

Spatial policy for affordable housing: The 'Planning gain' and financial gains.



Session 2. Good practices in the UNECE Region - Approaches to 'affordable housing' provision in spatial planning policy.

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Prague, 21 June 2019.





Aim and objectives of the presentation

Aim of the presentation is to discuss how spatial planning tools can be used to improve provision of affordable housing and to increase access to decent quality of affordable housing, based on the example of S106 in England.

Structure of the presentation:

- Context,
- Housing and spatial policy (tools),
- Section 106/'Planning obligation'/'Planning gain',
- Examples (Section 106 in London Plan in 2014; Financial gains from Section 106 in England in 2018; Spending of income from S106 in 3q 2017, Tendring District Council)
- Summary & Conclusions.



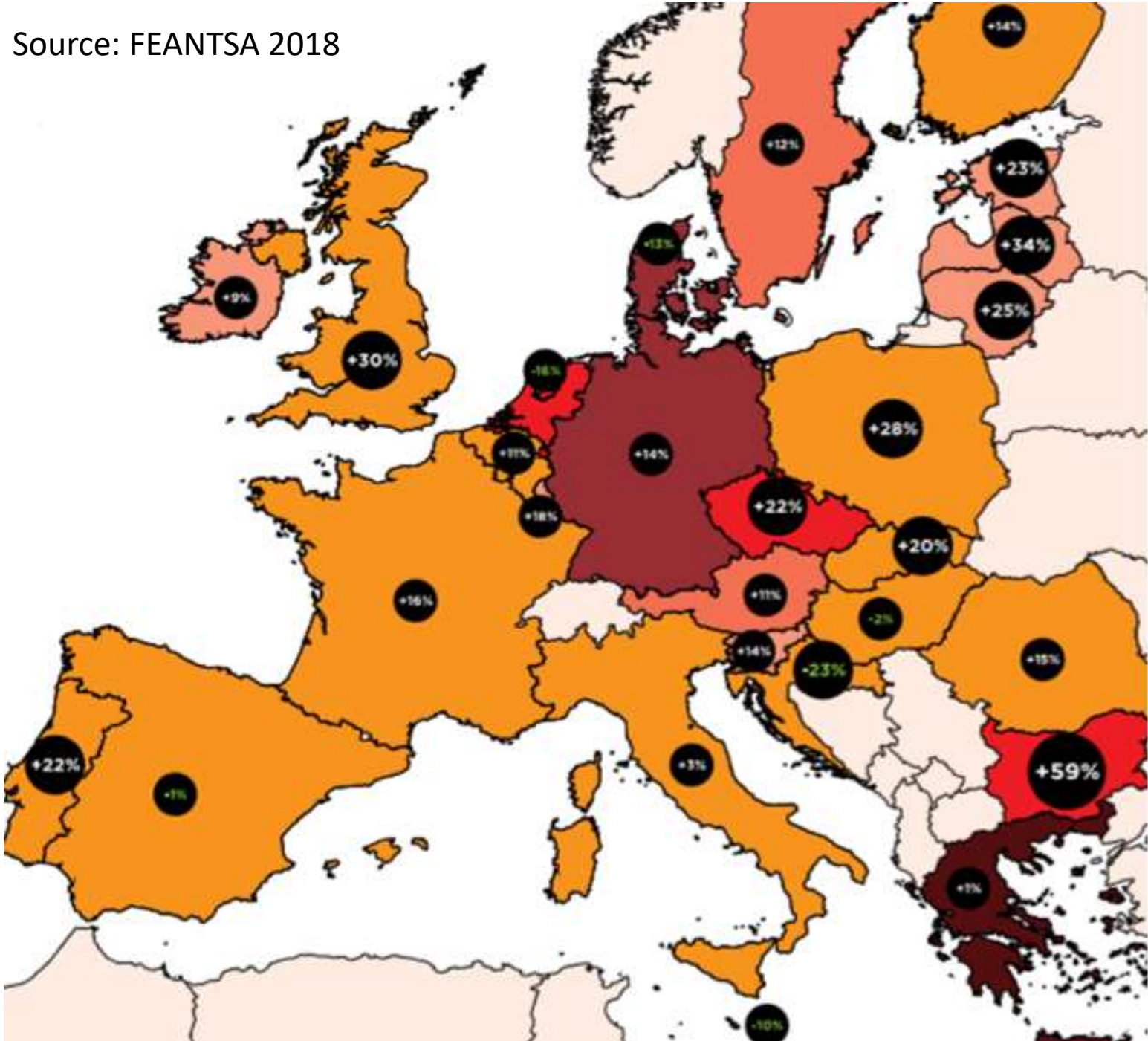
Context

Housing problems in the ECE region: decreasing housing affordability, cut in public spending+decrease in investment in social/affordable housing, ghettoization, renovations,

- e.g. homelessness increasing in all EU countries (apart from Finland) (FEANTSA 2018); macroeconomic imbalances in functioning of housing markets –UK, SE, NL (EC, COR 2017),
- cost of inadequate housing in the EU €194 billion per year; addressing shortcomings of the housing stock €295 billion in the EU (at 2011 prices) (Eurofound 2016).

Housing at heart of the 2030 Agenda, SDG 11 ‘Sustainable cities and communities’.

Source: FEANTSA 2018



Housing cost overburden rate 11,1% in 2016 (EUROSTAT).

Housing costs in the EU

Average weight of housing cost in the disposable income of poor households in 2016

- 10-25% of disposable income
- 25-35%
- 35-40%
- 40-45%
- 45-50%
- 50-60%
- More than 70%

Highest: GR; BU; SK; NL; DE.



% change in total housing costs for all households in PPP between 2010 and 2016

*10% between 2012 and 2016

Highest: BG +59%; UK 30%; LV 34%



Housing and spatial policy (tools)

- Residential development – a key component of spatial/urban policies; spatial plans (e.g. master plans, local development plans);
- Spatial policy and land policy ‘tools’ hold a particular significance to social/affordable housing providers, directly influencing on the host of housing construction (e.g. land sharing; land banking/re-adjustment tools)
- Section 106 – ‘Planning obligation’ (United Kingdom/England),
 - Town and Country Planning Act of 1990 (S106); the Planning Act 2008 (introduction of CIL),
 - Used to ‘secure funding towards mitigating the social and environmental effects of development’ (MHCLG 2018),
 - Tool capturing increases in land and property values.



Section 106/‘Planning obligation’/‘Planning gain’

- Put forward by local planning authorities; addresses a developer that applies for planning permission (approval to build),
- Contributions for open space; transport and travel; community development; education; affordable housing,
- Obliges developer to deliver a certain % (minimum) of ‘affordable housing’ for a larger developments (e.g. a residential complex of 10 or more dwellings); on-site or off-site, or to otherwise financially compensate to mitigate negative effects of the development,
 - Concerns residential and non-residential development proposals in various ways,
 - Different targets across locations + considered on case-by-case basis.



Section 106 in London Plan in 2014

Affordable housing requirement on commercial development in London Plan in 2014

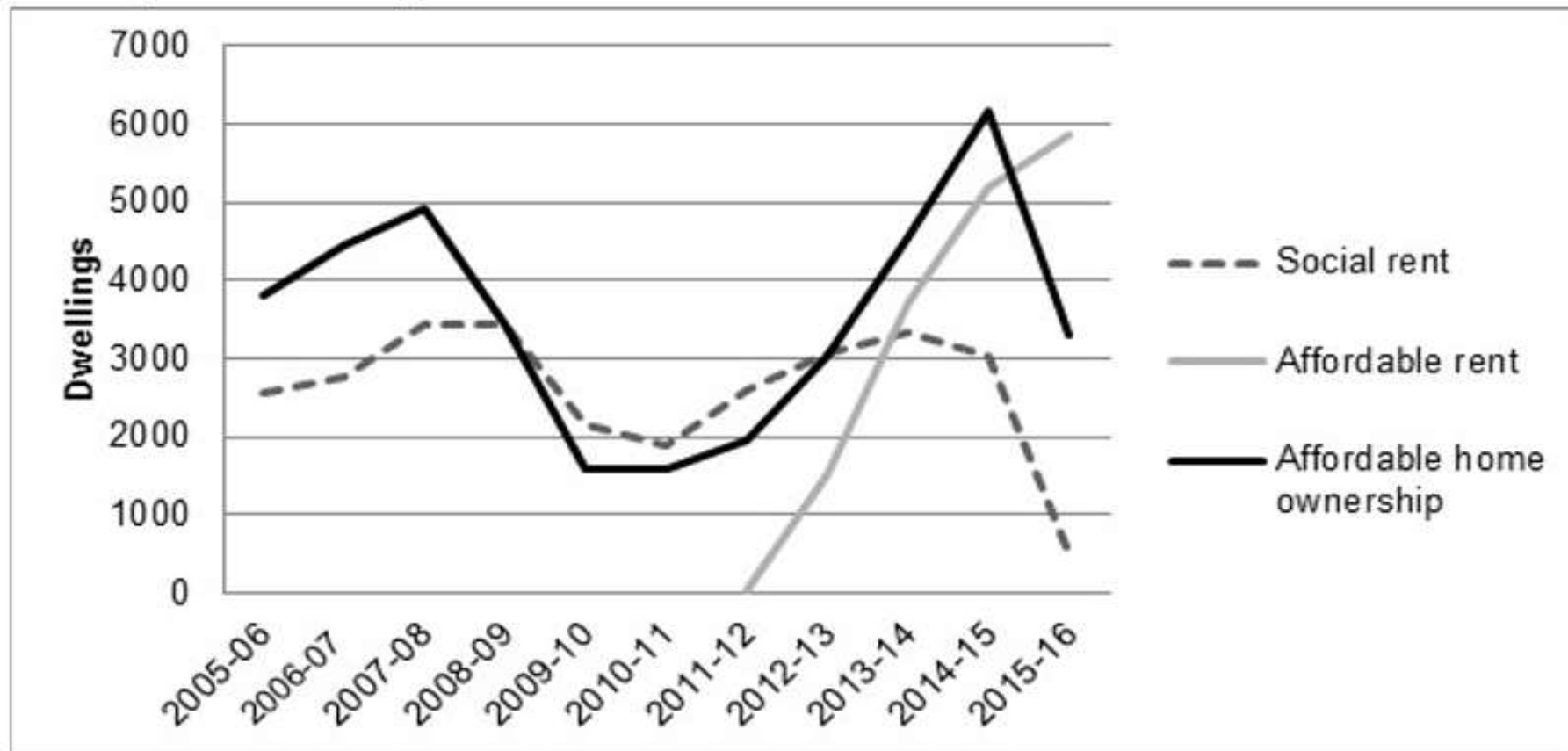
- E.g. For new commercial development with net increase of 500m² to make a financial contribution towards the off-site provision of affordable housing,

Affordable housing requirement on residential development

- E.g. For new residential developments of 10 or more units of housing - 30% of the total number of units proposed in kind, on-site for 'affordable housing'; or – in financial contribution of a rate equivalent of 60% of the number of units off-site in kind.



Affordable housing supply delivered through the planning system (nil grant) via 'S106 agreements', England, 2005–06 to 2015–16



Source: authors, derived from Department for Communities and Local Government 2015, 2017b.



Financial gains from Section 106 in England in 2018

e.g. that real value of developer contribution for affordable housing was over 4bln GBP in 2016/2017.

Table 3.3 The 'real' value of developer contributions (£ million)

Contribution Type	2005-06	2007-08	2011-12	2016-17
CIL	-	-	-	£945.2
Affordable Housing	£2,578.9	£3,221.3	£2,479.5	£4,047.1*
Open Space	£278.1	£289.4	£121.8	£115.6
Transport & Travel	£466.7	£569.6	£452.8	£131.6
Community	£97.3	£237.3	£171.4	£146.1
Education	£198.6	£333.5	£218.8	£241.2
Land Contribution	£1,237.9	£1,108.9	£323.4	£330.0
Other Obligations	£193.3	£226.2	£32.3	£50.6
Total Value	£5,063.8	£6,006.0	£3,988.7	£6,007.4

Source: 2007/08 report, 2011/12 report, LPA survey grossed up sample, CPI inflation adjusted using October to October rates

Source: MHCLG 2018



Financial gains from Section 106 in England in 2018 (II)

e.g. developer contributions for 'affordable rent' (tenure) was the highest (over 1.6bln GBP) against other types of tenure (e.g. social rent); and that developer contribution in London was the greatest (over 1.2bln GBP) in comparison to other regions.

Table 3.7 The value of in-kind developer contributions towards affordable housing 2016/17 by region (£ million)

	Social Rent	Affordable Rent	Intermediate Rent	Affordable Home Ownership	Starter Homes	Unknown	Total
East Midlands	£38.6m	£91.5m	£13.0m	£33.5m	£0.9m	£54.9m	£232.4m
East of England	£82.3m	£272.8m	£1.2m	£98.7m	£0.9m	£58.1m	£513.9m
London	£441.4m	£408.4m	£80.6m	£217.6m	£2.9m	£60.7m	£1,211.6m
North East	£10.4m	£41.1m	£0.8m	£17.5m	£ -	£7.5m	£77.5m
North West	£16.0m	£50.2m	£2.0m	£29.9m	£3.1m	£55.2m	£156.5m
South East	£144.4m	£436.5m	£7.0m	£230.6m	£5.5m	£52.4m	£876.3m
South West	£111.8m	£198.9m	£4.8m	£123.7m	£0.4m	£10.0m	£449.7m
West Midlands	£105.1m	£81.1m	£4.0m	£42.4m	£ -	£50.8m	£283.4m
Yorks. & Humber	£48.5m	£53.3m	£39.4m	£16.3m	£0.1m	£12.8m	£170.4m
							£3,971.7m
Total	£998.5m	£1,633.9m	£152.9m	£810.3m	£13.7m	£362.3m	*

Source: Local Authority Housing Statistics and Nationwide Building Society

*This does not include the affordable housing direct payment commuted sum, at a total value of £75.4m.

Source: MHCLG 2018



Spending of income from S106 in 3q 2017, Tendring District Council

Parish	Development	Developer / Owner	Start Date	Term (Years)	Total Amount	Total Spent	Balance
Brightlingsea	Former James and Stone Shipyard - Car Parks B'sea	Hampstead Homes (London) Ltd	30/09/2009	10	153,574.57	151,486.83	2,087.74
Brightlingsea	Former Astralux Site Red Barn Road, B'Sea	NEEB Holdings	04/05/2015	10	42,786.07	0.00	42,786.07
Weeley	Barleyfields, Thorpe Road Weeley	Rose Builders	06/03/2017	10	65,126.51	0.00	65,126.51
Clacton	Site off Abigail Gardens Holland Road Clacton	Fisher Jones Greenwood LLP	25/02/2014	5	89,991.86	0.00	89,991.86
					351,479.01	151,486.83	199,992.18



Summary & Conclusions

Understanding influence of the Section 106 on provision of affordable housing is a complex task, one should also consider a range of issues (e.g. no of permissions, how municipalities apply the policy, efficiency of functioning of planning system; negotiation skills at local level; pro-cyclical (?)) etc., HOWEVER

The example of S106 demonstrates **that spatial planning tools can be successfully used to increase provision of affordable housing; and to ‘mobilise’ private finance towards achieving these objectives.**

- via ‘in-kind compensation’ (developer building affordable housing, which entails offsetting costs of public investment in affordable) or ‘financial compensation’ (by directly generating new income streams for affordable housing in public budgets; generating savings for future investment)
- moving away from a mono-tenure estates, into mixed housing developments across the country’ (Crook, Henneberry et al. 2016; Whitehead 2007).



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Thank you

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