

Appendix 1

Guidance for developers and viability testers on LBTH preferred rents.

The LB of Tower Hamlets has published new guidance on its preferred mix of affordable housing tenures and rent levels as the Affordability Commission found that there was a shortage of new homes being developed which were truly affordable for low and medium income households. This new direction on rents is referred to in the adopted Housing Strategy 2017-2021 and is now inserted into the draft Local Plan. It reflects the recent statement on rent levels in the GLA's funding guidance and the Mayor of London's 2016 draft Affordable Housing and Viability SPG.

The London Borough of Tower Hamlets still requires an overall rent to intermediate mix of 70/30 (by habitable room). Intermediate tenures can be either be the established Shared Ownership (SO) product, or, particularly where high values make SO sales difficult, Intermediate Rent (IR, which can be up to 80% of local market rent) or the GLA's new intermediate product, called the London Living Rent (LLR). LLR properties are first let at specific area-related rents (see table below) for up to 5 year tenancies and then the occupier is meant to have saved a deposit to buy the home or another home. After 15 years these properties can be sold as SO.

In the rented tenure LBTH wishes to see a 50/50 split between two products: London Affordable Rent (LAR) and TH Living Rent (THLR). Values for LAR are close to the old Social Target rents and are not inclusive of service charges. THLR rents are inclusive rents, set at borough-wide levels, to represent an expenditure of one third of median local household incomes, currently established for 2017-18 as £31,645 p.a.

The 50/50 split should be applied as closely as possible to all sizes of rented units and the different rents should be contained within the same cores as each other. The different rents may be preferred to be located in separate cores due to variable service charging, but wherever possible this should be avoided.

Figures for rents for 2017-18

2017-18 Borough wide figs.	1 bed	2 bed	3 bed	4 bed
London Affordable Rent (exc.)	144.26	152.73	161.22	169.70
TH Living Rent (inc.)	202.85	223.14	243.42	263.71

Intermediate product for 2017-18

2017-18 figures for [-----] ward, E[---]	1 bed	2 bed	3 bed	4 bed
London Living Rent (exc.)				

Framework Affordable Rents for 2017-18

2017-18 figures for [--] postcode	1 bed	2 bed	3 bed	4 bed
Affordable Rent (inc.)				

Viability of the new preferred mix

The introduction of a large number of units at lower rents may affect scheme viability. Applicants should show what this base viability can sustain in terms of affordable unit numbers, but should also test a number of options as follows:

1. Base scheme with 30% SO, 35%LAR, 35%THLR.
 - 1a. Any desired variations to the above, using alternative 30% intermediate products (LLR or IR).
2. 30% SO plus a mid-point position for the two rents i.e. between 50/50 LAR/THLR or an alternative mix which is likely to be between 1% LAR and 70% LAR matched with 1% THLR to 70% THLR (The precise mix will depend on numbers of units available).
4. 30% SO plus 70% THLR. This is the other end of the viability spectrum, but will show the numbers of affordable units possible if the maximum rents are charged.
5. For comparison purposes only, viability figures should be shown using the TH old Framework Affordable Rents. These vary for each postcode in the borough and are available from the Affordable Housing Team (if not supplied in tables above).

Status of this guidance

This guidance is an emerging position which is based on Lead Member discussions and is awaiting Cabinet approval which we anticipate to be in June 2017.

Glossary

London Affordable Rent levels have been published for 2017-18 and are the equivalent of what was previously called Social Target Rents. Figures are in the table above. These are exclusive of service charges.

Tower Hamlets Living Rents (TH LR) is a rented product. THLR rents are inclusive of service charges, set at borough-wide levels, to represent an expenditure of one third of the median local incomes, currently established for 2017-18 as £31,645

Intermediate – Shared Ownership (SO), intermediate Rent (IR) – up to 80% market rent or London Living Rent (LLR) below.

The GLA 's **London Living Rent (LLR)**. LLR is an Intermediate product, which anticipates that tenants will use their sub-market rent level to save towards the purchase of this or another equivalent property on a shared ownership basis. Rent levels have been published for each ward in London, based on data for average

local incomes, the principle being to charge a rent at the level of a third of average gross household income Table showing LLR by ward is listed below.

Affordable Rent Level for GLA's London Living Rent 2017-18

Weekly

Ward	GLA's London Living Rent			
	1 bed	2 bed	3 bed	4 bed
St Katharine's and Wapping	£267.66	£297.40	£327.14	£356.88
Spitalfields and Banglatown	£267.66	£297.40	£327.14	£356.88
Whitechapel	£261.83	£290.92	£320.01	£349.10
Limehouse	£253.59	£281.77	£309.95	£338.12
Weavers	£251.85	£279.84	£307.82	£335.80
Canary Wharf	£244.24	£271.38	£298.52	£325.66
Blackwall and Cubitt Town	£231.63	£257.37	£283.10	£308.84
St Peter's	£220.52	£245.02	£269.52	£294.02
Bow West	£217.98	£242.20	£266.42	£290.64
Island Gardens	£214.05	£237.83	£261.61	£285.39
Bethnal Green	£213.42	£237.13	£260.85	£284.56
Bow East	£202.77	£225.30	£247.83	£270.37
Shadwell	£202.77	£225.30	£247.83	£270.37
St Dunstan's	£202.77	£225.30	£247.83	£270.36
Stepney Green	£199.23	£221.36	£243.50	£265.63
Mile End	£197.70	£219.67	£241.64	£263.61
Bromley South	£195.17	£216.86	£238.54	£260.23
Bromley North	£191.11	£212.35	£233.58	£254.82
Lansbury	£183.42	£203.80	£224.18	£244.56
Poplar	£178.44	£198.27	£218.09	£237.92
Average	£219.89	£244.32	£268.76	£295.63