

Response to DSD Consultation on Developer Contributions for Affordable Housing

September 2014

1. Introduction

Housing Rights Service (HRS) was established in 1964 and is the leading provider of independent specialist housing advice services in Northern Ireland. We believe everyone should have a home and we work to improve lives by tackling homelessness and housing problems in Northern Ireland. Having a home is critical to the wellbeing of individuals, families and the wider community in which we all live.

HRS helps to inform developments in local housing legislation, policy and practice by providing client focused comment. Our policy work is based on client experiences and, where possible, we involve service users in policy development and public affairs work. We also implement a rolling public affairs programme to maximise the opportunities to influence policy decision makers.

2. Summary

Housing Rights Service welcomes this long awaited consultation on proposals to introduce a developer contributions scheme for social and affordable housing in Northern Ireland. We believe the introduction of planning obligations to facilitate developer contributions presents an important opportunity to lever in additional investment for the provision of new social and affordable housing, particularly in this time of constrained public financing and sustained housing need. We therefore support the Department's aim to "promote decent, affordable and sustainable housing, particularly in terms of tenure, price and household composition" and the recognition that "the provision of more affordable housing is a cornerstone of sustainable communities".¹

Northern Ireland is unique within the UK and Ireland in not already requiring a contribution from developers in the provision of social and affordable housing. An opportunity now exists for local planning policy to reflect these frameworks and learn from the experience in other jurisdictions. It is important to stress that developer contributions should only complement the existing social housing development programme which still needs to be supported and prioritised by government. However, it is clear that contributions from developers could prove to be an important way of addressing housing need and supporting balanced communities at a time of major change in Northern Ireland's social housing sector. In our view developer contributions should not be seen as the panacea to the current housing shortage of both social and low cost home ownership accommodation. Notwithstanding current partnerships between developers and housing associations, a mandatory developer contribution may not yield benefits until the medium to longer term and therefore funding for social and affordable housing should be high on the government's agenda.

Given the technical complexity of the proposals, we would recommend the establishment of a small stakeholder working group by DSD and DOE to advise on the design and delivery of the policy. Similar to the Advisory Group set up in the wake of the Semple Review of Affordable Housing in 2007, this would facilitate discussion among the key actors who will eventually be involved in the implementation of the policy and ensure its effective implementation. The work plan of the group should be strictly time limited and, as a result, should not unduly extend the policy making process.

¹ Consultation paper on Developer Contributions for Affordable Housing, DSD, June 2014, P6

We agree with the preferential order of the methods of contribution as set out in the consultation paper and favour the provision of on-site provision as it best integrates social, affordable and market accommodation and therefore contributes to mixed developments. The design and appearance of the affordable housing element should be 'tenure blind' - identical to the rest of such developments and fully integrated, conforming to design specifications as set out in the Housing Association Guide.

3. Partnership

The economic climate has changed considerably since February 2008, when the then Minister for Social Development announced her intention to introduce a model of developer contributions. Notwithstanding the continuing difficulties in the new build private housing market, it is clear that the market is recovering and we would anticipate further progress will be made before the developer contributions policy is eventually implemented. We therefore believe we should now plan and put in place the framework for the implementation of a developer contributions policy in order to take advantage of an upturn in the house building industry. We need to remember that economic climates are cyclical and therefore should not impact on the fundamentals of housing policy.

HRS has for many years called for the development of effective partnerships between central and local government, private developers, housing associations, communities and private financial institutions in order to help create attractive, successful mixed tenure housing developments that can not only serve the interests of residents but will also be an asset to the wider community.

We believe there are major dividends which can be gained from closer working between housing specialists and planners and we welcome the proposal in the consultation paper to establish multi-disciplinary teams to negotiate the terms of planning agreements for the provision of affordable housing or commuted sums. In England studies, such as the research conducted for the London Assembly's Planning and Spatial Development Committee, have indicated the need for a multi-skilled team comprising housing, planning and legal professionals working closely together in the negotiation of planning agreements with developers.² This approach would also result in key players in the planning process enhancing their knowledge of land economics and for management in the construction industry having a sound grasp of current housing and planning policies.

4. Level of contribution and options

We note, from the Partial Regulatory Impact Assessment, that it has been difficult for the Department to gather detailed information on the current scale of house building and the potential impact of this proposed policy on developers. We therefore support the need for further research and greater liaison with private house builders in order to properly inform the Small Business Impact Test. It is our understanding that new house building activity has reduced by a third since 2003/04 with currently less than ten local developers involved in large scale development schemes. In our view it is therefore important not to overburden the local housing industry and ensure that the proposals are economically viable at this particular time.

We believe a stakeholder working group should consider in detail the proposals to apply the affordable housing contribution to all developments of 5 units or over as the implementation of this proposal could provide a competitive advantage to those smaller house builders involved in micros

² Who Gains? The operation of section 106 agreements in London, March 2008

schemes of less than 5 properties. We note that in a recent DCLG study of developer planning obligations in England, there is evidence that more planning agreements were being struck for smaller sites, especially for housing in rural areas.³

We also believe the proposed regional target of 20%, based on a profit threshold of 15%, for developer contributions should also be reviewed by this stakeholder working group and consideration should be given to a range of economic viability models which take account of the Net Stock Model and local housing need assessments.

5. Developer obligations

Sir John Semple stated in his 2007 review that safeguards should be put in place to ensure that dwellings provided through developer contribution meet required standards. A particular problem for Local Planning Authorities (LPAs) in England has been identified in regard to monitoring the delivery of obligations as this appears to be less well developed than negotiating the original agreements, particularly on knowing if the development stages which should trigger payments (or other obligations, such as the delivery of affordable housing) have actually taken place.⁴

We believe that any developer contributions policy should provide certainty for developers and all stakeholders. The research evidence shows that developer contributions work well when standard templates and guidelines are used to provide the developer with clarity and speed of negotiation.⁵ This standardised approach is likely to yield higher levels of social and affordable housing. We agree with the preferential order of the methods of contribution as set out in the consultation paper and favour the provision of on-site provision as it best integrates social, affordable and market accommodation and therefore contributes to mixed developments.

We note that the payment of commuted sums in lieu of on-site provision could be used for provision in other areas where there is an identified housing need. In our view it is imperative that commuted payments in the form of cash or an equivalent land value do not become optional alternatives for the developer. Commuted sums should only be permitted at the discretion of the Planning Service where provision of social and affordable housing is not feasible or practical. This decision should be based on robust housing need indicators and such commuted sums should be strictly ring fenced by DSD to fund affordable schemes, as recommended in the consultation paper.

6. Tenure neutrality

We believe in order to promote inclusive and balanced communities there should be no physical differentiation of tenure types, where a developer contribution provides on-site housing for social and affordable accommodation. We believe all tenure types must be integrated throughout the site to identical standards and fully integrated, conforming to designs as set out in the Housing Association Guide. Ensuring all tenure forms meet identical standards could potentially reduce any stigmatisation of social renting and ensure successful mixed tenure and communities. It has been argued by many commentators that the most successful mixed developments are those where

³ The Incidence, Value and Delivery of Planning Obligations in England in 2007-08 Final Report, DCLG, Crook et al, March 2010. P11

⁴ Op cit 3. P9

⁵ Ibid

market, affordable and social tenures are indistinguishable from one another. Housing should be provided in such a way as to enhance social cohesion, and where possible, to promote integration between communities of different backgrounds.

Research in England has found that developer contributions have succeeded in shifting the supply of affordable housing into higher land value areas.⁶ This evidence highlights the tangible benefits developer contribution can have in delivering not only more social and affordable housing but also as acting as a means of creating more mixed communities. However, developer contributions should not be seen as the panacea to the current housing shortage of both social and low cost home ownership accommodation. Notwithstanding current partnerships between developers and housing associations, a mandatory developer contribution may not yield benefits until the medium to longer term and therefore funding for social and affordable housing should be high on the government's agenda.

7. Further information

Housing Rights Service will be pleased to provide additional information in support of this response. For further information contact:

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⁶ The Value for Money of Delivering Affordable Housing through Section 106 Agreements, OFMDFM, July 2005