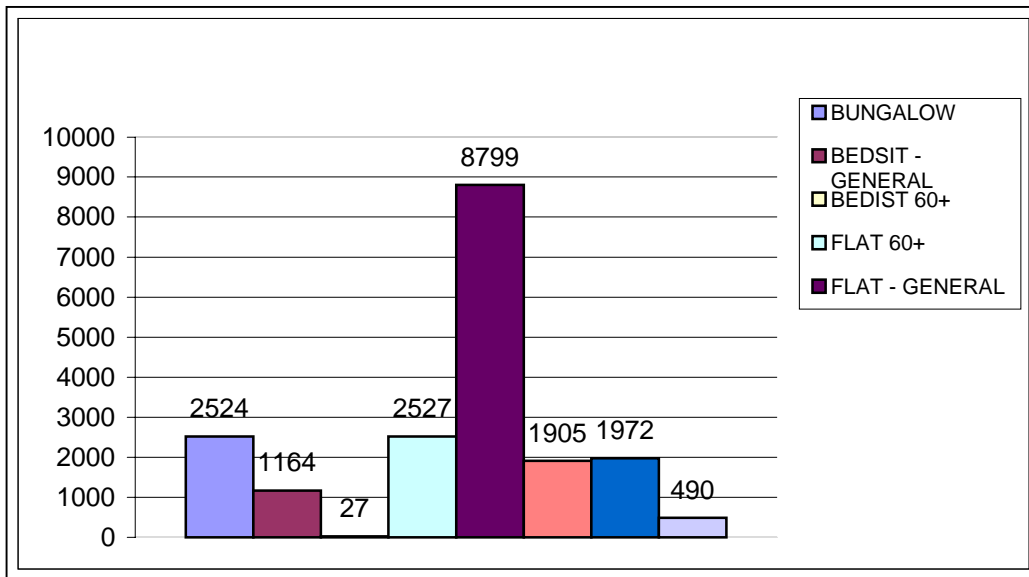
Analysis of applications to Newport City Council and one other social landlord shows that there is strong demand for housing in the more central areas of Newport, rather than the outlying areas. The following graph shows the number of applications for each of three general areas; applicants can register for multiple areas.

3.0d Preferred Location By Area (May 2004)

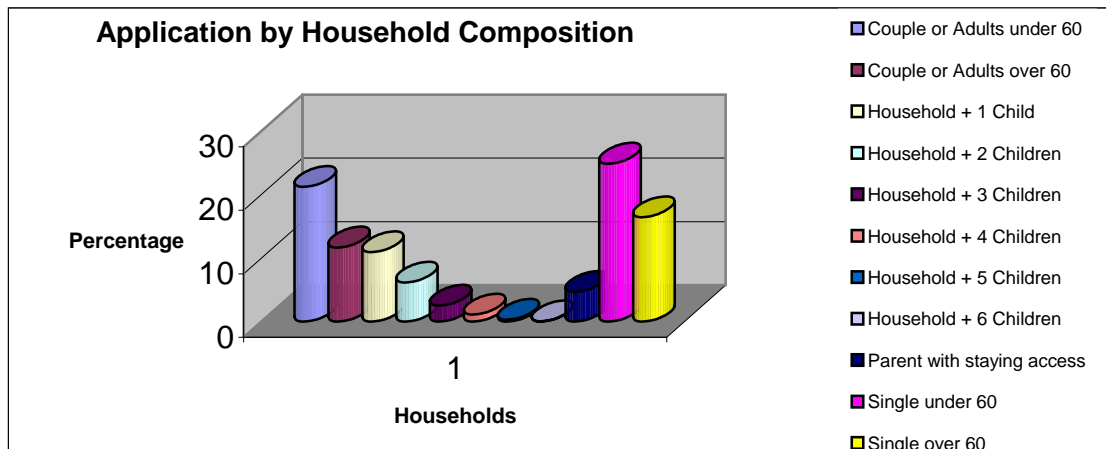


***Each area includes estates/streets defined as East, Central, West according to NCC data collection methods. Detailed breakdown of areas available on request.** Applicants for social housing, preferred property types can register for multiple property types.

3.0e Preferred Property Types - NCC (May 2004)



3.0f Applicants for social housing, household composition - NCC (May 2004)

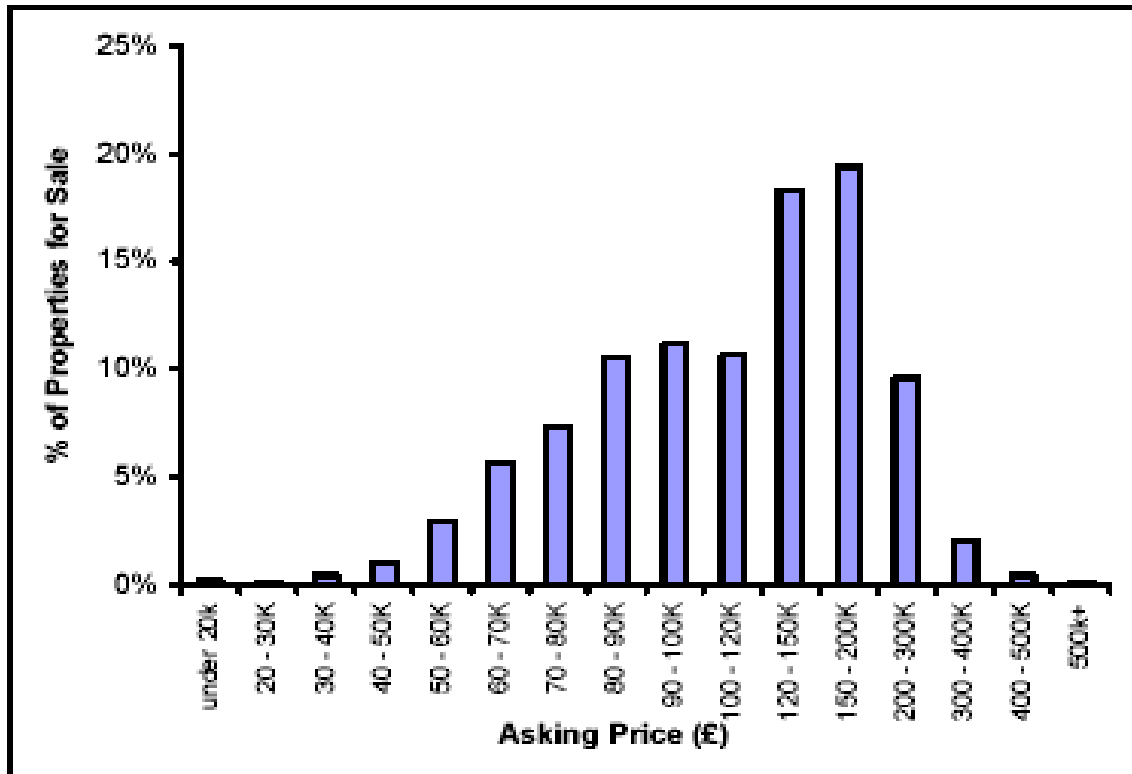


4.0 HOUSING MARKET TRENDS

A study of housing requirements in Newport was carried out by Opinion Research Services, a spin-off company of the University of Swansea, in 2003. To determine current house prices in Newport, the study triangulated data from a number of the sources and access-thresholds were identified by appropriately integrating the relevant information.

The table below illustrates that over 50% of the properties for sale had an asking price of over £120,000. Analysis of the New Earnings Survey (2003) indicates that the accessibility threshold for the average earner is considerably out of kilter with the availability of affordable properties.

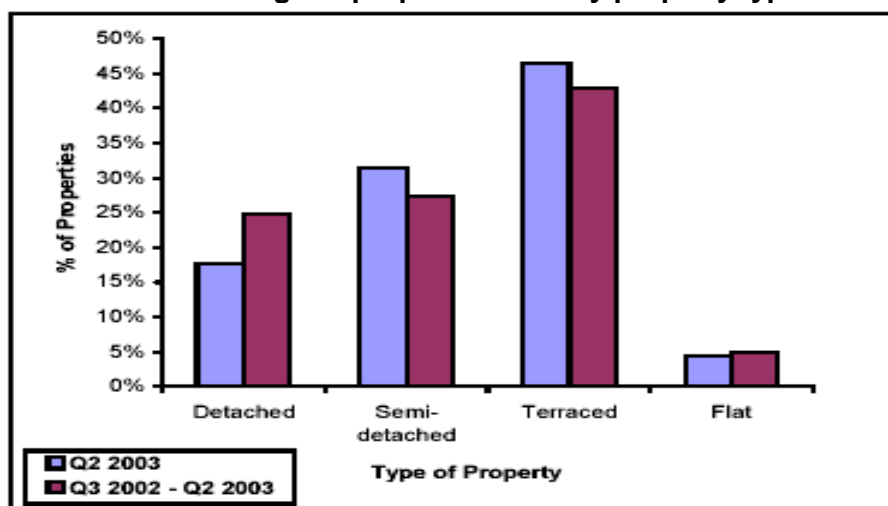
4.0a Asking Price of Properties Advertised by Local estate Agents



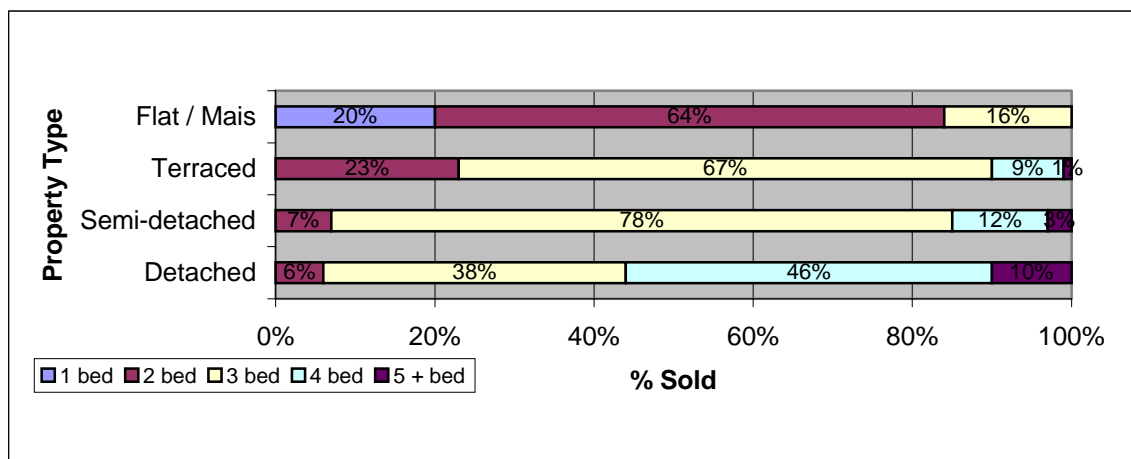
Source: Housing Requirement Study 2003, Opinion Research Services

The Housing Requirements Study anticipated that that local estate agent data would be skewed towards more expensive properties and so used Land Registry information to re-analyse the data and provide more reliable findings indicated in the tables below.

4.0b Percentage of properties sold by property type



4.0c Properties sold according to No of bedrooms



Access Thresholds

The aim of the analysis of house prices is to assess the amount required by households to access properties of different sizes in Newport. To reach an access threshold, a price break of the lowest quartile was used for each property size. The access-threshold process for owner-occupation is summarised as follows:

4.0d Access thresholds to Owner Occupation

Type of Property	Access Threshold
One bedroom	£31,130
Two bedrooms	£43,360
Three bedrooms	£56,582
Four bedrooms	£115,687
Five or more bedrooms	£139,499

These access thresholds were based on house sales information from estate agents and the Land Registry for the first and second quarters of 2003. However, a later study of housing price increases in Newport by DTZ Piedad, outlined in 4.3 below, found that in the 12 months between the second quarter of 2002/03 and 2003/04, there had been a 20% rise in the average property price in the City. The ongoing rise in house prices will continue to impact upon access thresholds and affordability of housing for local households and therefore the requirement for affordable housing, which forms a key objective of the Local Housing Strategy 2004-2009,⁴ will be kept under review.

The ORS study also included an assessment of the private sector lettings market, with the aim of assessing reasonable access thresholds for properties of different sizes. These were based on the lowest quartile of rents by size of property, summarised as:

⁴ Copies of the Local Housing Strategy are available from the Housing Enabling Section, Newport City Council

4.0e Access thresholds to the Rental Market

Type of Property	Access Threshold
One/two bedroom	£300.00
Three/four or more bedrooms	£575.00

Again, changes and trends in the market rented sector will be monitored in order to inform analysis of the need for affordable housing.

4.1 Land Registry Information

4.1a Average Price of Residential Properties Sales Completed Apr 2002 - Jun 2004

	Av Price £	Av Price £		Av Price £	
	Apr - Jun 2002	Apr - Jun 2003	% Change 2002- 2003	Apr-Jun 2004	% Change 2003-2004
Detached	148542	164866	11%	208443	26%
Semi-Detached	80864	107019	32%	127933	20%
Terraced	61308	76547	25%	100242	31%
Flat / Maisonette	50211	63909	27%	88658	39%
Overall	91042	101731	12%	135565	33%

Source: HM Land Registry

Whilst HM Land Registry Data indicates that average house price sales were £135,565 for the April –June quarter of 2004, the table below illustrates that there are some clear differences in average house prices at a ward level in Newport. These differences suggest that affordability and access levels differ depending on what area of Newport a person wants to live in.

4.2 DTZ Pieda – Housing Market Study

As part of the Local Housing Strategy process, Newport City Council commissioned DTZ Pieda to undertake a study into Housing Market Trends. This study, completed in January 2004, looked at housing market trends in Newport. It included examination of local earnings, affordability and geographical differentiation, assessing and analysing local data to identify key issues. The study found that the percentage of houses being sold for under £50,000 in Newport had fallen by 30% over the past four years, compared with an average of 22% for Wales as a whole.

However, Newport City Council is aware of the rapid changes to the Newport housing market, and so has employed DTZ Pieda to provide bi-annual and annual updates on the private rental market and housing market in order to keep data relevant to affordable housing requirements. Further updates to the study completed in January 2004 are due in August 2004.

4.2a Average Sale House Price

Area	Apr – Jun 2003	Apr – Jun 2004	Percentage Increase
England & Wales	£149,935	£175,401	17%
Wales	£101,258	£125,330	24%
South East Wales			
Cardiff Council	£140,157	£158,176	13%
Newport City Council	£101,731	£135,565	32%

The average gross annual wage in Newport during 2002- 2003 was £21,685, with 43% of all wage earners earning less than £18,200. The average property price was calculated at £109,998 and, assuming a 5% deposit and a mortgage multiplier of 3 times an individual salary, the wage required to buy the average property would be £670 per week or £34,833 per year, compared to the actual gross average wage of £417 per week, or £21,685 per year.

4.2b

	Average Earnings 2002	Lowest 10% Earnings
Level of earnings	£21,685	£11,372.40
Mortgage Amount based on 3 X borrowing rate (95% mortgage)	£68,307.75	£35,823.06
Average Property Price	£109,998	£109,998
Affordability Gap	£41,690.25	£74,174.94

4.2c Illustrates a wide geographical difference in the rate of house price increase

<u>Wards</u>	2003	1999	% change 99/03
Allt-yr-yn	114,950	157,931	37
Langstone	145,456	220,380	52
Bettws	38,293	60,258	57
Liswerry	46,409	77,429	67
Rogerstone	88,271	147,878	68
Alway	47,490	83,267	75
Ringland	47,490	83,267	75
Shaftesbury	41,877	74,569	78
Malpas	53,976	104,231	93
St Julian's	43,089	86,203	100
Beechwood	51,596	103,596	101
Victoria	43,628	87,758	101
Pillgwenlly	32,605	66,556	104
Caerleon	78,230	160,424	105
Marshfield	68,651	142,333	107
Gaer	46,707	100,420	115
Stow Hill	51,582	111,382	116
Tredegar Park	50,119	108,690	117
Graig	54,336	120,149	121
Llanwern	45,104	100,902	124

Key issues identified by the study were:

- Newport has experienced higher price increases than surrounding authorities during the last 12 months
- The average earner in Newport (£21,685) cannot afford to buy the average property in Newport (£109,998)
- The percentage of properties sold below £70,000 has fallen by 28% between 1999 and 2003
- Only 45% of properties are sold for less than £70,000, which the average earner could afford
- The lowest priced houses have generally increased by the highest percentage
- Based on current average prices, a first time buyer on the average wage could only afford to buy a property in Bettws and Pillgwenlly. Properties in these areas are predominantly Council/Housing Association or terraced properties some of which may be in relatively poor condition
- House prices continue to increase at a faster rate than wages. Therefore, the affordability gap is widening.

5.0 AFFORDABLE HOUSING REQUIREMENTS

The Housing Requirement Study undertaken in 2002/2003 by Opinion Research Services (ORS) used nationally recognized research methodologies to ascertain the long-term housing need for Newport. Within the wider survey, there was detailed analysis in seven sub-areas across the city.

The Basic Needs Assessment Model

The Basic Needs Assessment Model was developed by the School of Planning & Housing, Edinburgh College of Art/Heriot-Wat University and is used in good practice guidance published by the DETR (2000). The model is based on the concepts of 'backlog need' and 'newly arising need'.

'Backlog of need' is defined as being: Those actual and potential households whose current housing circumstances at a point in time fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others (p116, DETR 2000).

Newly arising need refers to: New households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing, together with other existing households whose circumstances change over the period as to place them in a situation of need (p116, DETR 2000).

5.0a Annual Housing Requirement: Need And Demand From All Households

	STAGE	NEED FOR AFFORDABLE HOUSING	NUMBER OF HOUSEHOLDS
BACKLOG OF NEED	1	Backlog need existing households	17,510
	2	<i>Minus</i> Cases where in-situ solution most appropriate	14,095
		<i>Minus</i> Moves within the existing housing stock	1,569
		<i>Minus</i> Out-migrants	341
		<i>Minus</i> Going to live with	29
	3	<i>Times</i> Proportion unable to afford to rent or buy in market	1,476 x 27.4%
	4	<i>Plus</i> Backlog of non-households	49
	5	<i>Equals</i> Total Backlog Need (1 – 2) x 3 + 4	454
	6	<i>Times</i> Quota to progressively reduce backlog	20%
	7	<i>Equals</i> Annual need to reduce backlog 5 x 6	91
NEWLY ARISING NEED	8	New household formation (gross)	692 x 54.0%
	9	<i>times</i> Proportion unable to buy or rent in market	= 373
	10	<i>plus</i> Ex-institutional population moving into community	34
	11	<i>plus</i> Existing households falling into priority need	81
	12	<i>plus</i> In-migrant households unable to afford market housing	1,207 x 20.2% = 244
	13	<i>equals</i> Newly Arising Need (8 x 9) + 10 + 11 + 12	732
Total Need for Affordable Housing			823

Following on from the Basic Needs Assessment Model the next stages, below, address the likely supply of housing.

5.0b

	STAGE	NEED FOR AFFORDABLE HOUSING	NUMBER OF HOUSEHOLDS
	14	Supply of social relets	413
	15	Minus Increased vacancies & units taken out of management	-
	16	Plus Committed units of new affordable supply	-
	17	17. Equals Total Affordable Supply 14 - 15 + 16	413

Summary Of Basic Model

		BACKLOG OF EXISTING NEED Annual need to reduce backlog <i>plus</i> NEWLY ARISING NEED	91 732
		<i>minus</i> SUPPLY OF AFFORDABLE HOUSING equals NET SHORTFALL (SURPLUS) affordable units per year	413 410

Thus the Basic Needs Assessment Model demonstrates a net shortfall of 410 affordable units per year.

5.1 The ORS Dynamic Market Model

The ORS model considers overall housing requirement and views housing need as a subset of this, alongside housing demand. Housing requirement is defined the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay. In other words, it is the amount of housing necessary to accommodate the population at appropriate minimum standards. The model treats the housing market dynamically – by likening the interchange between households and vacancies to ‘musical chairs.’ As some households move, or suffer dissolution due to death, other households take up the released vacancies. According to this model, a total of 3,776 households are identified as likely to require housing within Newport City over the following year, of which;

- 1,959 - owner occupation units
- 1,277 - subsidised housing units
- 540 - for rented units without subsidy

Using the housing market model emphasises not gross housing shortfall, but net housing shortfall, based upon the best possible utilization of the housing stock. Therefore through

considering the housing market as a matrix of housing 'origins and destinations' the model matches housing requirements and potential supply. In summary, when the supply of housing is taken into account the shortfall can be regarded as:

5.1a

Tenure	Annual Requirement	Annual Anticipated Supply	Shortfall/Surplus
Owner Occupation	1,959	1,642	317
Rented without subsidy	540	493	47
Subsidised Housing	1,277	1,022	255
Total	3,766	3,157	619

5.2 Affordable Housing Supply & Demand

Demand for affordable housing arises from previously established local households, newly forming households, non-households (ie without housing) and in-migrants. But the demand will be offset to some extent by vacancies occurring in subsidized housing.

The total supply of affordable units equates to 1,022 per year and total need amounts to 1,277 units, leaving a shortfall of 255 units of affordable housing per year. The net shortfall of 255 units can be considered in terms of the size of dwellings required:

5.2b

Size of Property	Housing Need	Housing Supply	Net Shortfall (Surplus)
One bedroom	362	308	54
Two bedrooms	462	310	152
Three bedrooms	300	371	(71)
Four bedrooms	152	33	119
Five or more bedrooms	-	-	-
All property sizes	1,277	1,022	255

The net shortfall of subsidised housing comprises shortfalls across one-, two- and four-bedroom properties, with a surplus of three-bed properties.

5.1c

Size of Property	Net Shortfall (Surplus)	% of Net Shortfall	% of Gross Shortfall
One bedroom	54	21.2%	16.6%
Two bedrooms	152	59.6%	46.7%
Three bedrooms	(71)	(27.8%)	-
Four bedrooms	119	46.7%	36.6%
Five or more bedrooms	-	-	-
All property sizes	255	100%	100%

The model suggests a considerable requirement for additional four-bedroom homes with significant requirements for one- and two-bed properties.

An analysis of household affordability suggests some households in need of affordable housing would be able to contribute towards their housing costs. However, where affordable housing solutions are provided through new build on mixed-tenure developments, access thresholds for owner-occupation will be relatively high, with implications for affordability. The suggested breakdown for affordable housing between shared equity schemes, sub-market renting and social renting, depends upon the relative size of the equity shares. Where the equity split is 50/50, a larger proportion of households are unable to access owner-occupation and the need for social rented units increases.

5.2d

Type of Affordable Housing	Net Shortfall (Surplus)	Proportion of shortfall
Shared equity – 75% owned, 25% rented Or Discount Market Housing provided at minimum market prices with up to 30% subsidy	52	20.4%
Shared Equity -50% owned, 50% rented	37	14.5%
Rented -sub market rent -social rent	24 142	9.5% 55.7%
All affordable housing	255	100%

5.3 Other Housing Requirements

The ORS survey also produced a number of key findings that can be used in assessing affordable housing requirements and the housing needs of particular groups.

Satisfaction

- 91% of people were satisfied with their local area.
- There was evidence of inward migration, 25% from elsewhere in Gwent, Wales, and the UK.
- 75% of people said they would like to remain in Newport
- These results suggest that high levels of out-migration from Newport will be unlikely to occur and reinforce the case for future housing requirement.

City Centre Living

- 70% people said it was important to provide City Centre accommodation.
- Out of those people prepared to consider City Centre living, 40% were young people and 22% retirement age.
- This emphasises the requirement for City Centre housing, and demonstrates that there are differences in both housing need and housing demand at a ward level.

Appendix 5

Model Heads of Terms (under Section 106)

Where it is agreed that affordable housing is to be provided in accordance with the Newport Unitary Development Plan, planning obligations will normally be used to secure the provision. Although subject to negotiation, these will be based upon the Heads of Terms as considered appropriate in the circumstances as set out below.

Heads of Terms for Model Legal Agreement 1:

Developer builds and transfers affordable housing units to Registered Social Landlord

Developer's Obligations

- To submit to the Council for its approval details of an area or areas of land within the development site for the provision of affordable housing (affordable housing land) of sufficient area to permit the appropriate number of affordable housing units to be constructed (unless such details have already been agreed).
- Not to commence the development until the Developer has obtained the approval of the Council to a programme and timetable for the provision of affordable housing and to the location, type, cost and level of servicing of and element of subsidy in respect of such units. Such approval not to be unreasonably withheld or delayed.
- To construct within a specified time the affordable housing on the affordable housing land to the Welsh Housing Quality Standards and Design Quality Requirements as specified and published by the Welsh Assembly Government.
- Not to occupy or permit occupation of any of the dwellings in the development which are to be sold or let on the open market until the Developer has transferred the Affordable Housing Units (fully serviced, safe and accessible by vehicles and pedestrians) to the RSL at a sum calculated using the Welsh Assembly Government Acceptable Cost Guidelines and the discount model outlined in the Affordable Housing Supplementary Planning Guidance.

As an alternative to the immediately preceding obligation, (to be used only where that obligation is not practical).

- Not to occupy any of the dwellings comprised in the development which are to be sold or let on the open market until the Developer has entered into an unconditional contract with the RSL for the sale of the Affordable Housing Units to the RSL at a sum calculated using the Welsh Assembly Government Acceptable Cost Guidelines and the discount model outlined in the Affordable Housing Supplementary Planning Guidance.

- Not to occupy more than an agreed percentage of the dwellings to be sold on the open market until the Council has been provided with evidence that all of the Affordable Housing Units have been transferred to the RSL(s) (fully serviced, safe and accessible by vehicles and pedestrians). (The Council may agree phased provision and transfer of the affordable housing on large-scale development sites).
- If after using all reasonable endeavours the Developer(s) has not entered into a sale agreement with an approved RSL upon the terms and agreed timetable specified above, to provide an alternative method of securing affordable housing to a value no less than that which would have been achieved had the developer disposed of the affordable housing units to an RSL (such method to be approved by the Council).
- If the Developer has been unable to comply with an alternative method (as provided above) within a further period of 12 months the Developer shall immediately pay to the Council a sum equal to the value which would have been achieved had the Developer disposed of the Affordable Housing Units to an RSL as provided for above. Such sum to be used by the Council to facilitate the provision of affordable housing within a specified area.
- Provisions of Agreement relating to financial contributions e.g. commuted sums for education or community provision, shall not be binding on the affordable housing land once the affordable housing land has been transferred to the approved RSL.

Council's obligations

- To use any payment received from the Developer to facilitate the provision of affordable housing. In the event that the contribution towards affordable housing (or any part of it) has not been spent or committed within a period of five years from the date of payment, to repay the part not spent or committed to the Developer together with interest on such sum from the date of receipt until the date of repayment.

Heads of Terms for Model Legal Agreement 2:

Off Site Contributions: Developer builds and transfers off-site affordable housing units to registered social landlord

Developer's obligations

Not to commence the development until the Developer has:

- Acquired the ownership of a site of sufficient size and within a specified area (to be approved by the Council) to provide the appropriate number of Affordable Housing Units;

- Obtained full planning permission for the Affordable Housing Units and obtained the approval of the Council to a programme and timetable for the provision of the Affordable Housing Units and to the location, type, cost, standard, size and level of servicing and element of subsidy in respect of such units.
- Not to commence the development until the Developer has obtained the approval of the Council to a programme and timetable for the provision of affordable housing and to the location, type, cost and level of servicing of and element of subsidy in respect of such units. Such approval not to be unreasonably withheld or delayed.
- To construct within a specified time affordable housing on the affordable housing land to the Welsh Housing Quality Standards and Design Quality Requirements as specified and published by the Welsh Assembly Government.
- Not to occupy or permit occupation of any of the dwellings comprised in the development which are to be sold or let on the open market until the Developer has transferred the Affordable Housing Units (fully serviced, safe and accessible by vehicles and pedestrians) to the RSL at a sum calculated using the Welsh Assembly Government Acceptable Cost Guidelines and the discount model outlined in the Affordable Housing Supplementary Planning Guidance.

As an alternative to the immediately preceding obligation, (to be used only where that obligation is not practical).

- Not to occupy any of the dwellings comprised in the development which are to be sold or let on the open market until the Developer has entered into an unconditional contract with the RSL for the sale of the Affordable Housing Units to the RSL at a sum calculated using the Welsh Assembly Government Acceptable Cost Guidelines and the discount model outlined in the Affordable Housing Supplementary Planning Guidance.
- Not to occupy more than an agreed percentage of the dwellings to be sold on the open market until the Council has been provided with evidence that all of the Affordable Housing Units have been transferred to the RSL(s) (fully serviced, safe and accessible by vehicles and pedestrians) in accordance with the S.106 agreement. The Council may agree phased provision and transfer of the affordable housing on large-scale development sites.
- If after using all reasonable endeavours the Developer(s) has not entered into a sale agreement with an approved RSL upon the terms and agreed timetable specified above it will notify the Council of this fact and comply with such an alternative method of securing affordable housing benefits as shall be specified by the Council to a value no less than that which would have been achieved had the developer disposed of the affordable housing units to an RSL (such method to be approved by the Council).
- If the Developer has been unable to comply with an alternative method (as provided above) within a further period of 12 months the Developer shall immediately pay to the Council a sum equal to the value which would have been achieved had the Developer disposed of the Affordable Housing Units to

an RSL as provided for above such sum to be used by the Council to facilitate the provision of affordable housing within a specified area.

- Provisions of Agreement relating to financial contributions e.g. commuted sums for education or community provision, shall not be binding on the affordable housing land once the affordable housing land has been transferred to the approved RSL.

Council's obligations

- To use any payment received from the Developer to facilitate the provision of affordable housing. In the event that the contribution towards affordable housing (or any part of it) has not been spent or committed within a period of five years from the date of payment to repay the part not spent or committed to the Developer together with interest on such sum from the date of receipt until the date of repayment.

Heads of Terms for Model Legal Agreement 3:

Financial Contributions by Developer

In all cases where it has been agreed by the Council that a commuted sum is appropriate in place of on site affordable housing provision, the Council will seek to negotiate a sum equal to the cost of providing 30% affordable housing unit on site of which 50% would have been Homebuy and 50% would have been social rented using the Welsh Assembly Government Acceptable Cost Guidelines and the discount model outlined in the Affordable Housing Supplementary Planning Guidance.

Developer's obligations

- Not to commence the development until the Developer has paid to the Council a sum to facilitate the provision of affordable housing. Such sum to be calculated on the notional basis of a specified number of dwellings each containing a specified floor area and a specified number of bedrooms and by using the Welsh Assembly Government Acceptable Cost Guidelines and Grant Rates applicable to such dwellings prevailing at the date of payment.
- If the commuted sum is to be paid after the commencement of the development the Developer will be required at the discretion of the Council to provide adequate security to the Council by way of bond or guarantee.

Council's obligations

- To use any payment received from the Developer to facilitate the provision of affordable housing. In the event that the contribution towards affordable

housing (or any part of it) has not been spent or committed within a period of five years from the date of payment to repay the part not spent or committed to the Developer together with interest on such sum from the date of receipt until the date of repayment.