



Appeal Decision

Site visit made on 29 May 2018

by **C Cresswell BSc (Hons) MA MBA MRTPI**

an Inspector appointed by the Secretary of State for Communities and Local Government

Decision date: 18 June 2018

Appeal Ref: APP/R3325/W/18/3193856

Manor Farm, Stibbear Lane to Church Street, Donyatt, Ilminster TA19 0RG

- The appeal is made under section 78 of the Town and Country Planning Act 1990 against a refusal to grant planning permission.
 - The appeal is made by Mr R J McHardy against the decision of South Somerset District Council.
 - The application Ref 16/02939/FUL, dated 5 July 2016, was refused by notice dated 27 July 2017.
 - The development proposed is removal of redundant agricultural buildings, conversion and alterations of existing barns to provide 4 no. dwellings and the erection of 2 no. new build dwellings at Manor Farm, Donyatt. Proposals to include the provision of 2 no. intermediate affordable units.
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Decision

1. The appeal is dismissed.

Application for costs

2. An application for costs was made by Mr R J McHardy against South Somerset District Council. This application is the subject of a separate Decision.

Main Issue

3. The main issue in this case is whether adequate provision would be made for affordable housing.

Reasons

4. The appeal concerns a group of agricultural buildings within a disused farmyard on the edge of Donyatt. It is proposed to clear parts of the site, construct two new dwellings and convert the existing barns to provide an additional four new dwellings. Two of the proposed dwellings are described by the appellant as intermediate affordable units and would be in the form of discounted market housing. The level of market discount would be 20%.
5. Policy HG3 of the South Somerset Local Plan 2015 (the Local Plan) specifies a target figure of 35% affordable housing in developments of six dwellings or more. The Council are satisfied that the target would be achieved, insofar as two of the six dwellings proposed would be discounted. However, it is argued that a 20% discount would be insufficient to meet local housing needs and would therefore not constitute affordable housing.

6. The National Planning Policy Framework (the Framework) defines affordable housing as *social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices.* According to paragraph 159 of the Framework, such local needs should be determined through a Strategic Housing Market Assessment (SHMA).
7. Intermediate housing is defined in Appendix 2 of the Framework as *homes for sale or rent provided at a cost above social rent, but below market levels.* However, this is subject to the intermediate housing meeting the broader definition of affordable housing as quoted above. The Framework makes it clear that homes which do not meet that definition may not be considered as affordable housing for planning purposes.
8. Hence, while the Local Plan does not stipulate any particular level of market discount, it must be evident that the proposed intermediate housing would meet local needs if it is to be treated as 'affordable' under Policy HG3. Both the Local Plan and Framework indicate that the appropriate method of determining this is through reference to the SHMA.
9. The most recent version of the SHMA was published in 2016¹. My attention has been drawn to Figure 6.11 of this report and the 'key messages' which are set out on page 147. This indicates that of the households in South Somerset unable to purchase a dwelling on the open market, only 3.6% would be able to afford a starter home (defined as a 20% discount on open market value). Although the SHMA is based on aggregated data, this nonetheless suggests that the proposed intermediate units would only be affordable to a limited number of households that are unable to purchase on the open market. Furthermore, these households would be able to rent at market values and hence would not be eligible for affordable housing.
10. According to the appellant's evidence, the discounted value of the one bed unit would be £112,000 to £120,000 with the two bed unit being in the range £172,000 to £200,000. On the basis of a 10% deposit and a mortgage provider lending 5 times household income, it is stated that the one bed unit could be purchased by a household with an income of between £20,100 and £21,600. Aside from the fact that not all mortgage lenders may be prepared to lend 5 times household income, the SHMA indicates that households able to afford to purchase the proposed one bed unit at the higher end of its valuation would be able to access the private rented market. The same calculations applied to the two bedroom unit would indicate that a household income in excess of £30,000 would be needed.
11. While the appellant provides evidence to show that median earnings in the south-west were £27,000 in April 2017, the SHMA indicates that a household earning that amount could afford to rent privately. In fact, Figure 6.8 of the SHMA indicates that many households in need have incomes well below the median figure quoted, with around a third of households in Somerset having incomes below £20,000 per year. Based on the above, it therefore seems to me that the intermediate units would not meet the Framework's definition of affordable housing if they were sold with a 20% discount.

¹ Mendip, Sedgemoor, South Somerset and Taunton Deane Strategic Housing Market Assessment (Oct 2016).

12. The market rental for the proposed one bedroom unit is estimated to be between £475 and £500 per month, with the two bedroom unit being within the range £550 to £600 per month. This indicates that, when a 20% discount is applied, the one bed property may rent for between £380 and £400 per month, with the two bed unit costing between £440 and £480. It is not explicit from the information before me whether eligible households would be able to afford these rents or to what extent they could help to address local needs. However, it is clear that the units would be more affordable to rent than they would be to purchase and would therefore be accessible to a wider range of households in the area. Indeed, my attention has been drawn to rental properties advertised elsewhere in the area costing somewhat more than this. Nonetheless, given that the proposed units would be for sale or rent, this does not overcome my concerns regarding the discounted purchase price.
13. The Framework states that 'affordable rent is subject to rent controls that require a rent of no more than 80% of the local market rent'. However, it is also made clear that housing is not affordable in planning terms unless it is open to eligible households whose needs are not met by the market.
14. Despite this, there appears to be limited opportunities to provide discounted housing in the immediate area, which is rural in nature. I am informed that there were no properties available to rent in Donyatt when the appellant's statement was written. The appeal proposal would contribute to the housing supply and clearly *any* level of discounting would help to make housing more affordable to local people. The development would therefore provide tangible benefits and I note that Policy SS2 of the Local Plan supports proposals which meet identified housing needs in rural areas.
15. According to the Local Plan, affordable housing contributions should be negotiated on a site by site basis. Although the Council has sought a market discount of 35% in this case, the appellant informs me that such a discount has only been negotiated on one previous occasion (a site at Compton Dundon²). Indeed, examples have been provided where discounts below 20% have gained approval. However, as I am not party to all the information that was before the Council when reaching these decisions, I am unable to conclude that a convincing precedent has been established. Nevertheless, I am very mindful of paragraph 173 of the Framework which states *to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.*
16. I recognise that the proposal involves the demolition and conversion of existing buildings and structures within the site and I have no doubt that this would add to the costs of development, particularly in comparison to a greenfield site where build costs are likely to be lower. However relatively little information has been provided to show that the 35% discount being sought by the Council would result in the proposal becoming unviable. In the absence of compelling evidence (such as a residual valuation or similar estimates of land and build costs) I am unable to determine with any certainty that the proposed 20% market discount would be reasonable in this instance.

² Council Ref: 07/04651/FUL

Conclusion

17. Overall it has not been demonstrated that adequate provision would be made for affordable housing. Hence there would be conflict with Policy HG3 of the Local Plan which seeks to meet identified housing needs. Therefore, despite the benefits of the proposal in contributing to rural housing supply, it would not represent sustainable development for which the Framework says there is a presumption in favour.
18. For the above reasons, and having regard to all other matters raised, the appeal should therefore be dismissed.

C Cresswell

INSPECTOR