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## **Executive Members for City Strategy and Advisory Panel**

**14 January 2008**

Report of the Director of City Strategy

### **Petition on Affordable Housing**

#### **Summary**

1. The purpose of this report is to consider the petition received on affordable housing. In responding it refers to two recent reports to the Executive regarding the Affordable Housing Policy Review and the Council's response to the Secretary of States Proposed Changes to the Regional Spatial Strategy (RSS), both of which address the issues raised in this petition. The report acknowledges the increased housing needs facing the city and the need to maximise the role of the planning system in dealing with these issues whilst also acknowledging that solutions outside of planning will also need to be found to address growing affordable housing need in the city.

#### **Background**

2. The Council has received a petition signed by 666 signatories stating the following:

“We the undersigned are extremely concerned at the lack of affordable family housing in York. We call on the Council to act urgently and decisively to seek and increase in the overall number of new affordable homes and to seek a higher housing allocation to bring housing sites forward.”
3. This paper sets out the Council's proposed response to this petition drawing on the information and recommendations in two reports considered by the Council's Executive on 18<sup>th</sup> December 2007. The first was a Review Report on Affordable Housing requested by the four leaders following the Council elections in May 2007. The second was the Council's Response to the Secretary of State's Proposed Changes to the Regional Spatial Strategy (RSS).
4. The Review Report on Affordable Housing looked at the availability of affordable and social housing in the city and the effectiveness of the 50% affordable housing planning policy. The report on the Council's Response to the RSS Proposed Changes dealt with issues around the number and type of housing, including affordable, needed in the city. This City Strategy EMAP report draws out the key conclusions from these studies in responding to the petition outlined above.

## **Options**

5. Members have two options in relation to this report:

Option 1: To accept the recommendations in this report that: the most appropriate mechanism to explore affordable housing planning policy issues in the City is through the Local Development Framework process; that the Council continues to explore opportunities outside the planning system to maximise affordable housing provision. To note the Council's response to the RSS Proposed Changes accepting a higher housing allocation for the city.

Option 2: Not to accept the recommendation and ask officers to progress work to review planning policy on affordable independently of the LDF process.

6. The later option would encounter issues of 'soundness' should we seek to implement new planning policies independent of the LDF process. Our recommendation is therefore that we continue to implement the planning policies on affordable housing as set out in the City of York Draft Local Plan which was adopted for development control purposes in April 2005. The Affordable Housing Advice Note will continue to provide guidance to land-owners, developers and house builders on the implementation of this policy. The Strategic Housing Market Assessment was adopted by the Planning Committee in September 2007 and will continue to be used for determining our response to planning applications received so that we can maximise the number and right type of homes needed in the city.

## **Analysis**

### **The Strategic Housing Market Assessment**

7. The City Council undertook a comprehensive assessment of market demand and housing need in 2006, with the final report submitted and approved by the Local Development Framework Working Group in May 2007. The Strategic Housing Market Assessment (SHMA) provides an essential part of the evidence base of the City's Housing Strategy and Local Development Framework (LDF). It enables a greater understanding of the dynamics of the housing market, housing need and aspiration, to be identified and the mix and types of homes required. The outcomes of the SHMA 2007, which were reported to and approved by Planning Committee in September 2007, are now being used for development control purposes in order to agree the most appropriate housing tenure, size and type on individual sites and also to influence housing and planning policy for the future.
8. Among the many findings, it concluded that the level of housing need in York is higher than almost any other area in the North of England (with house prices 28% above the regional average), that the most severe price increases have occurred for the less expensive 'starter home' house types (up by 242% since 1997), and that the typical house prices to earnings ratio in the city is extremely high at 8:1<sup>1</sup>. The 2002 Housing Needs Study (2002) concluded an annual affordable need for 950 homes per annum in York over 5 years based

on the government (CLG) definition which states that households should not have to spend more than 25% of income on housing. The 2007 SHMA concludes that this need has increased to 1,218 homes per annum between 2007 and 2012 (using the same CLG definition). This clearly reveals an increasing affordable housing issue facing the city.

9. The petition calls on the Council to seek a higher housing allocation and to seek an increase in the overall number of new affordable homes. It expressed concern at the lack of affordable family housing in York. These are addressed below.

### **A higher Housing Allocation.**

10. In the report to the Executive on 18<sup>th</sup> December, which sets out a proposed response to the RSS Proposed Changes, the issue of housing numbers was considered. The report acknowledged that since draft RSS was published in December 2005 revised household projections were published (2006), which showed significant projected growth in the number of households nationally and in York (765 new households per year), reflecting a growing population, smaller households and people living longer. A new set of national household projections was published in 2007. These predicted even higher levels of household growth nationally and for York (1055 new households per year) with the significant increase reflecting much higher inward migration being assumed, both nationally and in York.
11. The annual housing requirement for York in the Draft RSS (2005) was to build **640** new homes per year to 2016 then **620** per year to 2021. The Secretary of State's Proposed Changes to draft RSS would require York to provide **850** new homes per year from 2008 to 2026.
12. The Executive report referred to the 2007 York Strategic Housing Market Assessment (SHMA) which concluded that, to achieve a balanced housing market in York, **982** new dwellings (market plus affordable) would be required per year. The Report noted that the fact that demand/need exceeds the RSS target is not necessarily a compelling argument for changing that target, and that many other factors have to be borne in mind, including infrastructure constraints and the need to protect the special character and setting of the city. The SHMA acknowledged that these factors would need to be taken into account in coming up with an appropriate annual requirement for new housing.
13. The Executive report recognised the pressing housing needs in the city and a need to better align housing and economic growth and recommended the acceptance of the 850 new homes per year requirement set out in the RSS Proposed Changes, subject to two important caveats. These were some allowance for future brownfield windfalls being taken into account (to minimise the need to un-necessarily release further greenfield sites) and the need for greater regional and national support for infrastructure, particularly transport, to support the 'step change' in new homes that will have to be provided.

14. The Council has therefore responded to the pressing housing demand and need issues facing the city by agreeing to the increased housing requirement set out in the RSS Proposed Changes.

### **Maximising the number of affordable homes**

15. Maximising the number of affordable homes will need solutions both within and outside of planning policy. Solutions within the role of planning are addressed first.

### ***Solutions using the planning system***

16. Government guidance is to seek to maximise affordable housing opportunities through the planning system. In April 2005 Members approved an increase in the Local Plan affordable housing target from 25% to 50%, and a lowering of the urban threshold at which the policy applies from 25 to 15 dwellings. This followed an analysis of what might be achieved through lowering thresholds and increasing affordable targets, and in acknowledgement of rapidly increasing house prices and a growing mismatch in the city between those increases and local incomes.
17. Through the Local Development Framework and work on its Core Strategy we are reviewing the effectiveness of the current affordable housing policy and asking a number of key questions:
  - Should we continue with the Local Plan approach, which seeks 50% affordable housing or should we consider a figure closer to the RSS target of “at least 40%” ?
  - Should we continue with the Local Plan approach, which only seeks affordable housing on sites greater than 15 dwellings/0.3 hectares in the main urban areas or should we lower the threshold below 15 dwellings/0.3 hectares so that more sites would be subject to the policy?
18. The findings of the city-wide consultation, carried out jointly with the review of the Community Strategy through the Festival of Ideas 2, will be reported back to Members of the LDF working Group in the new year.
19. The Review Report on Affordable Housing considered by the Executive on 18<sup>th</sup> December looked at the effectiveness of the current 50% policy in some detail. It highlighted the increasing success of the 50% policy but sought endorsement for the view that the most appropriate forum to understand, discuss and revise affordable housing policy in the city is through the LDF programme, and in particular through the preparation of the Core Strategy.
20. The best way to maximise affordable housing opportunities through the planning system is to retain a higher target (i.e. 50%). If sometimes, through detailed and assessed viability appraisals revealing unexpected costs of remediation, there will in fact be justifiable reasons for not meeting the 50% target, then reasonable levels can be agreed accordingly. The lowering of urban site thresholds to below 15 dwellings/0.3 hectares will also create significant

opportunities to maximise affordable housing provision as will the use of Social Housing Grant to 'top up' levels where viability issues would deliver less than 50%.

21. All these issues will be considered thoroughly through the LDF process in determining the best way to maximise affordable housing opportunities through the planning system.

### ***Solutions outside the planning system***

22. With an overall likely RSS housing target for York to meet both market demand and affordable housing need (850 dwellings per year) and a 50% affordable housing policy which, critically, only applies to sites over a certain size threshold, at best we could deliver circa 300 additional affordable homes through the planning system each year. The affordable housing requirement is for 1218 affordable homes per year in York to tackle both newly arising and current housing needs. This illustrates that the solution to the affordable housing problem cannot come from the planning system alone
23. It is also clear that increasing the supply of homes will not have any appreciable difference on house prices, nor will it tackle the 8:1 average house price to income ratio average for York. York is in a high demand area, partly as a result of its proximity to Leeds and largely because it is an attractive place to live. New build each year represents less than 1% of York's total housing stock, and so will not dramatically affect the wider house price crisis.
24. It is therefore essential that the Council ensure that other initiatives are pursued to make the most effective use of the existing affordable and private sector housing stock in the city. The key initiatives, as set out in the Review Report on Affordable Housing to the Executive, include:
  - Ensuring the Council makes best use of opportunities to nominate tenants and purchasers to housing association homes.
  - Re-modelling of existing council and housing association homes to meet current need and aspiration (either through demolition or refurbishment) where these are unpopular or do not meet decent homes standards. This work is particularly important in light of the number of family homes that have been sold under the right to buy and the disproportionate number of flats / bedsits in the CYC housing stock.
  - Establishing partnerships and joint protocols with our partner housing providers to help meet our statutory duties to homeless households.
  - Working with the private sector using our licensing and enforcement powers to improve the standard of housing in the rented sector.
  - Working with both owner occupiers and Council tenants to ensure that changing needs due to a disability or caring responsibilities can be accommodated and met without the need to move to a new home.
  - Reviewing our grants policy for owner-occupiers and encouraging the take up of Home Appreciation Loans to fund necessary repairs and improvements.

- Working with property owners to bring back empty properties into use and utilise our empty property grant to ensure that financial assistance enables properties to be let and managed by a housing association.
- Researching the level of under occupation of council homes and looking at incentives and assistance to encourage tenants to move to a different property. This includes supporting a bid for funding through the Golden Triangle Partnership.
- Support the work of the Golden Triangle Partnership in delivering a low cost home ownership scheme – Homebuy Plus - across the York, Harrogate and North Leeds districts. In the past year the scheme has enabled over 20 households, who otherwise could not access the housing market in York, to purchase a home on the open market.

### **Meeting Affordable Family Housing Needs**

25. The 2007 SHMA concludes that there is both a backlog and a projected need for all types of housing in York, with a net annual need of 366 affordable homes for households with children, 836 for households without children, and 16 per annum for older persons<sup>1</sup>.
26. The SHMA uses the Balancing Housing Markets model, to consider the extent to which supply and demand are balanced across tenure and property size. There is evident demand for both houses and flats, and for all sizes from 1 bedroom to 4 bedroom and larger. It confirms a particular demand for 2 and 3 bedroom houses.
27. Most of the net requirement for social rented housing is for 2 bedroom homes, although the results also suggest a shortage of 3 and 4 bedroom houses. There is only a modest shortage of one bedroom social rented homes – reflecting the relatively high supply of such properties in this sector.
28. The Housing Market Assessment will be used as a key part of the LDF evidence base in determining the appropriate mix and type of housing (both market and affordable) that we will be seeking in the city. It was also adopted by Planning Committee in September for development control purposes and is being used to seek a better mix of homes on all new sites coming forward to ensure that we can help to meet the need for family homes in the city.
29. The significant number of the affordable homes being delivered on the two large sites at Germany Beck and Derwenthorpe will also be predominantly family homes helping to address the shortage of such units in the city.

### **Conclusions**

30. The three key issues raised in the petition were: increasing overall housing allocation for the city; increasing affordable housing numbers; and addressing the lack of affordable family housing in York.

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<sup>1</sup> SHMA, Fordham Research, June 2007, Chapter 14

31. This report has highlighted how the Council is seeking to address these issues through:
- Accepting a higher housing allocation in the RSS – up from 640 to 850 new homes per year
  - applying the current 50% affordable housing policy and reviewing through the Local Development Framework its effectiveness, including considering whether lowering site thresholds is a realistic way of helping to achieve more affordable housing
  - using the detailed findings of the York Strategic Housing Market Assessment to seek a better mix of homes in new developments to address need for more family housing (market and affordable) in the city.

### **Consultation**

32. The review of Draft RSS and the Secretary of State's Proposed Changes was subject to comprehensive consultation firstly through the Regional Assembly and then through the Government Office at the Proposed Changes stage. The Council's response to these Proposed Changes was considered by the Council's Executive on 18<sup>th</sup> December 2007. The work on the Local Development Framework Core Strategy has been subject to considerable consultation, most recently through the Festival of Ideas 2 consultation in the summer, which has considered our approach to addressing housing demand and affordable housing needs in the city in some detail. The findings of the consultation, which will inform our review of affordable housing policy will be reported back to Members through the LDF Working Group, early in the new year.

### **Corporate Priorities**

33. The Council's response to the issues raised in this affordable housing petition have been framed with the following Corporate Priorities in mind:
- Improve the economic prosperity of the people of York with a focus on minimising income differentials.
  - Improve the quality and availability of decent, affordable homes in the city.

### **Implications**

34. Implications are as listed below:
- **Financial** None
  - **Human Resources (HR)** None
  - **Equalities** None
  - **Legal** None
  - **Crime and Disorder** None
  - **Information Technology (IT)** None

- **Property** None
- **Other** None

### **Risk Management**

35. In compliance with the Council's risk management strategy, there are no significant risks associated with the recommendations of this report.

### **Recommendations**

That the Advisory Panel advise the Executive Member to:

1. Note that the Council's response the RSS Proposed Changes addresses the request in this petition for a higher housing allocation for the city.
2. Note that through its 50% affordable housing policy and the use of the York Strategic Housing Market Assessment the Council is seeking to maximise the number and right type of affordable homes (including family homes) needed in the city.
3. Agree that the most appropriate mechanism to explore any potential review of affordable housing planning policy issues in the City is through the Local Development Framework process;
4. Note that the Council continues to explore opportunities outside the planning system to maximise affordable housing provision.

Reason: to provide a suitable response to the affordable housing petition received.

### **Contact Details**

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**Report Approved**

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**Date** 21<sup>st</sup> December 2007

**Specialist Implications Officer(s)** None

**All**

**Wards Affected:** All

**For further information please contact the author of the report**

### **Background Papers:**

1. City of York Council Response to the Secretary of State on the Proposed Changes to the Regional Spatial Strategy, Executive, 18<sup>th</sup> December 2007.
2. Affordable Housing Review Report, Executive, 18<sup>th</sup> December 2007.

**Annexes:** None