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**MEETING:** PLANNING CONTROL COMMITTEE

**DATE:** 25 NOVEMBER 2008

**SUBJECT:** AFFORDABLE HOUSING WITHIN THE ROCK TRIANGLE SCHEME

**REPORT FROM:** ASSISTANT DIRECTOR ([PLANNING, ENGINEERING AND TRANSPORTATION SERVICES])

**CONTACT OFFICER:** TOM MITCHELL – DEVELOPMENT MANAGER

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**TYPE OF DECISION:**

**FREEDOM OF  
INFORMATION/  
STATUS:**

This paper is within the public domain

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**SUMMARY:**

The developer (Thornfield) has requested that the existing planning obligation to provide Affordable Housing as part of the new Town Centre development (ref:48384) be amended in the light of worsened economic circumstances. Originally, the obligation would have provided 15% of the residential units as affordable housing units pursuant to Policy H4/1 of the Bury UDP, Planning Policy Statement 3: Housing (2007) and DCP Guidance Note "Affordable Housing in New Residential Developments" but the variation would mean that there would be no affordable housing units provided on site but there would be provision for payment to Council for the provision of affordable housing should values rise over the build period.

**OPTIONS AND RECOMMENDED OPTION:**

The Committee can decide to either

- a) refuse the request for variation of the s106 agreement or
- b) consent to amending the existing S106 obligation as requested.

The recommendation is to agree to the developer's request.

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## IMPLICATIONS -

**Corporate Aims/Policy Framework:**

**N/A**

**Financial Implications and Risk Considerations**

**None**

**Statement by Director of Finance and E-Government:**

The proposed change does not have any direct impact on the Authority's financial resources. Members should note that the s106 agreement would allow for a potential contribution towards affordable housing should house values increase. This would be paid into an affordable housing fund and would be used to support a range of options as set out in the affordable housing policy

**Equality/Diversity implications**

Yes

No

(see paragraph 3.0 below)

**Considered by Monitoring Officer:**

The Monitoring Officer is satisfied that the recommendations of this report are in accordance with appropriate legislation and policy framework

**Staffing/ICT/Property:**

**NO**

**Wards Affected:**

**East Ward/All**

**Scrutiny Interest:**

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**TRACKING/PROCESS**

**DIRECTOR:**

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
Scrutiny Commission	Executive	Committee	Council

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## **1.0 BACKGROUND**

- 1.1 Planning Application 48384 was approved on 28 November 2007 for the mixed-use redevelopment of the Rock Triangle area, comprising a mixed use development of shopping, financial and professional services, food and drink uses within the A1, A2, A3, A4 and A5 use classes; residential uses within Class C3 comprising 397 apartments; assembly and leisure uses within the D1 and D2 use classes; nightclub use; multi-storey and other car parking; new streets, highways and other means of circulation and other associated works and facilities.
- 1.2 As part of the residential element, the applicant (Thornfield) was required to provide affordable housing under Policy H4/1 of the Bury Unitary Development Plan. The Policy, supported by Development Control Policy Guidance Note 5 (Affordable Housing – DCPGN5), sets a target of 25% of housing to be affordable in large residential development schemes.
- 1.3 In negotiations with Thornfield, evidence was provided to show the considerable development costs associated with the development, including land acquisition costs, relocation of businesses/church, creation of a new road and baseline construction costs. These costs and factors were assessed independently by consultants and the evidence presented was confirmed as being realistic at the time. Subsequently, the affordable housing requirement of 25% was reduced to 15% along with an overage agreement, whereby additional monies would be contributed to affordable housing if the values of the residential properties increased over time.

## **2.0 PROPOSALS**

- 2.1 This planning permission is currently being implemented but there have been significant changes in the development industry since the scheme was originally approved (i.e. the credit crunch). Like most developers across the country (and indeed much of the world), the credit crunch has resulted in significant additional construction costs, including finance costs. This is closely linked to the continued fall in residential values, particularly in the apartment market.
- 2.2 As a result, Thornfield have sought to re-negotiate some of the terms of the s106 agreement. In relation to affordable housing, they have provided updated information and evidence on rising costs and falling values. The figures presented indicate that the residential element of the scheme is likely to make a significant loss if values remain as they are at today's market. Thornfield have, therefore, argued that they are unable to make any contribution towards affordable housing within the development. Sale values would have to increase by over 80% before Thornfield would be able to secure the industry acceptable profit .
- 2.3 The updated figures have been independently assessed and as the new construction cost figures were based on actual contracted construction costs, they were considered to be fixed. The values of the units were considered to be realistic, particularly in the current residential market.

- 2.4 When considering an appropriate level of affordable housing on development schemes, DCPGN5 does allow 'the particular costs associated with a development' to be taken into account. The figures that have been submitted and independently assessed show that there are significant costs associated with bringing forward this development, including major acquisition, infrastructure, ground works and baseline construction costs. These all have to be balanced against the costs of providing affordable housing and it is considered that the projected deficit if affordable housing remains to be provided is insupportable. It should be noted that the proposed overage clause to be built into the revised obligation would allow for some contribution for affordable housing should values rise over the build period.
- 2.5 DCPGN5 also considers 'whether the provision of affordable housing would prejudice the realisation of other planning objectives that need to be given priority in the development of the site'. Clearly the development is a major investment into the Borough and will help to promote Planning and Council regeneration priorities in re-inventing the Town Centre. To enforce affordable housing policy on the developer could jeopardise this priority, particularly given the current economic climate and the viability figures that have been submitted and tested.
- 2.6 The DCPGN5 therefore provides the flexibility to allow for a removal of the policy requirements in exceptional circumstances (e.g. after taking account of costs and regeneration priorities). The proposal is therefore considered acceptable against the local planning policy.
- 2.7 At the national level, Planning Policy Statement 3 (PPS3) provides the basis for local affordable housing policies. It states that local planning policies should take full account of the viability of developments when negotiating affordable housing and take account of the risks to delivery of schemes. Given the risks associated with this development (in the current economic climate) and the considerable viability issues associated with the residential element of the scheme, the proposals are also considered to be in line with national planning guidance.

### **3.0 EQUALITY & DIVERSITY**

- 3.1 The Equality and Diversity Officer (Crispian Logue) has considered the report and has concluded that the recommendations would not change any policy or working practices relating to adopted policy. There are no diversity or equality implications.

### **4.0 CONCLUSION**

- 4.1 It is recommended that the proposed revisions to the s106 that accompanied the planning approval be accepted (i.e. to accept a nil provision rather than the original 15% secured). The s106 would still have an overage clause within it to potentially get some contribution towards affordable housing should house values increase.

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**List of Background Papers:-**

Planning Application ref: 48384

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