

Examination of the Folkestone and Hythe District Core Strategy Review

Matter 9 Hearing Statement on behalf of Rentplus UK Ltd

Introduction

1. This Hearing Statement is prepared by **Tetlow King Planning** on behalf of **Rentplus UK Ltd**. Rentplus is an innovative provider of affordable rent to buy homes across England, working with local authorities and registered providers. Full details of the Rentplus model are set out in our Regulation 19 representations. Rentplus is working to deliver affordable rent to buy homes across the South East including in the neighbouring authority areas of Ashford Borough Council and Dover District Council.
2. This Hearing Statement should be read in conjunction with our representations made at Regulation 18 and Regulation 19 stages of Plan preparation.
3. In summary, although policy CSD1 is unsound as submitted, with modifications it is capable of being found sound, as set out in our response to Question 7. Modifications are necessary for effectiveness, consistency with national policy, for the plan to be justified, and also for internal consistency with other parts of the Core Strategy. Rentplus advocates a more flexible form of policy wording to optimise delivery of affordable housing.
4. There is a clear opportunity to deliver affordable rent to buy homes in Folkestone and Hythe; Rentplus enables the Council to diversify the tenure mix; allocate homes to those on the Council's waiting list (including key workers and those employed at major transport sites such as the Eurotunnel terminal); and ensure residents have a long-term stake in their new communities, being on the path to homeownership.

Question 1: What is the evidence on affordable housing needs, what is the past record in terms of delivery and how will future delivery be achieved?

5. The evidence for affordable housing needs is contained in the Strategic Housing Market Assessment 2017 ("SHMA") (**EB 03.30**). It is important to note that the SHMA pre-dates the 2018/19 National Planning Policy Framework ("the Framework") and so its assessment of affordable housing needs is not fully consistent with the current Framework.
6. Table 5.13 at page 46 of the SHMA sets out the size and type of affordable housing need. It only assesses the need for shared ownership dwellings and does not consider the need for other affordable home ownership options, such as affordable rent to buy. This approach is not consistent with national policy as set out in the latest Framework, since it does not reflect the updated definitions of affordable housing contained in Annex 2 of the Framework.

7. In this context, it is important that the Council updates the SHMA to reflect the need for all affordable home ownership options, including affordable rent to buy. In the meantime, it is vital that affordable housing policies offer the right flexibility so that the full range of tenures can come forward and meet local needs. The issues relating to affordable housing policy are discussed in our responses to questions 4 and 5 and proposed modifications are discussed in our response to question 7.

Question 4: What is the basis for the tenure split sought and is this justified?

8. As set out in our response to Question 1, it appears that the affordable housing tenure split contained in policy CSD1 has been carried through from the 2017 SHMA. As detailed above, the evidence is outdated in respect of affordable housing tenures and the policy is therefore neither justified nor consistent with national policy in this respect.
9. It is important that Development Plan policies are capable of being effective over the Plan period, particularly as the Framework remains a material consideration when considering any planning application. Inconsistencies between the Development Plan and the Framework must therefore be avoided, both for soundness and to ensure the Plan is workable in practice. In this context, we note that examining inspectors for other emerging Plans have agreed changes to policies (including tenure mix) whose submission and evidence base pre-dates the 2019 Framework, such as at Runnymede Borough Council.
10. There remains some uncertainty over the tenure split at the strategic site of Otterpool Park which is not addressed in policy CSD1. Paragraphs 5.19 and 5.20 at page 18 of the *Otterpool Park Assessment of Deliverability & Viability (EB 03.50)* consider the implications of affordable housing tenure mix for the viability of the scheme. The paragraphs explain that further work is needed in relation to rent levels, shared ownership arrangements, affordability and mix of affordable dwellings at the site, in order to achieve a viable development. In light of this uncertainty and the need to carry out further detailed viability assessment work at Otterpool Park, it is important that policy CSD1 provides more flexibility for the mix of affordable homes to be negotiated and optimised at this strategically important site. It is considered that Rentplus can deliver significant social and economic benefits if provided at Otterpool Park; the policy framework should therefore support this.
11. Given the above, it is clear that the proposed tenure split is not justified, nor is it effective or consistent with national policy. However, as we discuss at our response to Question 7, it can be modified and made sound as a result.

Question 5: Is the policy sufficiently flexible including in relation to the viability of development?

12. No – as drafted, policy CSD1 does not provide enough flexibility to allow the full range of affordable housing tenures to come forward either on a district-wide basis or at Otterpool Park. The lack of flexibility will also affect the policy's ability to deliver viable development, by constraining the tenure types that can come forward.

13. In setting the policy requirement for tenure mix, the third paragraph of policy CSD1 currently refers only to shared equity housing – but this does not capture the full range of affordable routes to home ownership as listed in Annex 2 of the Framework. The Annex 2 definition of affordable housing includes, under ‘other affordable routes to home ownership’, shared ownership, relevant equity loans, other low cost homes for sale, and rent to buy. These definitions are mentioned in the second paragraph of Policy CSD1, but the subsequent paragraph does not capture these in setting the tenure mix requirement. Policy CSD1 is therefore not consistent with national policy and not effective in this regard.
14. Moreover, policy CSD1 as drafted is internally inconsistent with the Core Strategy’s supporting text. Paragraph 5.3 explains that “*There is a growing range available to meet individual circumstances; alongside affordable rented, affordable housing can include starter homes, discounted market sales housing and shared equity products which allow occupiers to 'staircase up' to full ownership*”. Footnote 1 to that paragraph identifies the range of affordable routes to home ownership which includes rent to buy. However, policy CSD1 only refers to shared ownership products and therefore does not reflect the ‘growing range’ of affordable home ownership options set out at paragraph 5.3.
15. Shared ownership is an important part of the tenure mix, but it still requires applicants to raise a deposit. The Rentplus model (as detailed in our Regulation 19 representations) helps those applicants who would otherwise struggle, to overcome the deposit barrier. It provides a clear route to home ownership and Rentplus tenants have a stake in their local communities as a result. Rentplus homes are allocated through the Council’s allocations policy and are particularly suitable for those key workers who have a stable income but nonetheless struggle to raise the large sums needed for a housing deposit. Policy CSD1, as drafted, is therefore not effective in the kind of strong, vibrant and healthy communities required at paragraph 6 of the Framework. A more flexible policy which allows other tenure types to come forward would ensure the Core Strategy’s effectiveness in this respect.
16. The wording of Policy CSD1 must therefore be amended to reflect the Framework definition of affordable routes to home ownership. This will provide the necessary flexibility within the policy to allow the widest mix of tenures to be delivered. It will help Folkestone and Hythe Council to meet important social and economic objectives in widening home ownership. These objectives are expressed in Strategic Need D at paragraph 3.6 of the Core Strategy, which seeks to “*Provide a balanced mix of land uses [and] housing tenures*” and to “*Provide homes that meet the different and changing needs of young people [and] growing families*”. Our proposed modification is set out in our response to Question 7 below.
17. Turning to the specific point raised in Question 5 about viability, we are pleased to note that policy CSD1 does allow some flexibility to adapt the tenure split, making clear that the mix in the policy is only a ‘starting point’. This is helpful as it allows site-specific tenures to be negotiated and adapted

to respond to site-specific demands. Our recommended modifications will provide more flexibility to deliver a wider range of tenures.

18. Rentplus has several advantages to developers in delivering viable development and optimising affordable housing delivery. It delivers greater returns than traditional affordable housing for rent – thus supporting scheme viability – but the model also meets each of the criteria set out in the description of ‘affordable housing for rent’ at Annex 2 of the Framework¹. Rentplus also helps to de-risk development sites; by providing a more diverse mix of tenures, developers are less reliant on one or two forms of affordable housing to come forward. Moreover, Rentplus’ ability to take a long-term view of the value of each Rentplus home (over a five, ten, fifteen or twenty year time horizon) coupled with the backing of institutional investment, means that Rentplus can come forward at times of short term economic uncertainty (such as that caused triggered by the current COVID-19 situation).

Question 7: Are any main modifications to Policy CSD1 necessary for soundness?

19. Yes; policy CSD1 requires modification in order to be justified, effective and consistent with national planning policy. The modifications are also required for consistency with other parts of the Core Strategy.
20. As set out in our Regulation 19 representations, the following changes are required to the third paragraph of policy CSD1:
- For development proposing 15 or more dwellings, as a starting point approximately 30 per cent of the affordable housing provision shall be ~~shared equity~~ **affordable housing for sale** and 70 per cent affordable rent/social rent.*
21. Similar changes to submitted policies have been agreed through Main Modifications at other Local Plan examinations such as Runnymede and South Northamptonshire in recent months.
22. Further consequential amendments are required elsewhere in the Plan – for example, policy CSD2 refers to shared ownership; this should be changed to affordable housing for sale.
23. We also strongly recommend that the Council updates its SHMA to fully reflect the Framework definitions of affordable housing as soon as possible. This will mean there is an up-to-date evidence base to ensure that the Core Strategy remains effective into the future.

Prepared by Tetlow King Planning Ltd

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¹ Rentplus rents are set in accordance with the requirements for ‘affordable housing for rent’; the landlord is a Registered Provider who leases the property from Rentplus for the period of affordable rent; and as Rentplus requires no grant subsidy there is no need to recycle receipts upon sale.