



Local Development Plan 2032

Draft Plan Strategy

Representation Form

Please complete this representation form online and email to LDP@lisburncastlereagh.gov.uk or alternatively print and post a hardcopy to:-

Local Development Plan Team
Lisburn & Castlereagh City Council
Lagan Valley Island
Lisburn
BT27 4RL

All representations must be received no later than 5pm on the 10th January 2020

SECTION A: YOUR DETAILS

Please tick one of the following:-

- Individual
 Planning Consultant / Agent
 Public Sector / Body
 Voluntary / Community Group
 Other

First Name

Last Name

Details of Organisation / Body

Address

Postcode

Email Address

Phone Number

Consent to Publish Response

Under planning legislation we are required to publish responses received in response to the Plan Strategy, however you may opt to have your response published anonymously should you wish.

Even if you opt for your representation to be published anonymously, we still have a legal duty to share your contact details with the Department for Infrastructure and the Independent Examiner appointed to oversee the examination in public into the soundness of the Plan Strategy. This will be done in accordance with the privacy statement detailed in Section C.

- Please publish *without* my identifying information
- Please publish with only my Organisation
- Please publish with my Name and Organisation

SECTION B: YOUR REPRESENTATION

Please set out your comments in full. This will help the independent examiner understand the issues you raise. ***You will only be permitted to submit further additional information to the Independent Examiner if the Independent Examiner invites you to do so.***

What is your view on the Plan Strategy?

- I believe it to be **SOUND**

If you consider the Draft Plan Strategy to be **sound**, and wish to support the Plan Strategy, please set out your comments below:-

(If submitting a hardcopy & additional space is required, please continue on a separate sheet)

OR

- I believe it to be **UNSOUND**

PLAN COMPONENT - To which part of the Plan Strategy does your comment relate?

IF YOU WISH TO SUBMIT ANY FURTHER REPRESENTATIONS, PLEASE COMPLETE SECTION B FOR EACH INDIVIDUAL ISSUE

Part 1 – Plan Strategy

- Chapter 1 - Introduction
- Chapter 2 - Policy & Spatial Context
- Chapter 3 - Vision & Plan Objectives
- Chapter 4 - Strategic Policies and Spatial Strategy
- Chapter 4A - Enabling Sustainable Communities & Delivery of New Homes
- Chapter 4B - Driving Sustainable Economic Growth
- Chapter 4C - Growing our City, Town Centres, Retailing & Other Uses
- Chapter 4D - Promoting Sustainable Tourism, Open Space, Sport & Outdoor Recreation
- Chapter 4E - Protecting & Enhancing the Historic & Natural Environment
- Chapter 4F - Supporting Sustainable Transport & Other Infrastructure
- Chapter 5 - Monitoring & Review

Part 2 –Operational Policies

- Operational Policy (*Please State Individual Policy using Policy Reference e.g. HOU 1*)

Policy HOU10

SOUNDNESS TEST:

Please identify which test(s) of soundness your representation relates to, having regard to Development Plan Practice Note 6 (available on the Planning Portal website at https://www.planningni.gov.uk/index/s/development_plan_practice_note_06_soundness_version_2_may_2017.pdf)

- P1 Has the Plan Strategy been prepared in accordance with the council's timetable and the Statement of Community Involvement?
- P2 Has the council prepared its Preferred Options Paper and taken into account any representations made?
- P3 Has the Plan Strategy been subject to sustainability appraisal including Strategic Environmental Assessment?
- P4 Did the Council comply with the regulations on the form and content of its Draft Plan Strategy and procedure for preparing the Draft Plan Strategy?
- C1 Did the Council take account of the Regional Development Strategy?
- C2 Did the Council take account of its Community Plan?
- C3 Did the Council take account of policy and guidance issued by the Department?
- C4 Has the plan had regard to other relevant plans, policies and strategies relating to the council's district or to any adjoining council's district?
- CE1 Does the Plan Strategy set out a coherent strategy from which its policies & allocations logically flow & where cross boundary issues are relevant it is not in conflict with the Plan Strategies of neighbouring councils?
- CE2 Are the strategy, policies and allocations realistic and appropriate having considered the relevant alternatives and are founded on a robust evidence base?
- CE3 Are there clear mechanisms for implementation and monitoring?
- CE4 Is it reasonably flexible to enable it to deal with changing circumstances?

DETAILS

Please give details of why you consider the Plan Strategy to be **unsound** having regard to the test(s) you have identified above. Please be as precise as possible.

See attached report.

(If submitting a hardcopy & additional space is required, please continue on a separate sheet)

MODIFICATIONS

If you consider the Plan Strategy to be **unsound**, please provide details of what changes you consider necessary to make the Plan Strategy sound.

(If submitting a hardcopy & additional space is required, please continue on a separate sheet)

I wish to attach supporting information with my representation e.g. map

IF YOU WISH TO SUBMIT ANY FURTHER REPRESENTATIONS, PLEASE COMPLETE SECTION B FOR EACH INDIVIDUAL ISSUE

SECTION C: DEALING WITH YOUR REPRESENTATION

Please indicate how you would like your representation to be dealt with.

Written Representation

Oral Representation

Please note that the Independent Examiner will be expected to give the same careful consideration to written representations as to those representations dealt with by oral hearing.

SECTION D: DATA PROTECTION

In accordance with the Data Protection Act 2018, Lisburn & Castlereagh City Council has a duty to protect any information we hold on you. The personal information you provide on this form will only be used for the purpose of Plan Preparation and will not be shared with any third party unless law or regulation compels such a disclosure.

It should also be noted that in accordance with Regulation 17 of the Planning (Local Development Plan) Regulations (Northern Ireland) 2015, the Council must make a copy of any representation available for inspection. The Council is also required to submit the representations to the Department for Infrastructure (DfI) as they will be considered as part of the Independent Examination process. For further guidance on how we hold your information please visit the privacy section at www.lisburncastlereagh.gov.uk/information/privacy

By proceeding and signing this representation you confirm that you have read and understand the privacy notice above and give your consent for Lisburn & Castlereagh City Council to hold your personal data for the purposes outlined.

Please note that when you make a representation (or counter-representation) to the Local Development Plan your personal information (with the exception of personal telephone numbers, signatures, email addresses or sensitive personal data) will be made publicly available on the council's website. Copies of all representations will be provided to DfI and an Independent Examiner (a third party) as part of the submission of the Local Development Plan for Independent Examination. A Programme Officer will also have access to this information during the IE stages of the Plan preparation. DfI, the Programme Officer and the Independent Examiner will, upon receipt, be responsible for the processing of your data in line with prevailing legislation. If you wish to contact the council's Data Protection Officer, please write to:

Data Protection Officer
Lisburn & Castlereagh City Council,
Civic Headquarters,
Lagan Valley Island,
Lisburn,
BT27 4RL

or send an email to: data.protection@lisburncastlereagh.gov.uk or telephone: 028 9244 7300.

Signature

MBA Planning

Date

10 January 2020

MBA Planning

Town Planning & Licensing Consultants

Lisburn & Castlereagh City Council
Local Development Plan 2032

Response to Draft Plan Strategy Policy HOU10 – Affordable Housing in Settlements

January 2020

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2. BBC News article on construction output, 10th October 2019

Introduction

1. This is a response to Policy HOU10 of the Draft Plan Strategy (DPS) of Lisburn & Castlereagh City Council's Local Development Plan (LDP) 2032.
2. Policy HOU10 relates to Affordable Housing in Settlements and is a proposed operational planning policy set out in Part 2 of the DPS. This response firstly identifies the relevant legislative and policy context before considering the detail of the Policy.

Legislative & Policy Context

3. The legislative context is provided by the Planning Act (Northern Ireland) 2011 ("the 2011 Act") and The Planning (Local Development Plan) Regulations (Northern Ireland) 2015 ("the LDP Regulations").
4. Regulation 12(2) of the LDP Regulations requires that development plan documents (DPDs) – defined as the Plan Strategy and the Local Policies Plan (LPP) – must provide a reasoned justification of the policies contained within them.
5. Section 8(5) of the 2011 Act states that in preparing a Plan Strategy, the Council must take account of the Regional Development Strategy (RDS) and any policy or advice contained in guidance issued by the Department.
6. The Strategic Planning Policy Statement (SPPS) and PPS12 is policy issued by the Department and development plan practice notes (DPPNs) set out Departmental planning advice.
7. **DPPN7** provides advice on the Plan Strategy (PS). Paragraph 1.2 states that the PS should establish the strategic direction early in the plan process in order to provide a level of certainty on which to base key development decisions in the area as well as the necessary framework for the preparation of the LPP.
8. Paragraph 13.5 states that a Council should be able to demonstrate that its housing strategy contributes to the sustainability objectives of its PS whilst meeting the requirements of the wider regional planning framework set by the RDS and SPPS.

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9. DPDs including the Plan Strategy must be tested to ascertain whether they are 'sound'. The term sound is not defined in legislation however DPPN6 (at paragraph 5.1) states that in the context of assessing DPDs, it may be considered within its ordinary meaning of 'showing good judgement' and 'able to be trusted'.
 10. The RDS is an overarching planning framework that provides the strategic context for where development should take place. Among other things, it sets out regional guidance (RG) which applies to all parts of Northern Ireland.
 11. RG8 is to 'Manage housing growth to achieve sustainable patterns of residential development'. This notes that there should be 'an adequate and available supply of quality housing to meet the needs of everyone'.
 12. It notes that housing land will be identified in development plans and that in allocating this, planning authorities should take account of need identified in the Housing Needs Assessment/Housing Market Analysis.
 13. The SPPS is a statement of the Department's policy on important planning matters that should be addressed across Northern Ireland. It was agreed by the NI Executive and was judged to be in general conformity with the RDS.
 14. Paragraph 6.143 relates to affordable housing and states that "*the development plan process will be the primary vehicle to facilitate any identified need by zoning land or by indicating, through key site requirements, where a proportion of a site may be required for social/affordable housing*". It goes on to note that "this will not preclude other sites coming forward through the development management process".
 15. Paragraph 53 of PPS12 (Housing in Settlements) is generally consistent with paragraph 6.143 of the SPPS in that it states: "*The reservation of land for social housing will be achieved either through the zoning of land or the outlining of key site requirements through the development plan process. This will not preclude other sites coming forward through the development control process. The zoning of land for social housing will help facilitate the supply of affordable housing.*"

Policy HOU10 – Affordable Housing in Settlements

16. Policy HOU10 states:

Where the need for Affordable Housing is identified, through the Housing Needs Assessment, on sites of more than 0.5 hectares or comprising of 5 residential units or more, proposals will only be permitted where provision is made for a minimum 20% of all units to be affordable. This provision will be secured and agreed through a Section 76 Planning Agreement.

All developments incorporating affordable housing should be designed to integrate with the overall scheme with no significant distinguishable design differences, in accordance with any other relevant policies contained within this Plan Strategy.

In exceptional circumstances where it is demonstrated that the affordable housing requirement cannot be met, alternative provision must be made by the applicant, or an appropriate financial contribution in lieu must be agreed through a Section 76 Planning Agreement. Such agreements must contribute to the objective of creating mixed and balanced communities.

Proposals for the provision of specialist accommodation for a group of people with specific needs (such as purpose built accommodation for the elderly, Policy HOU11) will not be subject to the requirements of this policy.

Windfall sites will be encouraged for the development of affordable housing in suitable and accessible locations.

By exception, proposals for affordable housing could be permitted on land identified as open space, in accordance with Policy OS1, where it can be demonstrated that all of the following criteria have been met:

- a) a demonstrable need has been identified by the Northern Ireland Housing Executive*
- b) the application is made by a registered Housing Association*
- c) the proposal will bring substantial community benefits that decisively outweigh the loss of the open space.*

Development proposals will not be supported where lands have been artificially divided for the purposes of circumventing this policy requirement.

17. This draft policy has been formulated less than 4 years after the Department's research on affordable housing policy concluded. In 2014 it issued draft PPS22 'Affordable Housing' (and DSD issued an accompanying consultation paper 'Developer Contributions for Affordable Housing') and the process concluded in December 2015 after a Report prepared by the Three Dragons Consultancy and Heriot-Watt University on behalf of DSD found that there was no capacity in viability terms to introduce affordable housing anywhere in NI outside Belfast unless values "increase substantially".

18. Draft PPS22 and the accompanying DSD consultation paper were heavily criticised, not only on viability, but also for their lack of clarity on other key issues.
19. Worryingly Policy HOU10 of the DPS provides much less detail on such a significant matter:
 - It does not identify if the affordable housing (AH) provision must comprise social rented or intermediate housing, or a mixture of both;
 - While it *indicates* that the developer is to bear the cost of AH provision (given the reference to a financial contribution in lieu of provision), it does not specify this;
 - It does not specify what 'alternative provision' means;
 - It does not indicate in what circumstances it may be acceptable to provide alternative provision;
 - It does not specify how a financial contribution would be calculated;
 - It does not identify who would be responsible for calculating the contribution;
 - It does not specify what the financial contribution will be used for;
 - It does not state whether the contribution will be returned to the developer if not used for a specific project within a certain timeframe.
20. This lack of clarity provides developers with no certainty on which to base key development decisions, contrary to DPPN7.
21. While regional policy refers to the provision of AH, it does not provide a basis for taxing housing developers. The DPS lacks any evidence base to justify such a tax (and why it would only apply to one type of developer).
22. Policy HOU10 is also out of step with regional policy (SPPS para 6.143 and PPS12 para 53) in that it (regional policy) provides that any AH need will be facilitated by zoning land or by indicating through key site requirements that a proportion of a site may be required for affordable housing.
23. The regional policy approach provides for assessment of the suitability of sites for AH through the development plan process whereas the broad-brush Policy HOU10 would require the provision of AH regardless.

-
24. A similar sweeping policy was proposed in the Banbridge, Newry & Mourne Area Plan (BNMAP) but rejected by the PAC in its Report on BNMAP:

Despite the statistical evidence of additional need in the main settlements, some objectors argued that social housing requirements on some specific sites in the draft Plan are excessive. It was suggested that instead, provision should be a specified proportion (20%) on all the housing zonings within the Plan. While such a social housing levy may appear more equitable, its broadbrush approach would not take account of locational factors and all sites are not equal in terms of sustainability or economic viability. We do not consider that a requirement for a standard 20% proportion of social housing on all sites would be appropriate in the circumstances of this Plan. Reliance also on new large housing zonings to provide significant numbers of social houses could be detrimental to the social mix in the plan area as it could result in the creation of large concentrations of social housing. Such concentrations are viewed as unacceptable in the RDS.

25. Similarly, the Three Dragons / Heriot-Watt Report concluded that issues of community 'mixing' and viability should be assessed through the LDP process (Appendix 1).
26. Paragraph 3.6 of the SPPS indicates that successful place-making is about "achiev(ing) sustainable communities where people want to live, work and play now and into the future". Over 90% of social housing in NI remains segregated and sustainable communities will not be achieved unless local circumstances are properly assessed.
27. The Three Dragons / Heriot-Watt commission involved extensive evidence gathering and viability testing but it appears that the Council has not undertaken a similar exercise, which is surprising given that the approach is inconsistent with regional policy.
28. There is no acknowledgement of issues of site suitability and development viability or assessment of the implications of the proposed policy. The development of many NI sites requires upgrades to road and sewer infrastructure or involves other capital investment and any AH obligation on top of that may render development uneconomic. Developers have also found that in some areas, social rented housing has affected private house sales.
29. The Three Dragons / Heriot-Watt Report notes that, "if a contribution scheme were to make development unviable, this would have a detrimental impact on housebuilding rates and the development industry".

-
30. Technical Supplement 1 'Housing Growth' of the DPS shows that the average annual completion rate of new housing in Lisburn & Castlereagh from 2010/11 to 2016/17 is 509 units, while the 2012-based Housing Growth Indicators (HGI) for Lisburn & Castlereagh suggest that 738 units are required per annum (9,600 over the period 2012 to 2025).
 31. There does not appear to be any consideration of the effect of Policy HOU10 in addressing a build rate 31% below the level required to satisfy the Department's estimated housing need. If the HGI cannot be met in current conditions, what is the chance that it will be with Policy HOU10 in place with all the additional issues in administering it as well as cost?
 32. Nor does there appear to be any assessment of the Policy's impact on the construction industry, which experienced a 6% drop in output from Quarter 1 to Quarter 2 2019 (Appendix 2). This was driven by an 11% decrease in housing and illustrates the importance of the sector to the construction industry.
 33. However, this lack of assessment is not surprising given the lack of detail in the Policy. It means that the Council is unable to properly assess (as per DPPN7) how its housing strategy contributes (or does not contribute) to the DPS's key objectives which include 'Driving sustainable economic growth'.

Conclusion

34. The need to provide adequate social housing is not disputed but Policy HOU10's lack of detail and the absence of a robust evidence base is a wholly inadequate basis for consultation on such a significant matter. It provides housing developers with no certainty upon which to base key development decisions and is likely to adversely affect the delivery of housing and the local economy.
35. Policy HOU10 fails the following tests of soundness:
 - C1 and C3 in that it is out of step with the RDS, SPPS, PPS12 and DPPN7 for the reasons identified;
 - CE1 in that there is no coherent strategy upon which it (Policy HOU10) is based;

- CE2 in that it is not founded on a robust evidence base and there has been inadequate consideration of alternatives;
- CE3 in that there is no clear mechanism for implementation of the Policy;
- CE4 in that it is not reasonably flexible to deal with changing local circumstances.

Appendix 1



Department for
**Social
Development**

www.dsdni.gov.uk



Developer Contributions for Affordable Housing in Northern Ireland

Report of Study

December 2015

**Three Dragons
Heriot-Watt University**

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Report prepared by

Three Dragons and Heriot-Watt University (James Morgan, Chris Leishman and Glen Bramley)

November 2015

The research team would like to thank all those who gave their time in helping with the research for the study.

Further supporting information is available.

EXECUTIVE SUMMARY

Context

1. Northern Ireland is the only region in the United Kingdom that does not have a contribution scheme to provide affordable housing in mixed tenure developments, delivered through the planning system. 'Facing the Future: A Housing Strategy for Northern Ireland' (2012) identified the introduction of a system of developer contributions as a key action. The Strategy recognised that: "...the introduction of developer contributions needs to take account of wider economic circumstances."
2. In June 2014 the Department for Social Development (DSD) published a consultation document to seek views on options for a contributions scheme¹. At the same time draft Planning Policy Statement 22² 'Affordable Housing' was published. It stated that the proposed introduction of developer contributions, "...will promote a mix of housing particularly in terms of tenure, price and household composition including families with children, single person households and older people."
3. The current study builds on these earlier documents and consultation process and addresses the central question:
"Can a scheme of developer contributions be successfully introduced in Northern Ireland without impacting on the economic recovery of the local housing market; and if so, what type of scheme will deliver a successful outcome?"
4. Since publication of the consultation documents in 2014, the planning system has changed significantly. In April of this year responsibility for plan making and planning decisions largely passing to 11 new local government districts (LGDs). A locally defined developer contribution scheme (if one were put in place) would likely be set out as part of the local development plan process.

Research undertaken

5. A range of research approaches were employed for the study including analysis of published information, stakeholder interviews, workshops with the development industry and housing associations as well as analysis of scheme viability. Over 30 organisations were consulted.

The housing market

6. The Northern Ireland housing market is described as 'fragile' by stakeholders and in written publications, although the Housing Executive, noted that it is undergoing a period of stabilisation (NIHE, 2015). *The Northern Ireland*

¹ Developer Contributions for Affordable Housing, Public Consultation, DSD, June 2014

² Published for consultation June 2014

*Quarterly House Price Index, Q2, 2015*³ suggests that it is likely is that the housing market will continue to 'rise gently' in the near future and industry experts, notably estate agents we surveyed, anticipate a rise in prices of around 5% over the coming year.

7. Between 2004 and 2007 there was a very sharp increase in property values followed by a sharp down turn so that, in just four years, the average price of new properties in Northern Ireland went from being the highest of the regions in the UK to the lowest. The subsequent recovery has been slower than elsewhere in the UK, reflected in the price to income ratio falling from amongst the highest three in the UK regions at the peak of the market to the lowest today. The price to income ratio in Northern Ireland may have now levelled off, possibly suggesting the beginning of a true recovery. Further evidence of recovery comes from both lenders and estate agents who report first time buyers entering the market again but that borrowers are still very cautious. Nevertheless, there are several negative factors in the wider economy such as labour market uncertainty and negative equity which may continue to act as a drag on the housing market.
8. The housing market is also characterised by significant geographic variations. Market performance in and around Belfast is considerably stronger than elsewhere both in terms of values and levels of activity.

The development pipeline

9. Reflecting the fall in values and transactions post 2007/08, new housing starts also fell dramatically from a high of over 15,000 in 2006 to around 6,700 in 2014. Housing completions have followed a similar pattern but with small rises in both starts and completions in the private sector in 2013 and 2014.
10. Single dwellings in the countryside account for the overwhelming majority of planning approvals (around 85%) but only around 20% of all units approved.
11. Excluding single dwellings in the countryside, the median size of new housing schemes is about 9 to 12 units. This is actually very similar to the equivalent figure for GB which we have estimated at fewer than 10 units.

The development industry

12. The private housebuilding industry in Northern Ireland is different from the rest of UK. None of the GB based large speculative developers build in Northern Ireland, where developers are much smaller and build fewer units. One industry source suggested that fewer than 15 developers are building more than 20 units per year.
13. Many developers are nervous of borrowing and lenders have been reluctant to lend working capital for development.

³ University of Ulster, 2015

14. 24 housing associations operate in Northern Ireland but development within the sector is dominated by 4 associations. Each has a development programme larger than the biggest private developers.
15. There is also the Co-ownership Housing Association which provides co-ownership homes – a well established product that partly fills the role fulfilled by 'Help to Buy' elsewhere in the UK. There are no other established low cost home ownership schemes although a shared ownership scheme, 'Fairshare', has recently been introduced.

Need for affordable housing

16. The study confirmed that there is a significant aggregate need for additional affordable housing but with important geographical variations. Across Northern Ireland a need for 2,000 or more affordable units per annum has been identified which is consistent with NIHE estimates (NIHE, 2015). In very general terms, targets for affordable housing of the order of 35% of planned housing growth could be justified. In practice, viability and other practical issues are likely to preclude such high levels of provision.

Attitudes towards a developer contribution scheme

17. Attitudes towards the introduction of a developer contribution scheme found in this study are very similar to those provided to DSD last year. The arguments for and against a developer contribution scheme are summarised below:

Strongly in Favour	Strongly Against
<ul style="list-style-type: none"> • Meet need for affordable housing • Access land for affordable housing • Complement grant investment • Tackle monotenure development. 	<ul style="list-style-type: none"> • Undermine recovery • Damage values/scheme viability • Unfair tax • Social impacts strongly negative • Developers and landowners may disengage

18. If a scheme were to be introduced, private developers and developer representatives strongly favoured the use of commuted sums. Others saw on-site provision as the better option because this gave access to land and lessened social segregation on mono-tenure new estates. Developer opposition to on-site provision mirrored that commonly found throughout the UK in terms of the perceived impact on property values and ease of sale but had an added dimension - a fear that a developer contribution scheme might be used to introduce community 'mixing'. Developers expressed a strong belief that community mixing, particularly on small developments, would undermined scheme viability, adversely affecting businesses and leading to some small developers leaving the industry.

19. There were also mixed views on whether a single contribution scheme across the whole of the region was preferable to locally based schemes⁴. The former had the benefit of consistency; the latter would better reflect local circumstances.
20. Views on the threshold at which a contribution scheme should apply also varied. Arguments were made that excluding schemes under 5 units would distort the market. On the other hand, it was argued that on-site delivery may not be appropriate on small sites and that smaller schemes were less viable.

Experience from elsewhere

21. Analysis of experience elsewhere in the UK and the Republic of Ireland confirms that Northern Ireland is the only part of the UK without a contribution scheme. Common themes to emerge from the comparisons include:
 - Local councils set developer contribution policies within government guidelines that may be more or less specific e.g. in Scotland there is a national benchmark percentage for affordable housing but not in Wales;
 - The national benchmarks in Scotland and Republic of Ireland are relatively low in comparison with some of the locally set targets in England and Wales;
 - Site size thresholds are set locally but in the Republic of Ireland there is a national threshold (9 dwellings);
 - On-site provision is favoured but commuted sums are allowed, if on-site provision is not practical⁵;
 - Site specific viability can be taken into account when planning applications are considered;
 - Provision of affordable housing through developer contributions is not the sole means of providing affordable housing.
22. The Westminster government has published the Housing and Planning Bill (October 2015) that would, if enacted, require local authorities to make provision for starter homes. These are to be new homes for those aged 40 and under with 20% discount against market value (to a maximum of £400,000 in London and £250,000 elsewhere). Until there is further guidance, it is difficult to anticipate how the new policy will operate in practice.
23. Published policies show that elsewhere in the UK, allocations to mixed tenure developments are of the same types of household that get access to affordable housing in other schemes, rather than targeted at key workers.

Development incentives

24. The importance of development incentives in other regions was put forward by the development industry as a reason for the success of mixed tenure

⁴ The consultation in 2014 put forward a target of 20% affordable housing for discussion.

⁵ The only exception to this is the recently introduced policy in the Republic of Ireland

developments elsewhere and, by contrast, the lack of incentives is part of the explanation for the fragile recovery of the Northern Ireland housing market.

25. Incentives available are of two main kinds, those supporting demand and those supporting delivery of new housing (e.g. through funding of infrastructure). Examples of key measures include:
- **On the demand side:**
 - The most popular scheme has been Help to Buy (available in different forms in England, Wales and Scotland).
 - The main Help to Buy scheme is as an equity loan scheme in which the purchaser contributes a %age of the value of a property as a deposit and there is a government loan, repayable after a period or on sale of the property. Purchasers select their own properties from new developments. While Help to Buy has achieved a strong take-up and is being heavily promoted by housebuilders, a report by Shelter in September 2015⁶ argues that, "...*Help to Buy has added around £8,250 to the average house price*";
 - The Help to Buy (Mortgage Guarantee Scheme) is available UK wide. Under this scheme Government offers lenders the option to purchase a guarantee on mortgage loans where the borrower has a deposit of between 5% and 20%. Statistics show that the NI accounts for about 1% of the total completions through the scheme. This is broadly in line with NI's share of overall mortgage lending.
 - Rent First (Wales) and Affordable Rent to Buy (England) provide homes for rent at below market rates. The tenant can later purchase the property. The Northern Ireland Co –Ownership Housing Association is at present developing a pilot rent to purchase initiative. It is anticipated that the initiative will be launched early in the coming financial year and will provide over a 100 additional affordable houses throughout Northern Ireland;
 - Starter Homes initiative (England) - currently available to first time buyers under 40 with a 20% discount on the market value of the property on under-used or unviable commercial or industrial sites;
 - **On the supply side:**
 - Some measures exempt certain types of development from a particular planning requirement, e.g. self build dwellings are not required to pay the Community Infrastructure Levy nor provide affordable housing⁷;
 - Funds (e.g. Builders Finance Fund) in the form of short terms loans secured through competitive bidding;
 - Funds for provision of strategic infrastructure e.g. the Single Local Growth Fund. These are often administered by Local Enterprise Partnerships in England, on a competitive basis;
 - New Homes Bonus available to local authorities in England as a grant paid for new homes in their area. The fund is not ring-fenced;

⁶ How much help is Help to Buy, Shelter, September 2015

⁷ Until recently, this also applied to all schemes in England of less than 10 dwellings but this was overturned in a recent court case. The government is challenging the judgement

- The Community Infrastructure Levy – administered by local authorities in Wales and England who can opt to charge a levy on development to fund strategic infrastructure projects. CIL charges vary by locality but typically equate to around £5,000 to £15,000 per dwelling.
- In Scotland, Partnership Support for Regeneration Grants are provided to assist developers in building homes for sale in areas with little or no private housing or to help meet local shortages.

Impact on small businesses

26. The government has a duty to consider whether a developer contribution scheme will impact on small and microbusiness and whether it will disproportionately affect this group of businesses. Almost all developers in Northern Ireland fall within the definitions of a small/micro businesses⁸.
27. Developers were concerned about the potential negative impact on the ability of small businesses to raise finance with a developer contribution scheme in place. Other major concerns include the lack of capacity in small businesses to negotiate agreements for mixed tenure schemes potentially adding costs, reducing control, increasing risk and that the costs of negotiating individual schemes would fall disproportionately on small businesses.
28. However, if small sites are excluded from a contribution scheme, (through site size thresholds), the impact on small businesses would be lessened. The use of thresholds, though, has other potential problems – including 'threshold avoidance' with schemes being 'artificially' kept below the threshold.

Viability of development

29. If a contribution scheme were to make development unviable, this would have a detrimental impact on housebuilding rates and the development industry. The impact on viability has been a concern raised by the development industry throughout this study and in the earlier consultation exercise.
30. This study included viability testing using an approach widely accepted elsewhere in the UK. It is based on the Harman guide⁹. The approach first assesses the residual value of a scheme. Residual value is the sum of all revenue in a scheme minus all the costs, including the costs of any planning obligations (e.g. affordable housing). The residual value (RV) is then compared with a notional benchmark land value. If the RV exceeds the benchmark, development is considered viable but otherwise, the development is not viable. Underlying this approach is the principle that the developer should receive a return for their investment and that the landowner receives a payment sufficient that they are willing to sell their land.¹⁰

⁸ With fewer than 50 employees or a turnover of less than EUR 10 million

⁹ Viability Testing Local Plans, Advice for Planning Practitioners, Local Housing Delivery Group chaired by Sir John Harman, June 2012

¹⁰ In England, the National Planning Practice Guidance (2012) describes this as providing, "...competitive returns to a willing land owner and willing developer to enable the development to be deliverable."

31. The testing process is illustrative and relies on a range of inputs to model the values and costs associated with development. Published data was used wherever possible and the assumptions discussed with stakeholders, including the development industry. Where data was weak or there was lack of agreement about the assumptions – sensitivity testing was undertaken.
32. The main testing took a notional 1 hectare site at different densities and identifies the RV of the scheme in each of the 11 LGDs. A second set of tests used a series of illustrative small sites including sites of 3 or fewer dwellings. Small sites can have higher build costs and this affects their viability.
33. The viability testing confirms the relative weakness of the current housing market in Northern Ireland with questions over the viability of developing 100% market housing in many parts of Northern Ireland away from Belfast. The analysis shows that a developer contribution scheme without any public subsidy would not be viable except in Belfast (and its immediate environs), where some level of contribution should be achievable. This would be more certain with the contribution provided as land rather than on-site units and with the increase in market values that is anticipated.
34. Small sites do face higher costs and there is a viability argument for including a threshold in any developer contribution policy but not all small sites will be less viable than larger developments and vice versa.

Models of delivery and impact assessment

35. A number of options can be considered in the light of the quantitative and qualitative evidence presented in the report as summarised below.

Variable	Considerations	Recommendation
Contribution level	Should be based on local need for affordable housing and viability considerations.	Policy should be set locally through the LDP process with ability to vary based on individual scheme viability assessment.
Northern Ireland-wide scheme	Consistency and certainty. Concern that national policy may not account for local, especially rural, issues of access to land.	National policy requiring local councils to consider a target for developer contributions as part of their LDP process. Most LDPs will have a zero target (viability being inadequate) but all areas should consider whether they should have a target in framing their policies.
On site contribution	Only relevant if there is a contributions policy. Allows access to land. Meets housing need. Allows for tenure mix. Problematic with small schemes.	Preferred option but delivery by free land should be considered – it is advantageous where viability is marginal.
Commuted sum	Meets developer concerns about impact on values but fails to meet social policy objectives. Does not give access to land. Can be implemented equitably for all scheme sizes.	Should only be considered in exceptional circumstances where on site provision/free land is not practical.
Threshold	Reduces burden on small developments. Can distort provision in market.	A threshold of 5 units accounts for small business issues although a lower threshold of 3 could also be argued for purely on viability grounds.
Tenure mix	Aims to increase mix. Implementation is important.	Sensitive implementation is required e.g. in relation to tenure blind development to avoid stigma and to address Northern Ireland specific issue of 'community mix'.
Use of Grant	Can bridge viability gap. Uses scarce resources.	Grant should be considered for mixed tenure schemes where aids viability

Overall conclusions

36. The research has shown that introducing a developer contribution scheme with a single percentage of affordable housing across Northern Ireland will not work given current market conditions. In Belfast and its environs a scheme could be considered but the timing, percentage target and form of provision (e.g. units on site versus land) is best left to local decision makers working

through the local development plan process – where targets, delivery mechanisms and issues of tenure versus community 'mixing' can be fully debated. There is a continuing role for grant to support mixed tenure development.

37. There is a prima facie case for treating small sites differently because of the extra build costs they incur, the adverse impact this has on their viability and potentially on the developers of such schemes, on which the development industry in Northern Ireland relies more heavily than other parts of the UK.
38. The Northern Ireland housing market does not benefit from demand and/or supply side measures found in other parts of the UK and, given the continuing relative fragility of the market (especially away from Belfast), there is value in considering their potential role.

Recommendations

39. **Recommendation one** – Targets and delivery mechanisms for a developer contribution scheme should be set locally as part of the local development plan process. Regional policy should include a requirement that LDPs identify a local target for a developer contribution scheme which takes into account need and viability (amongst other considerations). It is clear that a target of 0% will be justified in most parts of Northern Ireland at the present time but in some places, a limited contribution to affordable housing should be possible without impacting on the recovery of the market. The target percentage should specify the balance between social rent and shared equity products if provided on site or how a free land approach would operate. The latter is a realistic option in the circumstances of Northern Ireland. There would need to be flexibility to deal with individual schemes where viability was found to be an issue.
40. **Recommendation two** – Thresholds for developer contributions are valid and should form part of a locally defined policy. However, regional guidance can prescribe a standard threshold leaving LDPs to vary from this if there is local evidence to justify it. The 5 dwelling threshold previously consulted on seems a realistic starting point which takes into account the extra costs of small schemes and the practical benefits of taking small business out of a requirement to provide affordable housing – at least for the foreseeable future. There are equally valid arguments for a 3 dwelling threshold based on cost/viability considerations. The position can be reviewed if and when a developer contribution scheme (determined at the local level) has been successfully implemented.
41. **Recommendation three**- DSD establishes a working group of interested organisations (including the development industry and housing associations) to provide guidance on how viability issues should be dealt with and the data sources to draw on which can be used to advise local councils firstly, on how to draw up their LDP policies and second, to deal with any subsequent scheme viability issues. The working group should also have in its remit a

- review of the practical implementation of 'tenure blind' development and the approach to allocations of social rent housing.
42. **Recommendation four** – A support team with the right skills is established by DSD to give direct assistance where this is needed on viability matters. We do not recommend that the team takes on the responsibility for drawing up local policies but acts as an advisory/training body.
 43. **Recommendation five** – Further consideration is given to using grant as part of a developer contribution scheme to help meet funding gaps when they arise. We do not recommend a policy that precludes the use of grants on mixed tenure schemes (although we would expect the requirement to be much less than with 100% affordable housing development.)
 44. **Recommendation six** – Further consideration is given to the provision of development incentives (both to encourage demand and to bring forward necessary infrastructure to support new development).

Appendix 2

Northern Ireland construction industry output drops

By Clodagh Rice
BBC News NI Business Correspondent

10 October 2019

f e t Share



Construction industry output in Northern Ireland fell by almost 6% in the three months to June, according to official figures.

The Northern Ireland Statistics and Research Agency (NISRA) says the total volume of construction output was 1.5% lower than the same period in 2018.

The fall was driven by an 11% decrease in housing, a 6% drop in repair and maintenance work and a 2.8% fall in new work between March and June.

The only growth was in infrastructure.

- [NI economy 'continuing to grow'](#)
- [Bank survey suggests NI entering recession](#)

Overall the Northern Ireland economy grew by 0.3% in the three months to the end of June, the official figures show

That growth was driven by services, production and public sector growth, offsetting the fall in construction.

In contrast, UK gross domestic product (GDP) grew by 0.2% in the quarter but 1.3% in the year to June 2019.

Output in Northern Ireland is still about 4% lower than peak 2007 levels, whereas UK output is 12% higher.

That suggests the Northern Ireland economy has been much slower to recover from the recession in 2008.

<https://www.bbc.co.uk/news/uk-northern-ireland-49999504>