

Appendix 3 - Affordable Housing Policy

3.1 Delivery of affordable housing is a key priority of the Local Plan. Average house prices in Three Rivers are some of the highest in the country outside London. Housing affordability within the District continues to be a major concern for many residents, and many local people have difficulty in accessing housing on the open market. This particularly affects the young and those on lower incomes who are entering the housing market. The South-West Herts Local Housing Needs Assessment Update (LHNA, March 2024) is clear that there is a notable need for affordable housing in Three Rivers and across South-West Hertfordshire. Improving the supply and standard of affordable housing is therefore one of the biggest priorities for the Council to address the needs of our community.

Affordable Housing	
Thresholds and Percentage	
(1)	The Council will seek an overall provision of 40% of all new housing as affordable housing (by net additional unit), incorporating a mix of tenures. All new development resulting in a net gain of one or more dwellings will be expected to contribute to the provision of affordable housing. On specialist housing schemes for older people, these thresholds will apply except in the case of development falling within a C2 use class.
Split	
(2)	70% of affordable housing should be for rent and 30% for affordable home ownership and have regard to the following: <ul style="list-style-type: none"> a) Affordable housing for rent includes Social Rent and affordable rent (and can include affordable private rent). As a guide 70% of affordable housing for rent provision should be Social Rent and 30% should be for affordable rent. b) Affordable home ownership includes First Homes and shared ownership. First Homes and shared ownership products are preferred; however, other types of affordable home ownership products will be considered on a case-by-case basis. As a guide 50% of affordable home ownership provision should be First Homes and 50% should be shared ownership.
(3)	10% of affordable housing should meet the Building Regulations M4(3) standard (wheelchair user dwellings) as per the requirements of Policy X on Accessible and Adaptable dwellings.
(4)	In calculating the percentage of affordable units to be provided as part of a development scheme, the affordable housing requirement will normally be 'rounded up' to the nearest whole number.

- (5) Where development would affect existing affordable dwellings, permission will only be granted where this would not result in a net loss of affordable housing, and where the proposed tenure mix would meet affordable housing needs of the community.

Green Belt

- (6) All major development involving the provision of housing in the Green Belt (i.e. sites for 10 or more homes; or with a site area of 0.5 hectares or more) should provide at least 50% of the total housing provision as affordable housing, unless this would make the development of the site unviable (when tested in accordance with national planning practice guidance on viability). Any development in the Green Belt resulting in a net gain of 1-9 dwellings should provide at least 40% of the total housing provision as affordable housing, as set out in paragraph 1 of this policy.

Rural Exception Sites

- (7) Small-scale proposals delivering 100% affordable housing in perpetuity within and immediately adjacent to the village core areas of Bedmond and Sarratt may be supported within the Green Belt where these are evidenced to provide affordable housing to meet identified local community needs. A minor degree of market housing may be acceptable where it is required to support the delivery of affordable housing on the site.
- (8) Affordable housing should reflect the mix of sizes and types required in the District as identified through Policy X Housing Mix and the most up-to-date Local Housing Need Assessment (LHNA) and subsequent updates, as well as the Council's Housing Register.

Mode of Affordable Housing Provision

- (9) In most cases, affordable housing provision should be made on site, however on small sites delivering between one and nine dwellings, contribution to affordable housing may be made through commuted payments. Such payments will be broadly equivalent in value to on-site provision of affordable housing for rent, but may vary depending on site circumstances and viability. Payments will fund the development of affordable housing on other sites within the District.
- (10) To ensure community cohesion and good design, affordable homes must be fully integrated in the design of the overall scheme, being physically and visually indistinguishable from market units and dispersed across the site in clusters appropriate to the size and scale of the development. Designs resulting in high maintenance or service charges should be avoided.

Delivery

- (11) Affordable housing requirements that have been determined on the basis of viability and site-specific viability information seeking to justify an alternative level or mix of affordable housing will therefore only be accepted in exceptional cases. Viability assessments should be undertaken in accordance with the recommended approach set out in national planning guidance, including standardised inputs, and will be made publicly available.
- (12) Where a reduction in affordable housing is justified, the Council will seek to secure the preferred tenure split as a priority over a potentially higher total percentage of affordable housing which would not be consistent with meeting priority needs. Such proposals will also be subject to detailed review mechanisms throughout the period up to full completion of the development, including an advanced stage review mechanism.
- (13) Where developments would trigger affordable housing requirements, application of the Vacant Building Credit will only be appropriate in demonstrated exceptional circumstances, and where a proposal would meet all of the following criteria:
 - a) It is clearly demonstrated that the site would otherwise not come forward for any form of redevelopment at any point over the medium to long-term;
 - b) All buildings within the site boundary are vacant at the time the application is submitted;
 - c) There are no extant or recently expired permissions on the site for any proposed use class;
 - d) The proposal does not involve the loss of any capacity to meet other development needs from a site allocated for non-housing development; and
 - e) The building has not been made vacant for the sole purpose of redevelopment, evidenced by provision of marketing and vacancy evidence for a continuous period of five years (up to the point of submission of an application).

First Homes

- (14) First Homes are required to be sold at a minimum discount of at least 30% of the market value of homes available for sale locally which are of the same size and type as those proposed. The minimum discount will be secured in perpetuity.
- (15) First homes are to be sold to a person or persons meeting the First Homes eligibility and local connection criteria (see below);

Reasoned Justification

3.2 The NPPF advises that affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas where policies may set a lower threshold of five units or fewer. However, the local circumstances in

Three Rivers are considered to justify an alternative approach to require all developments resulting in a net gain of housing to contribute to affordable housing provision. This is on the basis of the acute need for affordable housing in the District demonstrated by the LHNA, the Councils “*Evidence Relating to the Application of the Affordable Housing Threshold in Core Strategy Policy CP4: Affordable Housing*” documents¹, and the crucial role that smaller sites delivering fewer than 10 dwellings has played in delivering housing historically which is expected to continue in future. These factors are considered to outweigh the guidance within the NPPF and justify the approach within the Affordable Housing Policy to require all sites resulting in a net gain of dwellings to contribute to affordable housing provision in the District, and this approach has been supported in recent appeal decisions in the District.

3.3 The LHNA demonstrates that the median house price in Three Rivers during in the year to September 2022 was £560,000. This is significantly above the Hertfordshire average of £512, 940 and the East of England average of £328,000 during the same period. Monthly rents across all sizes of accommodation are similarly above Hertfordshire and England averages within Three Rivers.

3.4 Affordability ratios in Three Rivers and across the South West Hertfordshire area have deteriorated significantly since 1997 and lower quartile house prices in the District were 12.85 times higher than lower quartile incomes at February 2022. The affordability of housing therefore remains a critical issue in Three Rivers, and will continue to be so for the foreseeable future.

3.5 The LHNA considered needs for affordable housing within the District and identified an annual net need for affordable housing in Three Rivers over the period 2024-2040 of 527 affordable homes per year. When split between rented affordable need and affordable home ownership need, this overall identified need of 527 affordable homes a year equates to a need of 364 rented affordable homes (including Social Rent and affordable rent) and 163 affordable home ownership dwellings (including First Homes, shared ownership etc).

3.6 Given the substantial need for affordable housing in the District, it is also essential that development does not lead to a reduction in the overall supply of affordable housing, or to changes to the tenure of affordable housing which is provided so that it is less well suited to meet demonstrated local needs. Such proposals would undermine the overall approach to the supply of affordable housing in the District and will be resisted.

Rented Affordable Need

3.7 The LHNA sets out that “there are therefore policy choices to be made by individual authorities around how policies are crafted ... the analysis is however clear that there is need for both social and affordable rented homes”. The LHNA further adds that “decisions should be influenced by individual authorities’ priorities, the results of viability evidence and funding availability”. With regard to the tenure of affordable housing for rent, local evidence suggests that the greatest need in the District is for Social Rented housing, followed by Affordable Rent.

3.8 However, when benefits are taken into account, the LHNA notes that for households claiming Household Benefit, an affordable rent may be appropriate as long as the Housing Benefit is able to cover all of the rent, whilst for households with an income that would allow them to afford an affordable rent it is arguable that a social rent would be more appropriate as the housing costs would be less of a strain on household finances.

¹ <https://www.threerivers.gov.uk/services/planning/planning-applications/latest-appeals-cp4>

3.9 Affordable rent should be genuinely affordable, with rents at around 60% of median market values (including service charges).

3.10 The Council acknowledge that requiring a higher proportion of affordable homes for rent, will impact on the overall level of affordable housing that may be delivered. However, these are the most urgent and pressing needs for housing in the District and the Council will therefore prioritise the delivery of a greater proportion of affordable housing for rent rather than a higher total level of affordable housing delivery through, for example, a higher proportion of affordable home ownership. A tenure mix in accordance with Policy X (Housing Mix) will therefore be sought.

Affordable Home Ownership Need

3.11 The LHNA also indicates that in addition to the requirement for affordable housing for rent, that there is a case for setting out policies in Local Plans which support provision of a range of affordable home ownership products. Such products include First Homes, shared ownership and rent to buy.

3.12 First Homes are a specific type of discounted market sale housing and meets the definition of 'affordable housing' for planning purposes. First Homes are discounted market sale units which:

- a) must be discounted by a minimum of 30% against the market value;*
- b) are sold to a person or persons meeting the First Homes eligibility criteria*
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000*

First Homes Eligibility and Local Connection Criteria

3.13 National standard criteria apply to First Homes including that a purchaser must be a first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers) and not be sold to any household with a combined annual income in excess of £80,000.

3.14 To demonstrate a local connection, applicants for First Homes that are built in Three Rivers will:

- Be a resident in Three Rivers for at least the past twelve months, or three out of the last five years, where residence has been out of choice; or
- Work in Three Rivers in employment other than of a casual nature as defined by Local Government Association Guidelines. For the purposes of this policy this will be defined as having had permanent work with a minimum of a 16 hour contract per week for the previous 6 months, and without a break in the period of employment for more than three months; or
- Have family connections in Three Rivers with a member of their household, parents, adult children or siblings who have been residents in Three Rivers District for at least the last 5 years.

3.15 In recognition of the unique nature of their circumstances, members of the Armed Forces, the divorced or separated spouse or civil partner of a member of the Armed Forces,

the spouse or civil partner of a deceased member of the Armed Forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the Armed Forces should be exempt from any local connection testing restrictions.

3.16 The Council can exercise flexibility to lower the price cap; increase the discount level and/or reduce the income cap, provided there is local evidence to justify doing so. The LHNA suggests the possibility of raising the discount levels to 40% in Three Rivers, but the case for higher discounts needs to be balanced against scheme viability and the potential knock on effect on other tenure types in the scheme. As such, higher discounts can be considered, where this can be viably achieved.

Rural Exception Sites

3.17 There are fewer opportunities to build new homes in the District's smaller villages surrounded by, or designated as Green Belt due to more restrictive policies on housing in countryside and particularly in the Green Belt. However, an element of new development can help to support these communities. The NPPF recognises this and enables the provision of limited affordable housing for local community needs under policies set out in the development plan, including policies for rural exception sites. Proposals for rural exception sites delivering 100% affordable housing within and immediately adjacent to the village core may be supported (including in the Green Belt) where these are evidenced to provide affordable housing which would meet identified local community needs. The type and size of affordable housing provided on such sites must address identified needs in the individual village or the area it serves which is defined as the village or parish in which it is located.

Specialist Housing

3.18 In relation to specialist housing (such as extra care housing), it is recognised that provision of affordable housing may be particularly difficult to achieve from both a viability and practical perspective), as highlighted within the LHNA. As such, affordable housing provision will not apply in the case of development falling within a C2 use class. In other cases (i.e. where development falls within a C3 use class), a viability assessment will be required to demonstrate if an affordable housing contribution is not viable.