

Partial Review 8 Begbroke Innovation District site: Financial Viability Assessment Summary and affordable housing proposal

CDC Strategic Housing response

Background and policy context

Oxford University Development, the applicant for the BID site which forms part of PR8 have submitted a Financial Viability Assessment Summary (FVAS) for their proposal to deliver circa 1800 dwellings with 50% affordable housing in the form of social rent, sharer rent and discounted market sale tenures. The FVAS outlines why a policy compliant tenure mix is unviable and supports the applicant's proposal.

The FVAS has been appraised by BPS on behalf of Cherwell DC. A development appraisal of the BID scheme based on 100% Open Market Sale was produced on 10th June 2024 and a draft progress report on 11th June 2024, including an appraisal of a policy compliant tenure mix.

Policy PR2 of the CDC Local Plan Partial Review sets out the broad requirements for all PR sites. This requires provision of 80% of the affordable housing (as defined by the NPPF) as affordable rent/social rent and 20% as other forms of intermediate homes. (The use of the word "other" is slightly misleading as affordable rent and social rent are not intermediate tenures. This was not intended to offer the degree of flexibility the applicant is applying).

Since the policy was adopted, First Homes has been introduced as a national policy requirement therefore the tenure split on other PR sites has been revised to reflect this and is now 70% affordable/social rented, 25% First Homes and 5% shared ownership. Whether this will also apply on PR8 is unclear at present, OCC are flexible about delivering First Homes going forward.

All affordable housing is required as use class C3, self-contained dwellings, therefore Houses in Multiple Occupation are not included.

As well as confirming that 50% of new dwellings will be affordable housing as defined by the NPPF, Policy PR8 includes "the provision of a limited number of new homes, to be agreed with the Council, to provide for students and those working for the University at the Science Park to support its expansion and reduce car journeys."

The Development Brief for PR8 refers to the role of the development around Begbroke Science Park as providing a contemporary, innovative, high-quality, urban neighbourhood. Relevant development principles include:

- the affordable housing tenure and mix is to be agreed with Cherwell District Council
- there is a preference for social rent tenure in line with Oxford City Council policy
- affordable housing and housing aimed at specific groups (such as University staff and students) is to be carefully distributed across the development to avoid the creation of segregated communities.
- Homes are to be provided for Oxford's unmet housing needs reflecting the right housing type and size mix to address that need.

The Partial Review was adopted on the basis that the sites would meet Oxford's unmet affordable housing need, on the understanding that each mix would be based on priorities identified on OCC housing register. The document was based initially on the results of the

2014 Strategic Housing Market Assessment which showed an unprecedented growth in housing need in Oxford. The document highlights Oxford's key objectives around ensuring a balanced housing supply, identified in the core strategy 2026, with the pressing need for affordable housing and family homes identified as a key challenge. In this context this refers to housing delivered by a Registered Provider, to meet needs identified on the housing register. This may not be fully explicit in the policy, however both CDC and OCC operate on the basis that whilst documents such as the SHMA (2014) and HENA (2022) provide broad figures for housing need and draw out useful trends such as high market values in Oxford, they represent a snapshot in time and the detail of affordable housing mixes must be based on current data from the housing register to best meet identified housing needs.

Some proposals, including all three PR8 sites, have proposed numbers over and above the policy requirement, and as with any other development site where additional numbers are proposed, this can be an opportunity to deliver housing that is additional to the policy requirements e.g. Extra Care, older persons housing, shared housing.

Summary of BID proposal

The BID site forms part of Partial Review site PR8, which has a requirement to deliver a total of 1950 dwellings. The BID proposal is for circa 1800 dwellings, and the affordable housing policy requirement is therefore circa 900 homes.

The proposal from OUD states that a different view of Oxford's housing needs is required from that set out in the policies, one which addresses the needs of Oxford University staff. The proposal in the Housing Statement submitted with the planning application set out the following proposed tenure split within the 50% affordable provision:

- 10% sharer rent
- 10% social rent
- 30% discounted market rent

The Housing Statement, and subsequent paper from OUD on the housing proposals confirm that discount market rent tenure and the proposed sharer rent tenure would be delivered by OUD, with priority given to staff and students of the university. OUD would also assess applicants' needs and eligibility.

The paper also emphasises that the certainty on the quantum of affordable housing is "a very significant benefit of the application" and that "This provides certainty to the Council which is considered preferable to an approach reliant on review mechanisms."

Key points from FVAS

The FVAS sets out the following key points:

- it is submitted in support of the outline planning application for Begbroke Innovation District ('BID') at Land to the East of the A44 between Yarnton, Begbroke and Kidlington, to provide for c.1,800 new homes. A commitment is made to 50% affordable housing, as defined by the NPPF, to comprise Social Rent, Sharer and Discount Market Rent tenures all evidenced to meet Oxford's unmet needs on the basis of 20:80 social rent:intermediate tenures as set out in the Housing Statement.
- the information is intended to support discussions between the applicant and officers on why, in committing to site specific policy requirement for 50% affordable housing (Policy PR8), the Applicant applies the flexibility on tenure provided for in Policy PR2 and PR8 (i.e. the need to make provision for a limited number of new homes for University employees and students based at Begbroke Science Park).

- It has been prepared to provide an indication of the potential scheme viability where the Applicant is required to deliver the application scheme with 50% affordable housing at 80% social rented tenure and 20% intermediate tenure split.
- it evidences that 50% affordable housing on the basis of this amended tenure split derives a very significant deficit and would materially affect the amount of affordable housing able to be committed to by the applicant. The FVAS indicates that on this basis there is a risk the maximum viable amount of affordable housing could be potentially very low, possibly nil.
- The Applicant recognises the very significant benefit of a commitment to 50% affordable housing, secured in the S106 Agreement, in the context of Oxford's current evidenced unmet housing needs and has therefore prioritised giving certainty to maintaining this quantum.
- The Applicant's commitment to 50% affordable housing is only able to be made where there is flexibility on the tenure of the affordable housing, with a greater emphasis on intermediate rent tenures with priority being given to workers at Oxford University who form an integral part of the community and unmet housing needs in the city. The Housing Statement, along with the subsequent correspondence shared with the Council, details that in addition to meeting Oxford's unmet needs the approach being taken will also enable more efficient and effective use of the existing housing within the city, create a mixed, balanced, and cohesive community and support Oxford's world class economy, university, and local employment base.
- Alongside this the Applicant has demonstrated there is a very significant pipeline supply of social rent tenure homes able to be secured on the sites allocated to meet the unmet needs of the City, but no pipeline supply for other affordable rental needs. Their submission reports that need for rental homes at a range of discounts is a positive response to a large and growing unmet need and is critical to the ongoing economic growth of the City, and to achieving other policy objectives of the City Council (such as a reduction in HMOs). The submission also reports that delivering the affordable homes at a range of affordability ensures value for money for the Council which in turn is enabling 50% affordable housing to be committed to.
- The Applicant has committed that the S106 Agreement will ensure all of the affordable homes meet the NPPF definitions and for any household being required to demonstrate they are in housing need in addition to a link to the city – this ensures all of the affordable homes are protected for the purpose on which PR8 was allocated (i.e. to meet the unmet housing needs of Oxford City and provides a critical protection). The Applicant's submission outlines that they are uniquely placed to commit to 50% affordable housing and report that the benefits of the proposals are significant and far reaching.

The FVAS concludes that:

- The profit threshold, based on the assumptions set out in Table 1, is fixed in the appraisal and equates to £242m. Inclusive of the target level of return with 50% affordable housing the scheme returns a deficit of c. £200m.
- The Appraisal evidences that on the basis of viability based approach where the affordable tenure split is fixed at 80:20 social rent:intermediate the scheme cannot viably support any affordable housing on-site. The Applicant is not therefore able to commit to the quantum of 50% affordable housing, as required by Policy PR8, on the

basis of an 80:20 social rent:intermediate tenure split. The quantum of affordable housing would have to be reduced and this may require the quantum to be as low as nil at the time of the application being determined. This fails to provide any certainty in terms of the affordable housing and risks the site being limited to providing for Oxford's unmet housing needs in terms of private market housing; this remains an important need and a benefit, but would not provide the very significant additional benefits of the application as proposed (i.e. 50% affordable housing), enabling more efficient and effective use of the existing housing within the City, creating a mixed, balanced, and cohesive community and supporting Oxford's world class economy, university, and local employment base.

- This FVAS is therefore intended to assist officers in understanding the potential impact on the scheme viability where the Applicant is required to deliver the application scheme which prioritises the 80% social rented tenure and 20% intermediate tenure split over and above 50% affordable housing. The FVAS evidences that 50% affordable housing, on the basis of this amended tenure split, derives a very significant deficit and would materially affect the amount of affordable housing able to be committed to. It would also fundamentally change the scheme and the vision around a Global Innovation Village and the opportunity to meaningfully address the unmet housing needs of Oxford City alongside the pipeline supply of social rented and intermediate housing able to be secured through the other PR sites.
- The Applicant is uniquely placed in bringing forward the scheme to take a long-term view that encompasses the wider benefits to both the ongoing economic success and growth of the City and Oxford University, enabling a commitment to 50% affordable housing as set out in the Housing Statement. The Applicant has worked hard to protect the 50% quantum and its commitment to this is considered to represent a very significant benefit of the scheme.

BPS draft recommendations:

BPS interim report 11 June 2024 sets out the following recommendations:

- We have been provided with a live version of the Argus appraisal included in Quod's report to which we have applied our amendments.
- After these changes we identify a slightly reduced deficit of just over -£195m. On this basis we calculate that the scheme would not be able to contribute towards or provide additional affordable housing.
- It is probable that other methods of delivery could potentially result in a much-altered cashflow and therefore viability position. Clarity therefore on project delivery and residential tenure appear as key requirements at this stage before assessing the nature of any scheme deficit. Rather than speculate further on these points in this report we consider that further consideration from the applicant to this would be appropriate.
- We have undertaken sensitivity analysis to test the impact of changes to commercial rents and gross build costs. We find that deficit is eroded if the construction costs decrease by 10% whilst commercial rents simultaneously increase by 10%.
- We note Quod's remarks concerning scheme deliverability. They state that the scheme as presented is not deliverable and that the quantum of Affordable Housing

may need to be reduced to nil. The FVAS appears to imply that Affordable Housing may be delivered via viability review mechanisms.

- We recommend that if a policy compliant offer is not made, the scheme should be subject to a pre-implementation review, a series of mid stage reviews and a late-stage review of viability in order that the viability can be assessed over the lifetime of the development.

CDC Strategic Housing response to FVAS/BPS reports

Our view is that whilst the reports demonstrate that a policy compliant mix of affordable housing is unviable, we do not consider that it follows that the BID proposal is acceptable or should be viewed as the preferred option for delivery of affordable housing. In view of the evidence that zero affordable housing is viable, we consider that applying a review mechanism would be the appropriate way forward as set out in BPS draft recommendations. Alternatively, given that the applicant considers they are able to deliver a scheme despite the established unviability, we would ask them to reconsider the proposed mix to include a significantly higher percentage of social rent and to remove sharer rent. We are flexible regarding low-cost home ownership tenures, i.e. whether First Homes are included, however a proportion of shared ownership would be welcome in creating a more balanced mix and maximising choice of tenures. Full details supporting this conclusion are set out below.

Tenures

Sharer accommodation is not a recognised affordable tenure, it falls within Use Class C4 and should therefore not be included within the affordable element. It is also not a recognised affordable tenure in the NPPF.

The applicant's view appears to be that achieving 50% affordable housing is of paramount importance and that achieving a policy-compliant number over-rides the importance of providing social rented housing. We do not agree with this approach. The original purpose of bringing this site forward was to meet Oxford's affordable housing needs as identified on the housing register and social rent is the most affordable tenure. The proposed tenures are not in accordance with this purpose and prioritise the needs of Oxford University staff rather than the wider intended category of eligible households with a connection to Oxford. Where affordable housing has been shown to be unviable on a development, we would rather agree a lower percentage with the provision of social rent and shared ownership than a policy compliant number with tenures which do not meet identified needs on the housing register.

We agree that other rented tenures would meet housing needs in Oxford, however for S106 affordable provision we support tenures set out in policy, which are delivered by a Registered Provider and allocated to households who have been assessed as eligible to join the Council's housing register, with allocations based on the Council's Allocations Scheme and the Nominations Agreement with Oxford City Council. On this proposal we would be willing to consider a small percentage of the affordable housing to be delivered as discount market rent subject to discussions around assessment of need and allocation processes. However, our priority remains for social rent.

As mentioned above, the paper from OUD submitted to the Planning Officer on 2 July 2024 emphasises that a benefit of the proposal is the commitment to 50% affordable housing and that this provides certainty as distinct from a viability review approach. Whilst certainty is an important factor in the delivery of affordable housing, we cannot concur in this instance because, as outlined above, the proposed tenures are not those which will meet the identified housing needs which this site was allocated to meet

Viability

We accept that a fully policy compliant mix may not be viable on the BID site and that the viability of PR8 as a whole has been significantly compromised by the withdrawal of funding from Network Rail, however we do not agree that the proposed tenure mix for the BID proposal is a logical or reasonable conclusion of the FVAS. We recognise that if a policy compliant proposal is unviable then changes need to be made and a range of options considered. We are willing to negotiate a revised mix and we expect there to be a willingness from applicants to balance what they wish to achieve with the Council's policies and priorities for meeting identified needs.

We are not necessarily suggesting that a policy position is maintained. We are as always, willing to negotiate, especially in the light of viability evidence, with maximised provision of social rented housing as a priority due to the level of need on the housing registers.

Meeting identified needs & assessment/allocations

OUK consider that they are best placed to assess and address needs, and to directly deliver the intermediate rented tenures. A large percentage of the proposed affordable housing is for discounted market rent, delivered by OUK, aimed primarily at university staff and students.

We consider that affordable housing delivered in the Science Park should be offered to any eligible household with a connection to Oxford. Both CDC and OCC currently allocate rented housing to key workers as part of allocations policies and Strategic Housing consider it reasonable that properties developed in the Science Park would be allocated in the same way. This promotes transparency, fairness and consistency and accords with the fundamental objective of meeting Oxford's "agreed, identified housing needs" identified in the Partial Review's Vision for Meeting Oxford's Unmet Housing Needs.

We would encourage university staff to apply to join the housing register where their housing needs will be assessed and their employment at the university taken into account with reference to the Council's Allocation Scheme which sets out the policy regarding key workers.

The proposal refers to the "very significant pipeline supply of social rent tenure homes able to be secured on the sites allocated to meet the unmet needs of the City, but no pipeline supply for other affordable rental needs". The fact that social rented housing is being delivered on other sites should have no bearing on what is delivered on this site. This site, along with the other Partial Review sites, was originally allocated because of the high level of need for social rented housing for households with a connection to Oxford. Other tenures can be delivered, however they must be additional to the policy requirements. On this proposal we have agreed that a small number of homes can be discounted market rent as part of the affordable housing, however the proposed 80% is unfeasible.

Policy

The FVAS states that "the information is intended to further support discussions between the Applicant and officers on why, in committing to site specific policy requirement for 50% affordable housing (Policy PR8), the Applicant applies the flexibility on tenure provided for in Policy PR2". However, Policy PR2 is clear that 80% (now 70%) of the affordable housing (as defined by the NPPF) is to be provided as affordable rent/social rent. Policy PR8 refers to the provision of 50% affordable housing as defined by the NPPF, and Policy PR2 is clear that the rented tenures are expected to be affordable and social rent, the latter being

identified by Oxford City Council as the preferred rented tenure due to the high market values and high private rents.

It is therefore incorrect to interpret Policy PR2 as providing for flexibility of tenure to the extent of including 80% intermediate rents. The Policy could be interpreted as supporting intermediate rented tenures, even though it is generally accepted that the reference to intermediate means shared ownership. In any case, it is very clear that intermediate tenures are to be provided as 20% of the affordable mix. It is also clear that tenures must be those defined by the NPPF as affordable housing. "Sharer rent" is not included in the NPPF definition and it cannot be included in the affordable element of this proposal.

The FVAS states that the applicant is "uniquely placed" to deliver 50% affordable housing which could be achieved with a tenure split of 20% social rent 80% discounted rent tenures including sharer rent. We appreciate that the revised NPPF now includes discounted market rent, however it does not follow that this should be the predominant tenure on any development. The fundamental purpose of all of the PR sites remains the same, to meet the needs of applicants on OCC register with a connection to Oxford. We believe that the applicant is interpreting the policy incorrectly and in a way that does not prioritise housing need identified on Oxford City's housing register.

ODU paper July 2024

A paper was sent to the Planning Officer on 2nd July 2024, setting out details to be viewed alongside the Housing Statement which formed part of the outline planning application. Housing have been asked to include comments on this paper with our comments on the viability reports.

Most of what is in the paper is covered in the above response as it is based on the Housing Statement and the Quod FVAS and largely re-iterates the initial proposal. The paper mentions the provision of shared ownership, which is not part of the proposal in the Housing Statement. As mentioned above we would welcome shared ownership as part of the 30% intermediate housing and agree that this would be delivered by a Registered Provider. The paper mentions doing this through the Homebuy Scheme, however this was abolished some time ago and shared ownership is now marketed and sold directly by RPs.

Suggested next steps

Based on the details set out above, Strategic Housing would recommend the following as a way forward:

- Having acknowledged that the applicant is able to deliver a housing scheme despite the financial viability showing zero affordable housing, that OUD revisit the proposal to accommodate the Council's requirements for this site, in accordance with the original purpose of the site being allocated and the relevant policies.
- That in doing so, the starting point is to achieve provision of 70% social rented housing of the 50% affordable provision.
- That the tenures for the other 30% of the 50% affordable consist of shared ownership and discounted market rent only.
- That, in the light of the viability position, a review mechanism is applied in accordance with the consultant's recommendations. This may or may not be removed at a later date, depending on the revised proposal.

CDC Strategic Housing
2nd August 2024