

<b>Committee(s)</b>	<b>Dated:</b>
Community & Children's Services – For Information Planning & Transportation – For Information	08/05/2015 12/05/2015
<b>Subject:</b> Vacant Building Credit – implications of revised national Planning Practice Guidance	<b>Public</b>
<b>Report of:</b> Director of the Built Environment	<b>For Information</b>

### Summary

In November 2014, the Government introduced the Vacant Building Credit, restricting planning obligations for affordable housing from residential development to the uplift in floorspace on a site. This is contrary to City Corporation Local Plan policy which seeks contributions from the total proposed residential floorspace, and put at risk up to 50% of future affordable housing contributions in the City.

The City Corporation, other central London boroughs, a number of Members of Parliament and the Westminster Property Association raised concerns over the impact of the policy on future affordable housing provision. In March 2015, the Government issued amended guidance which clarifies that the Credit is intended to incentivise brownfield development and is not intended to apply where buildings have been vacated specifically to enable development to proceed, or where there is already an existing or recently expired planning permission.

The effect of these changes is that the majority of residential development in the City should not now be subject to the Vacant Building Credit.

### Recommendation

Members are asked to:

- Note the implications of revised national guidance on the Vacant Building Credit set out in this report.

### Main Report

#### Background

1. In November 2014, the Government announced a package of national planning policy changes, including changes to the way that planning obligations for affordable housing are dealt with. These changes followed brief consultation in March 2014, which addressed the principle of some of the changes and to which the City Corporation objected. Changes included:

- a. The introduction of a national minimum development threshold of 10 units below which affordable housing contributions could not be sought; and
  - b. The introduction of a Vacant Building Credit, restricting affordable housing contributions to the uplift in floorspace as a result of development, rather than on the total floorspace of the development.
2. Whilst the introduction of a national minimum threshold would have little material impact on future affordable housing provision in the City, the Vacant Building Credit, as originally proposed, would have led to a significant reduction in future affordable housing receipts from residential development, putting at risk up to 50% of future receipts and thereby significantly impacting on the City Corporation's future affordable housing programme. The changes were considered by the Planning & Transportation Committee on 3<sup>rd</sup> February 2015 and by the Community and Children's Services Committee on 13<sup>th</sup> February 2015. The Planning & Transportation Committee authorised officers to commence scoping work on the potential to amend the City's Local Plan to make a case for a local exemption to the Vacant Building Credit, and to work with neighbouring boroughs in making the Government aware of the implications for future affordable housing delivery in the City and its neighbours.
3. Concerns over the impact of the Vacant Building Credit in central London were raised by a range of organisations and individuals. Individually, and through Central London Forward, boroughs and the City Corporation expressed their concerns to Ministers, as did developers through the Westminster Property Association. A number of London Members of Parliament raised concerns in Parliament and on 5<sup>th</sup> March 2015, Mark Field MP raised the implications of the Credit for the City Corporation during a House of Commons debate on national planning policy. The Minister for Communities and Local Government, Brandon Lewis, responded to the debate offering to discuss the implementation of the Credit with the City Corporation and Westminster City Council. Officer level meetings subsequently took place between the City Corporation, Westminster, GLA and DCLG officials.
4. Since the Vacant Building Credit was introduced, only 1 development scheme in the City has been affected, the redevelopment of the former YMCA building at 2 Fann Street, where the affordable housing contribution was reduced by £3.58 million as a result of the application of the Credit.

### **Current Position**

5. On 26<sup>th</sup> March 2015, the Government published revised Planning Practice Guidance on Planning Obligations and the Vacant Building Credit. No change has been made to the national threshold for seeking affordable housing contributions, but the following changes have been made to the Vacant Building Credit:
  - a. Guidance now clarifies that national policy is intended to provide an incentive for brownfield development on sites containing vacant buildings.

- b. In considering how Vacant Building Credit should apply to a particular development, local planning authorities should have regard to the intention of national policy and, in doing so, it may be appropriate to consider:
  - Whether the building has been made vacant for the sole purpose of redevelopment.
  - Whether the building is covered by an extant or recently expired planning permission for the same or substantially the same development.

## **Implications for the City of London**

6. The changes to national guidance are welcome and address some of the key concerns about the implications of the Vacant Building Credit in the City, and elsewhere in central London.
7. It is now clear that the policy is intended to 'incentivise' brownfield development and that this should be a consideration in applying the Credit. All development in the City takes place on brownfield sites and the strength of the residential development market means that, on the majority of development sites, no external incentive is needed to bring the site forward. In any event, planning obligations are applied flexibly, through the City's Local Plan and Planning Obligations Supplementary Planning Document, having regard to individual site economics, enabling adjustments to be made to financial requirements where supported by viability evidence.
8. It is normal practice in the City for landowners and developers to seek vacant possession of buildings and/or sites prior to, or shortly after, the grant of planning permission, to facilitate early redevelopment. Given the strength of the residential market in the City it is unlikely that a landowner or developer would seek vacant possession and then not progress a redevelopment scheme. In the vast majority of cases where a site is vacant, the City Corporation would be able to argue that vacancy has been achieved to enable redevelopment to take place and, therefore, that the Vacant Building Credit should not apply. For example, although the former YMCA building has been vacant for several years, under the new guidance Vacant Building Credit would not have applied as the vacancy period has been a necessary part of the marketing, disposal and planning for redevelopment.
9. The new provision regarding an extant or recently expired permission has been introduced to prevent the application of the Credit where there is clear interest in redevelopment and, crucially, to prevent use of the Credit where a s73 application is made for a minor material amendment. This should ensure that on schemes where an existing s106 affordable housing contribution has been agreed, a s73 application would not trigger a reduction in the contribution through the Vacant Building Credit.
10. Overall, the changes introduced by the Government should mean that the Vacant Building Credit will not be applicable to the vast majority of residential redevelopment schemes in the City. Consequently, there is no need at present to progress a rapid Alteration to the Local Plan to seek a local exemption from the

Credit. This will be kept under review and if it becomes clear that the Credit is still being applied to the detriment of affordable housing contributions, a further report will be brought before this Committee.

### **Corporate & Strategic Implications**

11. The Government's changes to Planning Practice Guidance will allow the City Corporation to seek planning obligations contributions towards affordable housing in line with the policies in the adopted City of London Local Plan 2015.

### **Conclusion**

12. The Government introduced the Vacant Building Credit through a Ministerial Statement in November 2014. The effect of the policy change was to put at potential risk up to 50% of the total financial contributions towards affordable housing secured through development in the City.
13. The City Corporation, together with central London Boroughs, and with support from the City's Member of Parliament and parts of the development industry, raised concerns with Ministers over the impact of the policy on future affordable housing delivery.
14. Ministers have now issued further guidance on how the Vacant Building Credit should apply, clarifying that it is intended to incentivise development and is not intended to apply where buildings have been vacated to enable development to proceed, or where there is an existing or recently expired planning permission.
15. The effect of these changes is that most residential development in the City will not now be subject to the Vacant Building Credit.

### **Background Papers**

Implications for the City Corporation of amended Government policy on affordable housing - Report to Planning & Transportation Committee 3<sup>rd</sup> February 2015 and Community & Children's Services Committee 13<sup>th</sup> February 2015

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