

September 2014

Minimum requirement for on-site provision of affordable housing on sites of ten or more units outside the Croydon Opportunity Area

Introduction

The Croydon Local Plan: Strategic Policies, which was adopted by the Council on 22 April 2012, and forms part of the statutory development plan for the borough under s.38 of the Planning and Compulsory Purchase Act 2004, states in Policy SP2.4 that the minimum on-site requirement for affordable housing on schemes of ten or more dwellings outside of the Croydon Opportunity Area will be reviewed annually and the new target published in the Croydon Monitoring Report.

The review of the minimum requirement must consider changes to the Halifax House Price Index (HPI) and the Build Cost Information Service (BCIS) General Building Cost Index as shown in Table 4.2 of the Croydon Local Plan: Strategic Policies as reproduced below:

Table 4.2 Dynamic Viability Model - reviewing the minimum on-site affordable housing requirement

Price of homes change (House Price Index)											
		HPI No.	590.3	615.9	641.6	667.3	692.9	718.6	744.3	769.9	795.6
Change in construction costs (BCIS Index)	BCIS Index No.	%	-8%	-4%	0%	4%	8%	12%	16%	20%	24%
	264.4	-8%	5%	20%	30%	40%	45%	50%	55%	60%	60%
	275.9	-4%	0%	10%	25%	35%	40%	50%	55%	55%	60%
	287.4	0%	0%	0%	15%	25%	35%	45%	50%	55%	60%
	298.9	4%	0%	0%	0%	15%	30%	35%	45%	50%	55%
	310.4	8%	0%	0%	0%	5%	20%	30%	40%	45%	50%
	321.9	12%	0%	0%	0%	0%	10%	25%	35%	40%	45%
	333.4	16%	0%	0%	0%	0%	0%	10%	25%	35%	40%
	344.9	20%	0%	0%	0%	0%	0%	0%	15%	30%	35%

Position of the indices as available on 30th November 2013

On the 30th November 2013, the latest Halifax HPI figures were for Quarter 3 of 2013. The HPI in Greater London stood at **745.4** in that quarter. This is an increase of over 16% since Quarter 3 of 2009 (the base date for Table 4.2 of the Croydon Local Plan: Strategic Policies).

As at 30th November 2013 the BCIS General Building Cost Index figure for September 2013 (equating to the end of Quarter 3 of 2013 for direct comparison to the Halifax HPI) was between 8 and 12% higher in comparison to Quarter 4 of 2009. Under the terms of the licence agreement with the BCIS the Council is not able to publish the BCIS General Building Cost Index number as it is a subscription only service.

Table 4.2 of the Croydon Local Plan: Strategic Policies shows the minimum requirement for affordable housing if the existing value of a site (which is the value of land without permission for residential development) either stays the same or falls of less than 10% in value. Any other change to the existing use value affects the viability of affordable housing. Existing use values used to be published by the Valuation Office but they have not produced their Property Market Report since 2011. Instead a proxy for the existing use value is now provided by the value of industrial land published in Capita Industrial Property Price Map. Between 2009 and 2013 the value of industrial land in Croydon rose from £650,000/acre (Valuation Office Property Market Report (2009) to £750,000/acre (Capita Industrial Property Price Map) representing an increase of over 15%.

The changes in the Halifax HPI and the BCIS General Building Cost Index combined with the increase in the existing use values in the borough result in a new minimum requirement for the on-site provision of affordable housing on schemes of ten or more units outside of the Croydon Opportunity Area. If the existing use value of land in Croydon had not changed or had fallen slightly in value the new minimum requirement would have been 40% of units or habitable rooms to be affordable. The impact of changes to existing use values is shown in full in the Croydon Affordable Housing Viability Assessment – additional analysis (2011) available to download from the Council's website at www.croydon.gov.uk/contents/departments/planningandregeneration/pdf/evidence/homes/housingadd. An extract from this table showing the variation in the minimum requirement for affordable housing as a result of changes to the existing use value at the current positions of the Halifax HPI and BCIS General Building Cost Index is shown on the following page. This shows that as the existing use value of land in Croydon has risen by over 11% a minimum requirement of 40% would not be viable on many sites in the borough and instead a minimum requirement of 30% of units or habitable rooms to be affordable would be viable.

Therefore, as shown on the next page in the extract of the Table 4.2 including the impact of changes to existing use values, the new minimum requirement will be **30%** of units or habitable rooms to be affordable.

% change in value of industrial land

- More than 30% fall 50%
- 20-30% fall 50%
- 10-20% fall 45%
- No change or fall of less than 10% 40%
- Up to a 10% increase 35%
- 10-20% increase 30%
- 20-30% increase 25%
- 30-40% increase 20%

Price of homes change (House Price Index)											
		HPI No.	590.3	615.9	641.6	667.3	692.9	718.6	744.3	769.9	795.6
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	264.4	-8%	5%	20%	30%	40%	45%	50%	55%	60%	60%
	275.9	-4%	0%	10%	25%	35%	40%	50%	55%	55%	60%
	287.4	0%	0%	0%	15%	25%	35%	45%	50%	55%	60%
	298.9	4%	0%	0%	0%	15%	30%	35%	45%	50%	55%
	310.4	8%	0%	0%	0%	5%	20%	30%	40%	45%	50%
	321.9	12%	0%	0%	0%	0%	10%	25%	35%	40%	45%
	333.4	16%	0%	0%	0%	0%	0%	10%	25%	35%	40%
	344.9	20%	0%	0%	0%	0%	0%	0%	15%	30%	35%

Transitional arrangements

The new minimum requirement will apply to all qualifying applications still to be determined as of 16th September 2014 and to qualifying planning applications submitted after this date. It will not apply to applications approved pending a Section 106 agreement as of 16th September 2014.

Appendix 1. Extension of Table 4.2 of the Croydon Local Plan: Strategic Policies

When Table 4.2 of the Croydon Local Plan: Strategic Policies was published it was not anticipated that the price of new homes would increase as quickly as it has done. Table 4.2 only shows the requirements for affordable housing up to and including a 24% increase in house prices from the base date of Quarter 4 in 2009. As of Quarter 3 of 2013 house prices have already increased by over 16% and are still increasing. The full table for the Dynamic Viability Model shows the effect of house price increases of up to 60% and increases in construction costs of up to 50%. The full table (including impact of changes to existing use values) is included in the Croydon Affordable Housing Viability Assessment – additional analysis (2011) available to download from the Council’s website at www.croydon.gov.uk/contents/departments/planningandregeneration/pdf/evidence/homes/housingadd. For reference extensions of Table 4.2 are shown below showing the impact of changing house prices on the requirement for affordable homes in Croydon. The table shows changes in house prices of up to a 60% increase and changes in build costs up to a 48% increase compared to Quarter 4 of 2009.

		Price of homes change (House Price Index)									
		HPI No.	821.2	846.9	872.6	898.2	923.9	949.6	975.2	1000.9	1026.6
Cha	BCIS Index No.	%	28%	32%	36%	40%	44%	48%	52%	56%	60%
	275.9	-4%	60%	60%	60%	60%	60%	60%	60%	60%	60%
	287.4	0%	60%	60%	60%	60%	60%	60%	60%	60%	60%
	298.9	4%	60%	60%	60%	60%	60%	60%	60%	60%	60%
	310.4	8%	55%	60%	60%	60%	60%	60%	60%	60%	60%
	321.9	12%	55%	55%	60%	60%	60%	60%	60%	60%	60%
	333.4	16%	50%	50%	55%	60%	60%	60%	60%	60%	60%
	344.9	20%	45%	50%	55%	60%	60%	60%	60%	60%	60%
	356.4	24%	35%	45%	50%	55%	60%	60%	60%	60%	60%
	367.9	28%	30%	40%	45%	50%	55%	60%	60%	60%	60%
	379.4	32%	20%	30%	40%	45%	50%	55%	60%	60%	60%
	390.9	36%	10%	25%	30%	40%	45%	55%	55%	60%	60%
	402.4	40%	0%	15%	25%	40%	45%	50%	55%	60%	60%

413.9	44%	0%	5%	15%	30%	35%	45%	50%	55%	60%
425.4	48%	0%	0%	5%	25%	30%	40%	45%	50%	55%