

Joint report of the Directors of City Strategy and Housing and Adult Social Services

Affordable Housing Initiatives

Summary

1. The purpose of this report is to request that the Council's Executive endorses the current review of affordable housing policy in York through the Local Development Framework (LDF), and notes the affordable housing initiatives that are being prioritised by Housing & Adult Social Services (HASS) following discussions with house builders and other housing stakeholders in York during 2008.

Background

2. In 2007 the Leaders as part of their cross-party Policy Prospectus requested that a review of affordable housing policy be carried out. The findings of that review were reported to the Executive on 18th December 2007. The Executive concluded that the LDF is the most appropriate mechanism to review the Council's Affordable Housing Policy. To inform that process, and to explore other ways beyond planning, they recommended:

"That Officers be requested to arrange meetings at a senior level with developers, Housing Associations, professional agencies, commercial property companies and other relevant stakeholders, including Central Government, to consider how the City can provide more affordable housing for rent, for shared ownership, to buy and also to explore other methods of delivery social and family housing".

3. Our approach to securing affordable housing in the city was further considered, at City Strategy Executive Member Advisory Panel on 14th January 2008, in response to a petition. The Advisory Panel endorsed the view that the most appropriate method to review affordable housing provision in the city is through the LDF process but requested that cross-party dialogue be entered into with developers on the issue. As a result of these recommendations:

- a round table session involving the 4 political leaders of the Council, together with local house builders, planning consultants and housing associations was held in February 2008;
 - individual meetings with house builders and planning consultants operating in York were held during the Summer of 2008;
 - in November 2008, a half day seminar/ workshop with over 40 key housing stakeholders was held to investigate new ways of maximising affordable housing, to further understand current concerns and to rehearse different options to address the challenges.
4. The outcome of these meetings will inform the drafting of the LDF Core Strategy Preferred Options affordable housing policy along with those responses received to the Core Strategy Issues and Options Report. This will be considered by the Council' LDF Working Group in February 2009. These meetings will also inform the Council's wider approach to meeting affordable housing provision in the city. Both of these issues are considered in the remainder of this report.
 5. The Council currently seeks to meet affordable housing need both directly, through its role as a social housing landlord of over 8,000 homes, and also in an 'enabling' role through policies and initiatives that ensure additional affordable homes are provided by other means. The use of planning policy is especially important in this respect; providing new affordable homes through securing on-site provision, as well as some off-site or financial contributions, through negotiations on individual planning applications. Other initiatives include bringing empty properties back into use, supporting 'homes over shops' and providing discounted land to enable Housing Associations to develop 100% affordable housing schemes with the support of Housing Corporation grant funding.
 6. The Homes and Communities Agency was launched in December 2008, taking over responsibility for housing and regeneration from the Housing Corporation and English Partnerships respectively. The new Agency is very aware of the impact of the 'credit crunch' on the ability to deliver both market and affordable housing. It is starting a 'single conversation' with local authorities and their partners (including Housing Associations) in order to identify local issues and come up with local solutions (rather than just relying on national policy products). There is an opportunity through this 'single conversation' to highlight the key affordable housing issues facing the city, share the outcomes of the affordable housing workshop and seek their support for tailored solutions to some of the key actions that have emerged from the wider review of affordable housing in the city.

Planning Policy

7. The City Council's planning policy on affordable housing has provided a clear and consistent policy framework for the city which has, to date, secured around 1,500 new affordable homes for local families, couples and single people in the last 10 years. It has been cited by the Government Office for Yorkshire & The Humber as an exemplar of good practice. A 25% target

policy was set in 1998 through the City of York Local Plan and, following a district-wide assessment of housing need in 2005, which concluded that the need for affordable homes in the city was growing, this was increased to 50%.

8. With land and house prices booming in York up until a year or two ago, land owners have been agreeable to selling on land to developers and house builders have been keen to build in the city. Affordable housing has been built in line with national, regional and local planning policy - with some reductions in site targets where unidentified abnormal costs have been identified and demonstrated through a detailed financial appraisal of site costs and revenues.
9. The recent national downturn in the housing market and wider credit crunch, however, has resulted in a major scaling back of short-term activity in the country as house builders have become more financially exposed. In York, as in other towns and cities, they are looking to the medium to long-term, waiting for the market to recover.
10. This downturn has led to a slowing down in housing applications coming forward and, in some cases, construction on sites has stopped. Since over 80% of new affordable housing in York is currently secured as part of private developments, this has inevitably led to a slowing up of affordable housing coming forward.
11. The need for affordable homes has not diminished under the current market conditions. Indeed, prior to the credit crunch, when the housing market was at its peak, the annual additional need for affordable housing was 1,218 – hence the decision of the Council to increase the target for affordable housing to 50% on qualifying developments.
12. It is clear that in the short to medium term we are unlikely to be in a position to build sufficient new homes to meet affordable housing needs. It is therefore as important to look at ways of making the best use of existing affordable housing in York and also at how we can support people to continue living in their current homes thereby reducing the number of households who, in difficult economic and social circumstances, might otherwise be at risk of homelessness.

Consultation

13. In order to consider the implications for the city, particularly at this unique time, council officers continue to monitor permissions and completions, and are currently reviewing housing policy through the LDF programme. The 2007 Strategic Housing Market Assessment provides an up-to-date evidence base, together with quarterly housing monitoring returns and the Council's Housing Waiting List.

14. In addition, and in order to assist Officers with their research and to help understand the needs of other partners involved in providing affordable housing, a number of new initiatives have taken place during the last year:
- a round table session involving the 4 political leaders of the Council, together with local house builders, planning consultants and housing associations was held in February 2008;
 - individual meetings with house builders and planning consultants operating in York were held during the Summer of 2008;
 - in November 2008, a half day seminar/ workshop with over 40 key housing stakeholders was held to investigate new ways of maximising affordable housing, to further understand current concerns and to rehearse different options to address the challenges.

Summary of meetings with house builders and planning consultants

15. A series of eight meetings with a range of developers and planning consultants were held in June 2008. The meetings were extremely useful and resulted in a range of opinions being expressed about the housing market in York generally (especially in relation to the downturn) and, more specifically, about the Council's 50% affordable housing policy.
16. There was no uniformity of views from developers and consultants on the 50% policy target. The larger house builders were generally of the view that the requirement to provide affordable housing was here to stay and that, so long as the policy was applied consistently, it is something they can work with irrespective of the actual percentage target. Their major concern was that landowners and land agents still have unrealistic expectations for land value and/or do not fully understand the impact of affordable housing provision on land values. There was also a view that agents were advising landowners to 'sit tight' and wait for the Council's policy to change.
17. The larger developers, in particular, were supportive of a sliding scale approach to affordable housing being introduced with a much lower starting threshold than the current 15 homes. Their rationale is that as the major house builders on larger sites they contribute a disproportionate amount of affordable housing when any smaller developers who build from 1-14 homes are not expected to make any contribution to meeting affordable housing needs. Perhaps unsurprisingly, this was not a view shared by the smaller house builders who argued that the larger developments benefit from economies of scale. There was, however acknowledgement that smaller sites could have contributed some affordable housing.
18. A summary of the developer/ planning consultant meetings is included as Annex 2 to this report. The key themes and messages coming from these

meetings will inform the Preferred Options of the Local Development Framework that are being taken forward for public consultation early in 2009.

Summary of Affordable Housing/ Credit Crunch Workshop

19. An independent consultant group *Icarus* facilitated the workshop event, with the key objectives being to understand affordable housing need in York, share experiences about the impact of the credit crunch on the availability of affordable housing in the city, and explore ideas for addressing affordable housing need within the current economic context. Summary conclusions from the event are set out in paragraphs 26 and 32-34 below, with the full report by *Icarus* set out in Annex 1 to this report (this is a 58 page document; copies are available to view in the Members library, and an electronic link will be sent). A copy of the report has been sent to all those who attended the event, along with a letter thanking them for their contributions. In addition, a summary of notes taken during the individual meetings with developers is included in Annex 2, with names excluded for confidentiality.
20. Attendees at the event, held at the Merchant Taylor's Hall in York on 10th November 2008, included planning consultants and house builders operating in York, representatives from Government Office, the Housing Corporation, the Chartered Institute of Housing, Registered Social Landlords, together with City Council Members and Officers (a full list is included in the final report in Annex 1 to this report). The workshop was organised by the facilitators *Icarus* into 7 groups, with one facilitator for each table.
21. The role of the facilitator was to help the discussion process and ensure that the participants could contribute and have their views recorded, through:
 - Keeping the group to time, task and pace,
 - Helping everyone to have their say and to participate, ensuring that no-one is dominating,
 - Encouraging people to say what they think and also genuinely listen to what others have to say, whilst not inputting their opinion.
22. The morning was split into two sessions, (1) to examine the impact of the credit crunch on affordable housing from the perspective of four stakeholder groups – City of York Council, customers in need of affordable housing, providers of affordable housing and developers. Each of the groups examined these perspectives in terms of both positive and negative impacts, and (2) to identify possible responses or solutions to the situation and identify how this will help, who should be involved and lead, and identify resource implications.
23. In the first session a lengthy number of positive and negative impacts for each of the four stakeholder groups were identified, covering a broad range of elements. These include opportunities for considering fresh approaches, an improved willingness to work together, new housing being built that better reflects need and on a negative respect, reduced provision of all housing including affordable housing, lack of finance from banks for all stakeholders and an increase in housing waiting lists and homelessness.

24. In the second session participants generated individual ideas about solutions for addressing affordable housing issues within the current climate. The thoughts were then grouped into several themes, with each theme being discussed in more detail and specific solutions noted. Participants were then invited to give an indication of their level of support for each solution.
25. The five themes identified were
- Planning Policy
 - Supply of stock/land
 - Tenure types
 - Finance for individuals and organisations
 - Types of housing
26. Each theme was then developed further with specific solutions being discussed and noted. Annex 1 (the full Icarus report) illustrates the specific solutions identified, how it would help, who should lead and the level of support participants gave them. The table below illustrates the solutions for each theme, which received most support, those that could work with adjustments, and those which received least support.

Theme	Most Support	Could work with adjustments	Least Support
Planning Policy	Review current S106 Obligations and Review Current Policy - Review S106 where preventing sites coming forward - Change housing targets/policy - look at 50% figure -Clarification of policy	Review policy on types of housing provided - Type of houses provided - Flexibility - Re-negotiate current S106	Review of Current Policy - Reduce Affordable Housing percentage back to 25%
Supply of Stock/Land	Regeneration of existing stock -Asset management audit - Identification of need - Feasibility options - Deliver agreed option	Supply of New Stock - more flexible public subsidy	Make Land Available - LA to give land away or cheap sales
Tenure Types	Incremental purchase -Rent to buy/incremental purchase	Buying off the shelf - right location, price and a decent standard	Intermediate rent - Range would help to be able to deliver in different circumstances
Finance for		Mortgage access	Mortgage access

Individuals and Organisations	Under Occupation -making better use of properties	- Better access for individuals, Developers, RSL's - Shares equity/tenure diversification Rent – buy - Incremental home ownership	- Better access for individuals, Developers, RSL's - Shares equity/tenure diversification Rent – buy - Incremental home ownership
Types of Housing	Under Occupation - build new homes according to need Build new homes according to need	Starter Homes - Discounted for sale £60,000 house	Lower Value Land - Build in areas with lower land values

Current Position

Planning Policy - *Developing the LDF Policy*

27. As part of the LDF consultation Officers are engaging with developers and other interested groups and individuals in order to progress the Core Strategy. This will set the strategic approach to housing in York for the next 20 years, including affordable housing and rural exception sites. When adopted it will become the statutory development plan for York. Wide ranging continuous consultation is embedded into this process and all of the comments from the workshop and developer meetings have been fed into the development of the Preferred Options Affordable Housing Policy. Key considerations from these include the % target, whether a sliding scale could be applied, proposed thresholds, when a financial contribution might be appropriate, along with site viability issues. A proposed approach will be presented to the LDF Working Group in early 2009 before being reported to the Executive and, with approval, subject to public consultation.
28. The policy development is firmly based on evidence (Strategic Housing Market Assessment, Housing Waiting List, Annual Monitoring Report), and will be tested by a Viability Assessment in order to ensure that any thresholds and targets set are financially viable for developers in accordance with guidance set out in PPS3.
29. Recent correspondence with The Planning Inspectorate, as well as pronouncements of the Yorkshire and Humber Assembly, warn against short-term reactions and policy making in the current economic climate. They have said that affordability studies should be based on normal market conditions and only if the unusual market conditions persist for any length of time should the overall “normal market” target be reviewed.
30. The existing CYC affordable policy is flexible in that 50% is set as a maximum target. Applications supported by viability appraisals, which demonstrate where the maximum target cannot be achieved, are granted

consent with a lower (less than 50%) provision, through site appraisal and negotiation with officers. A clause is added to the S106 legal agreement, which states that site viability appraisals will be reviewed where there is a long delay between approval and construction.

31. In order to assist development coming forward on approved sites, officers meet with developers and Housing Associations representatives, with the aim being to establish whether layouts, house types and tenures could be amended to help bring schemes forward in the current climate. A key issue is to ensure that any such changes do not compromise the council's strong support to create genuinely mixed, pepper-potted and inclusive communities. It would be a retrograde step, for example, if a short term fix to the current housing market difficulties saw all the affordable housing being built in one area only of a new development. In addition, where lower levels are agreed, the City Council in partnership with the site developer and Registered Social Landlord will approach the Housing Corporation in order to apply for Housing Grant. This can then be used to increase the affordable housing provision on site.

Other Housing Initiatives

32. Some of the key ideas for action that had the most support in the affordable housing workshop included:
- Reducing the under-occupation of existing social housing
 - Boosting the private rented sector to take up some of the demand for affordable housing
 - Regeneration of existing social housing stock
 - Providing better and more timely advice on housing choices for customers including mortgage rescue
 - Enabling flexible tenure schemes such as rent to mortgage
33. These were only some of the ideas, but they give a very good flavour of the breadth of thinking and range of positive actions which we can and must focus on. We have already made a positive start on several of these themes:
- A mortgage rescue scheme will be launched in early January 2009 with the Golden Triangle Partnership (GTP). Unlike the national mortgage rescue scheme that the government is launching (which will only help 6 households in York) the GTP scheme has a menu of options that can be tailored to a particular households' circumstances, including a planned sale where this is the only feasible way forward. The Golden Triangle Partnership was established in 2003 to promote affordable housing solutions and good practice in the high housing demand areas of North and West Yorkshire. The Partnership includes the council's of York, Harrogate and Leeds together with representatives from Housing Associations, the Government Office and the Homes and Communities Agency.
 - York's first 'downsizing' scheme has been launched and is over-subscribed. Tangle Trees is a development of 6 two bedroom apartments built by Yorkshire Housing at Fifth

Avenue. All of the apartments will be let in February 2009 to households who were previously living in family houses – mostly 3 and 4 bedroomed. These will then be freed up for letting to homeless families.

- A Housing Revenue Account Asset Management Plan is being developed in 2009. This is the first stage in taking forward ideas for maximising the use of the council housing stock by potentially remodelling housing in the city where it is no longer meeting priority needs or is inefficient because of its design or age.
- With an increasing focus on homeless prevention officers have implemented the first phase of a housing options service. This will be developed more comprehensively but, at the moment, the service combines early advice and intervention with customers with signposting to access new opportunities in the private rented sector.

34. The actions above are being taken forward as part of existing service plans in HASS. In 2009 officers will also be releasing a new housing strategy and set of key outcomes and action plans. In line with new government guidance it is likely that the next housing strategy will consist of a local action plan with most of the contextual information and higher-level strategic aims being set through the emerging North Yorkshire Housing Strategy and Leeds City Region Housing Strategy. This will result in the York strategy being very much focused on local outcomes and on the actions needed to deliver these. The ideas coming from the affordable housing workshop will form an integral part of the new housing strategy. Officers are also looking in more detail at how best to take forward those ideas that will strike the right balance between short term response to the current market and long term strategic planning in order to improve affordable housing options in York beyond the current downturn.

Corporate Priorities

35. The current review of affordable housing accords with the following corporate priorities to:
- Improve the quality and availability of decent affordable homes in the city; and
 - Improve the health and lifestyle of the people who live in York, in particular among groups whose levels of health are the poorest

Implications

36. The following implications have been assessed:

Financial – The cost of reviewing affordable housing policy through the LDF programme will be met through current budgets provided for the LDF. Costs associated with new initiatives to deliver affordable

housing, optimising the use of existing stock and providing services such as mortgage rescue will be considered at the time each proposal is worked up. Funding is contained either within existing budgets or bid through the Regional Housing Board or Golden Triangle Partnership in partnership with Housing Associations.

Human Resources (HR) – None

Equalities – None

Legal – None

Crime and Disorder – None

Information Technology (IT) – None

Property -. The City Council's land portfolio, as with private landowners in York, may be affected by any proposed change to affordable housing policy.

Other – None

Risk Management

37. The Executive have identified that the impact of the current economic downturn presents substantial internal and external risks affecting both the council and the community. The development of the preferred options policy and ongoing discussions with local developers with regard to affordable housing should contribute to effectively controlling and minimising this risk in terms of delivering affordable housing to help meet the needs of the community

Recommendations

38. That the Executive:

1. Notes the outcomes of the Developer Meetings and the Affordable Housing Workshop.
2. Supports officers in using the comments received in the Developer Meetings and the Affordable Housing Workshop, along with comments received to the Issues and Options Stage of the Core Strategy, to inform the Preferred Options Policy to be taken forward as agreed by Executive in December 2007 through the LDF.
3. Notes the affordable housing initiatives that are currently being prioritised by HASS following the discussions with house builders and from the affordable housing workshop, as well as new initiatives which

will develop alongside the new Housing Strategy, to be published in 2009.

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Report
Approved

Date

Wards Affected: All Wards

For further information please contact the author of the report

Annexes:

Annex 1: Affordable Housing and the Credit Crunch in the City of York – challenges and opportunities. A workshop facilitated by Icarus, 7th November 2008. Copies in Members library, and available on the Council's website.

Annex 2: Summary of developer/ planning consultant meetings, June 2008.

Background papers

- Strategic Housing Market Assessment 2007
- CYC Homelessness Strategy 2008-2013