

Policy H4 Delivering affordable housing

- A The strategic target is for 50 per cent of all new homes delivered across London to be genuinely affordable. Specific measures to achieve this aim include:
- 1) requiring major developments which trigger affordable housing requirements⁵⁰ to provide affordable housing through the threshold approach ([Policy H5 Threshold approach to applications](#))
 - 2) using grant to increase affordable housing delivery beyond the level that would otherwise be provided
 - 3) all affordable housing providers with agreements with the Mayor delivering at least 50 per cent affordable housing across their development programme, and 60 per cent in the case of strategic partners⁵¹
 - 4) public sector land⁵² delivering at least 50 per cent affordable housing on each site and public sector landowners with agreements with the Mayor delivering at least 50 per cent affordable housing across their portfolio
 - 5) industrial land appropriate for residential use in accordance with [Policy E7 Industrial intensification, co-location and substitution](#), delivering at least 50 per cent affordable housing where the scheme would result in a net loss of industrial capacity.
- B Affordable housing should be provided on site. Affordable housing must only be provided off-site or as a cash in lieu contribution in exceptional circumstances.

⁵⁰ All major development of 10 or more units triggers an affordable housing requirement. Boroughs may also require affordable housing contributions from minor housing development in accordance with [Policy H2 Small sites](#)

⁵¹ Strategic partners are affordable housing providers who commit to deliver ambitious development programmes through a flexible partnership with the Mayor. Each partnership involves at least 1,000 new housing starts, with at least 60 per cent of them genuinely affordable.

⁵² Separate affordable housing requirements apply to estate regeneration schemes on public sector land, which are set out in [Policy H8 Loss of existing housing and estate redevelopment](#).

- 4.4.1 **Delivering more genuinely affordable housing**⁵³ is a key strategic issue for London. Meeting the need for circa 43,500 affordable homes per year, as established in the 2017 Strategic Housing Market Assessment, will require an increase in affordable housing contributions from all sources. All schemes are expected to maximise the delivery of affordable housing and make the most efficient use of available resources. This is critical to enabling London to meet the housing needs of its workforce and maintain the function and resilience of the city.
- 4.4.2 Past approaches have not adequately met levels of housing need. To provide greater certainty, speed up the planning process and increase affordable housing delivery, the Mayor is adopting a **threshold approach to viability**. This means that schemes meeting or exceeding the threshold without public subsidy,⁵⁴ and consistent with the requirements in Part C of Policy H5 Threshold approach to applications, are not required to submit viability information. The threshold approach was first introduced in the Mayor's Affordable Housing and Viability SPG. It provides the opportunity to move away from protracted viability debates, create certainty in terms of affordable housing requirements, embed the requirements into land values, and offer a clear incentive for developers to increase affordable housing delivered through the planning system above the level in planning permissions granted in recent years.
- 4.4.3 Schemes that do not meet this threshold, or require public subsidy to do so, will be required to submit detailed viability information which will be scrutinised and treated transparently. **Comprehensive review mechanisms** will be applied to schemes that do not meet the relevant threshold as set out in Part B of Policy H5 Threshold approach to applications, in order to ensure that affordable housing contributions are increased if viability improves over time.
- 4.4.4 Schemes are expected to deliver at least the threshold level of affordable housing without **grant or public subsidy** and to increase this proportion through the use of grant and other subsidy, where available. Only where there are clear barriers to delivery and it is fully justified through detailed viability evidence, in line with the methodology and assumptions set out in Policy H5 Threshold approach to applications and the Mayor's Affordable Housing and Viability SPG, should a lower level of affordable housing be considered.

⁵³ The NPPF defines affordable housing for planning purposes. Within this broad definition, sections 4.6.3 - 4.6.9 of this Plan set out the Mayor's preferred affordable housing tenures and other genuinely affordable housing products

⁵⁴ Public subsidy includes grant, public loans (including the Mayor's London Housing Bank) and any public land at a reduced cost



- 4.4.5 Given the extent of housing need identified for affordable housing in the 2017 SHMA, the delivery of overall housing targets should not be relied on as a reason for reducing affordable housing delivery or other policy requirements, subject to the approach in this policy, Policy H5 Threshold approach to applications and Policy DF1 Delivery of the Plan and Planning Obligations. In previous years where there has been a relaxation in affordable housing and other planning requirements this has typically led to higher land values, rather than an increase in housing delivery. Whilst the Plan sets out a clear approach for significantly increasing housing delivery in London, the London SHMA has identified that **65 per cent of London's need is for affordable housing**. Therefore, it is crucial that residential and mixed-use development contributes directly towards the provision of affordable housing and other policy requirements that support the delivery of sustainable development.
- 4.4.6 The Mayor expects all affordable housing providers to deliver as much affordable housing as possible. **Affordable housing providers with agreements with the Mayor** should deliver at least 50 per cent affordable housing across their development programme and, in the case of strategic partners, 60 per cent. Affordable housing commitments by these providers are not planning requirements that can be applied to individual sites as the commitments are only achievable if the affordable housing providers have the flexibility to use their resources strategically to maximise affordable housing provision across London.
- 4.4.7 **Public sector land** represents an opportunity to deliver homes that can meet the needs of London's essential workers who maintain the function and resilience of the city. The Mayor expects that residential proposals on public land should deliver at least 50 per cent affordable housing on each site. Public sector landowners with an agreement with the Mayor may provide 50 per cent affordable housing across a portfolio of sites provided at least 35 per cent affordable housing is provided on each site, with the required affordable housing tenure split on the initial 35 per cent.
- 4.4.8 Most **industrial land** fulfils a vital role in supporting London's economy. However, it is occasionally deemed appropriate for residential uses. In these circumstances, there is potential for a significant difference in value between the two uses. The Mayor expects that residential proposals on industrial land should deliver at least 50 per cent affordable housing where the scheme would result in a net loss of industrial capacity.
- 4.4.9 Affordable housing should be delivered on site to help deliver mixed and inclusive communities providing choice to a range of Londoners. Affordable housing should only be accepted as an **off-site contribution** in exceptional circumstances where it can be robustly demonstrated that affordable housing

cannot be delivered on-site or where an off-site contribution would better deliver mixed and inclusive communities than an on-site contribution.

- 4.4.10 **Cash in lieu** contributions should be used in even more limited circumstances,⁵⁵ and only where there is detailed evidence to demonstrate that on-site affordable housing delivery is not practical, off-site options have been explored but are not acceptable and that accepting a cash in lieu contribution will not be detrimental to the delivery of mixed and inclusive communities.
- 4.4.11 In each case, the approach must result in **additional affordable homes**, meaning the funding should not be used for affordable units that would otherwise have been delivered. It should also take account of the fact that all sites are expected to deliver at least the threshold level of affordable housing and any cash in lieu or off-site contribution should deliver units in addition to this.
- 4.4.12 Cash in lieu contributions should be held in a **separate affordable housing pot**, where resources can be pooled and ring-fenced to enable greater, or more appropriate, new provision to be made off-site. This should either be on an identified site or as part of an agreed programme, in compliance with the statutory tests for use of planning obligations.⁵⁶
- 4.4.13 To avoid incentivising off-site provision or in lieu contributions, agreements for this should provide no financial benefit to the applicant relative to on-site provision and should include **review mechanisms** in line with the Viability Tested Route. The policy target for schemes delivering off-site affordable housing or in lieu contributions is 50 per cent affordable housing provided across the main site and any linked sites when considered as a whole.
- 4.4.14 Boroughs must have in place **monitoring arrangements** to ensure that the additional homes are delivered. As per Policy H7 Monitoring of affordable housing, the Mayor requires information on off-site and cash in lieu delivery as part of the data collection for the Annual Monitoring Report.

⁵⁵ For exceptions see Policy H2 Small sites and Policy H16 Large-scale purpose-built shared living.

⁵⁶ Community Infrastructure Levy Regulations 2010, Regulation 122(2): http://www.legislation.gov.uk/uksi/2010/948/pdfs/ukxi_20100948_en.pdf



Policy H5 Threshold approach to applications

- A The threshold approach applies to major development proposals which trigger affordable housing requirements (see paragraph [4.5.15](#) for scheme types with bespoke approaches).
- B The threshold level of affordable housing on gross residential development is initially set at:
 - 1) a minimum of 35 per cent; or
 - 2) 50 per cent for public sector land where there is no portfolio agreement with the Mayor; or
 - 3) 50 per cent for Strategic Industrial Locations, Locally Significant Industrial Sites and Non-Designated Industrial Sites appropriate for residential uses in accordance with [Policy E7 Industrial intensification, co-location and substitution](#) where the scheme would result in a net loss of industrial capacity.
- C To follow the Fast Track Route of the threshold approach, applications must meet all the following criteria:
 - 1) meet or exceed the relevant threshold level of affordable housing on site without public subsidy
 - 2) be consistent with the relevant tenure split (see [Policy H6 Affordable housing tenure](#))
 - 3) meet other relevant policy requirements and obligations to the satisfaction of the borough and the Mayor where relevant
 - 4) demonstrate that they have taken account of the strategic 50 per cent target in [Policy H4 Delivering affordable housing](#) and have sought grant to increase the level of affordable housing.
- D Developments which provide 75 per cent or more affordable housing may follow the Fast Track Route where the tenure mix is acceptable to the borough or the Mayor where relevant.
- E Fast tracked applications are not required to provide a viability assessment at application stage. To ensure an applicant fully intends to build out the permission, the requirement for an Early Stage Viability Review will be

triggered if an agreed level of progress on implementation is not made within two years of the permission being granted (or a period agreed by the borough).

F Where an application does not meet the requirements set out in Part C it must follow the Viability Tested Route. This requires detailed supporting viability evidence to be submitted in a standardised and accessible format as part of the application:

- 1) the borough, and where relevant the Mayor, should scrutinise the viability information to ascertain the maximum level of affordable housing using the methodology and assumptions set out in this Plan and the Affordable Housing and Viability SPG
- 2) viability tested schemes will be subject to:
 - a) an Early Stage Viability Review if an agreed level of progress on implementation is not made within two years of the permission being granted (or a period agreed by the borough)
 - b) a Late Stage Viability Review which is triggered when 75 per cent of the units in a scheme are sold or let (or a period agreed by the borough)
 - c) Mid Term Reviews prior to implementation of phases for larger phased schemes.

G Where a viability assessment is required to ascertain the maximum level of affordable housing deliverable on a scheme, the assessment should be treated transparently and undertaken in line with the Mayor's Affordable Housing and Viability SPG.

Scheme amendments – Section 73 applications and deeds of variations

H For schemes that were approved under the Fast Track Route, and schemes determined before the threshold approach that would have qualified for the Fast Track Route, any subsequent applications to vary the consent will not be required to submit viability information, providing the resultant development continues to meet the relevant threshold and the criteria in Part C.

I For schemes where the original permission did not meet the threshold or required tenure split, including schemes determined before the threshold approach that would not have qualified for the Fast Track Route, viability information will be required where an application is submitted to vary the consent, and the borough or the Mayor where relevant, consider this would materially alter the economic circumstances of the scheme. Such cases will be assessed under the Viability Tested Route.

- J Any proposed amendments that result in a reduction in affordable housing, affordability or other obligations or requirements of the original permission should be rigorously assessed under the Viability Tested Route. In such instances, a full viability review should be undertaken that reconsiders the value, costs, profit requirements and land value of the scheme.
- K The Mayor should be consulted on any proposed amendments on referable schemes that change the level of affordable housing from that which was secured through the original planning

- 4.5 Applicants are strongly encouraged to take the **Fast Track Route** by providing the threshold level of affordable housing and meeting other Development Plan requirements to the satisfaction of the borough.
- 4.5.2 The **Viability Tested Route** will assess the maximum level of affordable housing that a scheme can deliver in cases where the threshold level of affordable housing cannot be met and where fixed or minimum affordable housing requirements are not in place. It is possible that, via the viability assessment using the detailed methodology in the SPG, a greater affordable housing contribution than the threshold level will be found to be viable and thus will be required.
- 4.5.3 The percentage of affordable housing on a scheme should be measured in **habitable rooms**⁵⁷ to ensure that a range of sizes of affordable homes can be delivered, including family-sized homes. Habitable rooms in affordable and market elements of the scheme should be of comparable size when averaged across the whole development. If this is not the case, it may be more appropriate to measure the provision of affordable housing using **habitable floorspace**.⁵⁸ Applicants should present affordable housing figures as a percentage of total residential provision in habitable rooms, units and floorspace to enable comparison.
- 4.5.4 The thresholds set out in this policy have been informed by viability testing. This approach seeks to **embed affordable housing requirements into land values** and create consistency and certainty across London. The 35 per cent threshold level will be monitored and reviewed in 2021 to determine whether this threshold should be increased. Any changes to the threshold will be consulted on as part of an updated Affordable Housing and Viability SPG or through a focused review of the London Plan.

⁵⁷ [Habitable room](#) is defined in the [Glossary](#)

⁵⁸ [Habitable floorspace](#) is defined in the [Glossary](#)



- 4.5.5 The Mayor recognises that **public sector land** can play a significant role in meeting affordable housing need. The threshold for public sector land (land that is owned or in use by a public sector organisation, or company or organisation in public ownership, or land that has been released from public ownership and on which housing development is proposed) is set at 50 per cent to be considered under the Fast Track Route. This is because these sites represent an opportunity to meet a range of objectives, including making better use of sites, improving services and delivering more affordable housing. Moreover, as public assets, these landholdings should be used to deliver development and outcomes that are most needed by – and matter most to – the public.
- 4.5 Public sector land also represents an opportunity to deliver homes that can meet the needs of London’s essential workers who maintain the function and resilience of the city, such as those working in health, fire, police, transport and support services. Where there is an agreement with the Mayor to deliver at least 50 per cent across the portfolio of sites, then the **35 per cent threshold should apply to individual sites**.
- 4.5 Given the difference in values between **industrial** and residential development, residential development proposals that would result in a net loss of industrial floorspace capacity⁵⁹ on Strategic Industrial Locations, Locally Significant Industrial Sites or Non-Designated Industrial Sites are expected to provide at least 50 per cent affordable housing to follow the Fast Track Route. If this is not possible, detailed viability evidence will be needed to justify a lower level of affordable housing.
- 4.5 Where the level of affordable housing offered meets the criteria of Part C, this should normally be considered as meeting the maximum amount of affordable housing which can be delivered through Section 106 (subject to an Early Stage Review Mechanism).
- 4.5.9 Where a scheme meets the threshold level of affordable housing, but the borough, and/or the Mayor where relevant, are not satisfied that the other

⁵⁹ Floorspace capacity is defined here as either the existing industrial and warehousing floorspace on site or the potential industrial and warehousing floorspace that could be accommodated on site at a 65 per cent plot ratio, whichever is the greater. For the purposes of [Policy H5 Threshold approach to applications](#), this floorspace-based approach applies to sites used for utilities infrastructure or land for transport functions that are no longer required. However, it is recognised that some surplus utilities sites are subject to substantial decontamination, enabling and remediation costs. If it is robustly demonstrated that extraordinary decontamination, enabling or remediation costs must be incurred to bring a surplus utilities site forward for development, then a 35 percent affordable housing threshold could be applied, subject to detailed evidence, including viability evidence, being made available.

relevant Development Plan requirements and or obligations for the scheme are met, then the applicant can be asked to provide detailed viability information and be required to follow the **Viability Tested Route**.

- 4.5.10 To incentivise schemes with a high proportion of genuinely affordable housing, schemes that propose **75 per cent or more genuinely affordable housing** may be considered under the Fast Track Route whatever the affordable housing tenure mix, where supported by the borough and, where relevant, the Mayor. This should be determined on a case-by-case basis having regard to the housing need met by the scheme and the level of public subsidy involved.
- 4.5.1 All schemes are expected to maximise the delivery of genuinely affordable housing and make the most efficient use of available resources to achieve this objective. Where **grant or other public subsidy** is available and would increase the proportion of affordable housing, this should be utilised. The higher proportion of affordable housing should be set out in the Section 106 agreement as being subject to grant availability, alongside the proportion viable without grant. Funding will be available on a tariff basis, details of which are set out in the Mayor's Homes for Londoners: Affordable Homes Programme 2016-23.⁶⁰ Applications for schemes of 150 units or more must evidence that they have sought grant to increase levels of affordable housing. Generally, this will be through evidenced discussions with the local authority and registered providers of social housing. Further detail is provided in the Affordable Housing and Viability SPG.
- 4.5.1 The Mayor has provided detailed **guidance on viability assessments** in his Affordable Housing and Viability SPG. This is a material planning consideration for planning applications in London. The Mayor will follow this guidance on referable applications and strongly encourages boroughs to follow it for all applications. Providing a standardised approach helps streamline the system and reduces uncertainty. The aim of a viability assessment is to establish whether the proposed level of affordable housing and other contributions are the maximum that can be reasonably supported or whether further obligations or a greater level of policy compliance could be achieved.
- 4.5.1 The **Existing Use Value Plus (EUV+)** approach to determining the benchmark land value is based on the current use value of a site plus an appropriate site premium. The benefit of this approach is that it clearly identifies the uplift in value arising from the grant of planning permission because it enables comparison with the value of the site without planning permission. The EUV+

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<https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners-affordable-homes-programmes>



approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used. An alternative approach should only be considered in exceptional circumstances which must be robustly justified by the applicant and/or the borough in line with the Mayor's SPG.

- 4.5.14 **Viability Review mechanisms** should be applied to all viability tested applications at early and late stages in the development process (and mid-term reviews in the case of longer phased schemes) to ensure that affordable housing delivery is maximised as a result of any future improvement in viability. Further guidance is provided in the Affordable Housing and Viability SPG.
- 4.5.15 Some schemes are not suitable to follow the Fast Track Route. These schemes must follow the **Viability Tested Route**. This includes:
- applications which propose affordable housing **off-site or a cash in lieu contribution** (as set out above)
 - applications for schemes that involve the **demolition of existing affordable dwellings** which should follow the approach set out in Policy H8 Loss of existing housing and estate redevelopment
 - schemes claiming the **vacant building credit**.
- 4.5.16 Policy H11 Build to Rent, Policy H13 Specialist older persons housing, Policy H15 Purpose-built student accommodation and Policy H16 Large-scale purpose-built shared living set out specific affordable housing approaches in those types of development.

Policy H6 Affordable housing tenure

- A The following split of affordable products should be applied to residential development:
- 1) a minimum of 30 per cent low-cost rented homes, as either London Affordable Rent or Social Rent, allocated according to need and for Londoners on low incomes
 - 2) a minimum of 30 per cent intermediate products which meet the definition of genuinely affordable housing, including London Living Rent and London Shared ownership

- 3) the remaining 40 per cent to be determined by the borough as low-cost rented homes or intermediate products (defined in Part A1 and Part A2) based on identified need.

B To follow the Fast Track Route the tenure of 35 per cent of homes must meet the requirements set out in Part A. The Fast Track Route is also available to applicants that elect to provide low-cost rented homes in place of intermediate homes, provided the relevant threshold level is reached. Where affordable homes are provided above 35 per cent, their tenure is flexible, provided the homes are genuinely affordable (defined in Part A1 and Part A2), and should take into account the need to maximise affordable housing provision, along with any preference of applicants to propose a particular tenure.

- 4.6.1 The 2017 SHMA shows London's significant need for low-cost rental housing; however, the current national funding programme is focused on intermediate products which limits the Mayor's ability to require higher levels of low-cost rented accommodation. The **tenure splits** set out in this policy provide sufficient flexibility to be tailored to meet local needs as well as ensuring that new development delivers a minimum level of low-cost rented accommodation and intermediate accommodation, contributing to the delivery of mixed and inclusive communities. The minimums in Part A1 and Part A2 will be monitored and reviewed in 2021 and, if necessary, updated through Supplementary Planning Guidance, taking account of future affordable housing funding agreements.
- 4.6.2 There is a presumption that the **40 per cent to be decided by the borough** will focus on Social Rent and London Affordable Rent given the level of need for this type of tenure across London. However, it is recognised that for some boroughs a broader mix of affordable housing tenures will be more appropriate either because of viability constraints or because they would deliver a more mixed and inclusive community. The appropriate tenure split should be determined through the Development Plan process or through supplementary guidance.
- 4.6.3 The Mayor is committed to delivering genuinely affordable housing. Within the broad definition of affordable housing, the Mayor's **preferred affordable housing tenures** are:
- homes based on social rent levels, including Social Rent and London Affordable Rent
 - London Living Rent

- London Shared Ownership.

These are described in more detail below.

- 4.6.4 **London Affordable Rent** and Social Rent homes are for households on low incomes where the rent levels are based on the formulas in the Social Housing Regulator's Rent Standard Guidance. The rent levels for Social Rent homes use a capped formula and London Affordable Rent homes are capped at benchmark levels published by the GLA. Rents for both are significantly less than 80 per cent of market rents, which is the maximum for Affordable Rent permitted in the NPPF. More detail is contained within the Mayor's Homes for Londoners Affordable Homes Programme funding guidance⁶¹. These homes will be allocated in accordance with need (based on the borough's allocations policy).
- 4.6.5 **London Living Rent** (LLR) offers Londoners on average incomes a lower rent, enabling them to save for a deposit. The Mayor is introducing LLR as an intermediate affordable housing product with low rents that vary by ward across London. Where funded by the Greater London Authority, LLR will be a Rent to Buy product, with sub-market rents on time-limited tenancies, which will help households on average income levels to save for a deposit. As London Living Rent can be a step to homeownership, it can be considered as an affordable homeownership product.⁶²
- 4.6.6 **London Shared Ownership** is an intermediate ownership product which allows London households who would struggle to buy on the open market, to purchase a share in a new home and pay a low rent on the remaining, unsold, share.
- 4.6 **Other affordable housing products** may be acceptable if, as well as meeting the broad definition of affordable housing, they also meet the London Housing Strategy⁶³ definition of genuinely affordable housing and are considered by the borough to be genuinely affordable.
- 4.6 Currently all intermediate rented products such as London Living Rent and Discounted Market Rent should be affordable to households on incomes of up to £60,000. Intermediate ownership products such as London Shared Ownership and Discounted Market Sale (where they meet the definition of affordable housing), should be affordable to households on incomes of up to £90,000. Further information on the **income caps** and how they are applied can be found

⁶¹ <https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners-affordable-homes-programmes>

⁶² Further details on LLR can be found in the London Housing Strategy

⁶³ Mayor of London, 2018, London Housing Strategy: https://www.london.gov.uk/sites/default/files/2018_lhs_london_housing_strategy.pdf



in the Annual Monitoring Report. The caps will be reviewed and updated where necessary in the Annual Monitoring Report.

- 4.6 For dwellings to be considered affordable, **annual housing costs**, including mortgage (assuming reasonable interest rates and deposit requirements), rent and service charge, should be no greater than 40 per cent of net household income, based on the household income limits set out above. Boroughs should seek to ensure that intermediate provision provides for households with a range of incomes below the upper limit. For London Living Rent – please refer to the rent setting guidance provided on the GLA website.
- 4.6.10 In addition to the income caps, boroughs may set **other eligibility criteria** for the intermediate units, reflecting local housing need. However, any local criteria including income caps below the maximum amounts set out above, should automatically cascade out to the London-wide eligibility criteria within three months to ensure that units are not left vacant. Re-sales and re-lets should be available to those meeting the London-wide income caps and not be restricted by local eligibility criteria. Homes should be made available through the new Homes for Londoners online portal.
- 4.6.11 To follow the Fast Track Route, the tenure of 35 per cent of homes must adhere to the **tenure split** set out in [Policy H6 Affordable housing tenure](#). Where a scheme is delivering more than 35 per cent, the tenure of the additional affordable housing is flexible and should take into account the need to maximise affordable housing provision along with any preference of applicants to propose a particular tenure.
- 4.6.12 If, when assessing a scheme under the Viability Tested Route, the evidence demonstrates that the threshold cannot be met, the affordable housing tenure split in [Policy H6 Affordable housing tenure](#) should be considered as the starting point for negotiations. It will, however, be for the borough, and the Mayor where relevant, to decide if there should be a greater number of affordable homes, or fewer homes at a deeper discount. Therefore Section 106 agreements should stipulate the **tenure mix** for a scheme and this should be consistent with the assumptions in the viability assessment.