

Report of the Director of City Strategy

## **AFFORDABLE HOUSING POLICY REVIEW**

### **Summary**

1. This paper reviews the current position on affordable housing policy in York and, specifically:-
  - sets out the housing market assessment and strategic context for housing policy in the Yorkshire & Humberside region and City of York local authority area;
  - looks at housing need, market demand and future growth in York;
  - reviews wider housing initiatives in York to increase affordable housing supply including maximising the use of existing social housing stock;
  - tracks the effectiveness of the 50% affordable housing policy target, approved by this Council in 2005;
  - considers recent and emerging applications for housing in York ;
  - looks at the performance of other authorities with similar characteristics of high house prices and low household incomes;
  - discusses the role of the private developer in York;
  - considers the role of the Council and other public sector bodies as landowners in helping to address affordable housing needs;
  - set out what types of affordable housing need to be built in York;
  - highlights the current statutory LDF programme and identifies it as the most appropriate vehicle properly consider and then, if necessary, progress any revisions to affordable housing policy;

### **Background**

2. The Policy Prospectus agreed by the four leaders following the May 2007 elections identified the following for the review of affordable housing:

*“The Review Report will look at the availability of affordable and social housing and the effectiveness of the 50% affordability planning rule.”*

3. This report seeks to address these issues. The Leaders Group approved it on the 23<sup>rd</sup> November 2007 to be presented to the Executive for further consideration.

## Consultation

4. The Council's 50% affordable housing policy was approved in April 2005 following extensive public consultation through the City of York Local Plan. It has also been through consultation as apart of the CYC Affordable Housing Advice Note July 2005.

## Options

5. Options are really restricted to setting an affordable housing target on private sites in the city of 40% or above. This is the *minimum* target which has been set through the Draft Regional Spatial Strategy (RSS) for Yorkshire and the Humber, 2005.

## Analysis

### Housing Market Assessment and Strategic Context

6. The City Council undertook a comprehensive assessment of market demand and housing need in 2006, with the final report submitted and approved by Members of the Local Development Framework Working Group in May 2007. 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>.
7. The Local Government White Paper 2006 '*Strong and prosperous communities*' sets out a role for local government to take up an enhanced role as place shaper and leader of communities. Having a clear vision for the kind of housing that is appropriate for an area, and how it might be delivered, is an important component of a sustainable community strategy
8. Place shaping starts with creating a vision for how a place should look and feel, including creating attractive places and good quality affordable housing, in all tenures, that attract investment and workers for a vibrant economy. It is also about offering people opportunities and choices over where they live, creating high quality homes, enhancing peoples life chances, making positive impacts on health and well being, connections to skills, jobs and employment and an improved environment.
9. In July 2007 the Government published the Housing Green Paper '*Homes for the future – more affordable, more sustainable*'. The green paper sets out current government policy to increase the supply of housing, to provide well designed and greener homes supported by appropriate infrastructure and to provide more affordable homes to buy or rent. There has already been a 12%

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<sup>1</sup> Strategic Housing Market Assessment (SHMA), Fordham Research June 2007, as part of City of York LDF Evidence Base

increase in the national affordable housing budget with a focus on delivery over the next 3 years. The Government has also announced access to £300 million through the Community Infrastructure Fund available for New Growth Points and Eco Towns and, for the first time, this included areas in the North. It is targeted at Councils able to support significant increases in housing and jobs in their areas, and York, through the Leeds City Region, has included York Northwest as a New Growth Point, which could deliver up to 4,300 new homes.

10. The Council, as strategic housing authority, has identified the need to “Improve the Quality and Availability of decent, affordable homes in the City” as one of its ten priorities for the next four years in its recently refreshed Corporate Strategy. An Improvement and Innovation Plan that is being led by the Head of Housing back this up.
11. In considering the Council's affordable housing policies, this wider strategic responsibility must be borne in mind. We have statutory duties to house homeless households (over 200 in the last year) and a supply of new affordable housing is a vital component in enabling us to do so. If the supply of new affordable housing is reduced then more homeless households will need to be housed in the council's existing stock and that of our housing association partners. This in turn risks residualising that stock and working against maintaining sustainable, mixed income communities.

#### The current LDF programme and Regional Spatial Strategy

12. The Strategic Housing Market Assessment 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.
13. The current 50% affordable housing policy for the city is set out in the Development Control Local Plan (2005) and a policy will be set out in the LDF Core Strategy, which will replace the Local Plan. This is currently at the Issues and Options stage. It should be adopted by 2009. This, together with the Regional Spatial Strategy (RSS), will form the statutory Development Plan for York.
14. As part of the joint Festival of Ideas 2, to inform the review of the Community Strategy and the LDF Core Strategy, public consultation took place between September and October this year. We included questions around our approach to affordable housing and the citywide questionnaire, which generated over 2300 responses, had a specific question about whether we should use a 50% affordable housing policy. The Core Strategy Issues and Options 2 document asked similar questions. Consultation feedback is now

being collated and will be analysed and reported back to the LDF Working Group early in the new year to inform the preferred approach we should take. The Executive will then need to consider the approach recommended. The comprehensive consultation included groups such as the Home Builders Federation, house builders and developers.

15. The LDF process is therefore the most appropriate forum to understand, discuss and revise affordable housing policy in the city. The information in this Affordable Housing Review Report will therefore be fed into that LDF process. The LDF will need to be in general conformity with the RSS when adopted.
16. The Draft RSS (2005) identified a requirement that local authorities should seek “over 40%” affordable housing in “areas of high need”. All the North Yorkshire authorities and York are identified as in areas of high need. The RSS Proposed Changes (2007) say that these are indicative and that the figures will need to be revised in the light of emerging Strategic Housing Market Assessments. York’s SHMA (2007) concludes that the Council’s 50% policy is supportable. Given the draft RSS policy and the findings of the SHMA, the debate in York should be around whether 40%, 50% or a figure in between is appropriate. It should not be around whether a lesser percentage is appropriate.

#### Housing need, market demand and future growth

17. Under the previous North Yorkshire Structure Plan and York Local Plan York was required to build 670 homes per year. This was less than the projected household growth at the time (700 new households per year) and reflected a policy of relative restraint given York's sensitive historic environment and Green Belt setting. In the draft Regional Spatial Strategy (2005) this requirement was reduced to 640 up to 2016 and to 620 from 2016 to 2021 - again to reflect environmental constraints. Since then, 2003-based household projections were published (2006), which showed significant projected growth in the number of households nationally, and in York (765 new households per year), due to a growing population, smaller households and people living longer.
18. The Panel who held the public examination into the draft RSS published their report in May 2007. They recommended that York accommodate 640 new homes per year from 2004-2011 and 850 per annum from 2011 to 2021. The Panel also concluded that, using the 2003-based household projections and projecting the last five years economic growth forward (Economic Scenario B), the housing requirement for York *could* be 984 dwellings per annum.
19. The Panel recommended an annual requirement for York at a mid-point between the figure in draft RSS (640 per annum) and the Scenario B 2003 based household projections (984 pa) - that is 850 dwellings per annum - in recognition that there could be difficulties in delivering the higher level figure whilst still safeguarding the historic character of York and its environmental constraints. They recommended that this requirement (for 850 dwellings per

year) start in 2008 rather than 2011. The more recent 2004-based household projections (2007) show significantly higher levels of household growth nationally and for York (1055 new households per year).

20. The 2007 Strategic Housing Market Assessment concludes that, to achieve a balanced housing market in York, 982 new dwellings would be required per annum. The fact that demand/need exceeds the RSS target is not necessarily a compelling argument for changing that target. Many other factors have to be borne in mind, including infrastructure constraints and the need to protect the character and setting of the city.

#### Other key issues regarding the numbers

21. Household projections and the 'balanced housing market' figures are past trends carried forward and therefore represent an unconstrained demand and 'policy off' position. Strategic policy decisions through the RSS can lead to us being required to deliver more or less than this – taking local opportunities and constraints into account. The RSS housing numbers are not yet finalised. An appropriate level of housing needs to be set for York that meets the policy objectives of supporting the economy, and contributing to meeting market and affordable housing needs, but at a level which protects the character and setting of York. This is not just a matter of how much additional greenfield land will be required: it requires us to assess the capacity of York to accommodate additional growth in traffic and the likely effect on congestion.
22. The most recent information on potential housing land supply to inform the LDF process concludes that a significant element of the housing requirement to 2029 can be accommodated on recent major brownfield sites, greenfield sites with planning permission, together with an element of future windfalls. However, the Government Office in their October 30<sup>th</sup> response to our Core Strategy Issues and Options 2 consultation are saying that 2029 is not sufficiently long term for the York Green Belt given that other aspects of the LDF need to run to 2026 (to reflect the extended RSS timescales) and that the boundary should be sufficiently flexible to accommodate the possibility of increased housing numbers that might result from a possible further, partial RSS review to deliver the Government's new national housing target. The amount of additional greenfield land that may be needed therefore cannot be predicted with any certainty at this stage.
23. Another significant challenge will be achieving the necessary transport investment and infrastructure to support these higher levels of growth. Without that investment these higher levels of growth are not sustainable, given the existing congestion problems on significant parts of the highway network and projected future traffic growth. York signing up to higher levels of growth, including being part of the Leeds City Region New Growth Points bid, therefore needs to be heavily caveated with a requirement for significant additional transport investment being forthcoming.

### Solutions also needed outside the planning system

24. 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. Over the past four years we have averaged 211 permissions so to achieve even the 300 homes figure is a considerable challenge. Nevertheless, it is through planning gain that the overwhelming majority of additional affordable homes are now delivered – an average of 79% over the past four years – so we need to maximise our opportunities whilst taking viability and developer profit considerations properly into account.
25. The affordable housing requirement using the CLG methodology 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
26. 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. High demand areas typically see significant levels of in-migration, as well as demand created by households moving within their area. It is also worth noting that 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.

### Wider housing initiatives to increase affordable housing supply

27. The Council's affordable housing policy provides the single most important source of additional affordable housing. However, we have to acknowledge that, although it is vital we maximise the number of new affordable homes, they can only ever meet a small percentage of the housing need in the city. 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.
28. Priorities we are pursuing 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. Recent examples include Bramham Road shops and flats, Viking Road shops, the three Discus bungalow sites and converting bedsits to flats at sheltered housing schemes. 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.

#### Effectiveness of the 50% affordable housing target in York

29. The 2002-07 district-wide Housing Needs Study (2002) concluded an annual affordable need for 950 homes per annum in York over 5 years. This need, using the same CLG methodology, has increased to 1,218 homes per annum between 2007 and 2012. 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 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. By then York had been through 9 years with a 25% affordable housing provision.
30. There was a substantial increase in new housing applications of between 15 and 24 dwellings submitted (outside the site size requirement for affordable housing), just prior to the Committee approval of the Council's new affordable housing target and thresholds in April 2005 (more than double the average yearly rate<sup>2</sup>). This was expected and clearly sought to take full advantage of

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<sup>2</sup> CYC Annual Housing Monitoring

the then 25% local plan policy. These applications have taken time to progress through to detailed reserved matters and completion. Some of the outline applications have yet to proceed from outline to full planning application (there is a 3 year period allowed in which to progress).

31. Just as happened when the 25% policy was introduced in 1996, a period of transition has been evident in York during the last 2 years as house builders and their consultants take time to persuade landowners that they must be prepared to lower their land value expectations in order to be able to sell their land with the benefit of planning permission. Land banking, as landowners hold onto their land with the hope that it will increase in value at some point in the future, is a very real threat but there is good reason to believe that this threat will gradually disappear. The issue of land banking is not unique to York and a recent national study commissioned by the Royal Town Planning Institute revealed land banking to be a significant national problem in delivering the government's housing agenda and is something that the government recognises will need to be addressed.
32. 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, and reasonable levels will be agreed accordingly. These are generally on the more complex city centre or brownfield sites where there are often high costs of decontamination and servicing which cannot always be fully identified and quantified in site acquisitions. Decisions may also need to be taken to choose between actively pursuing the regeneration of run-down areas and accepting lower affordable housing offers, or waiting on grant assistance and developers with lower expected returns and higher affordable offers.
31. There are an increasing number of sites emerging, which will realise affordable housing percentages of between 40 and 50% within the next year. There are also an increasing number of smaller applications in the city, which have already achieved 50% affordable housing or just under.
33. Table 1, below, shows the overall picture in terms of planning permissions and affordable housing percentages. It can be seen that there has been no strangulation of permissions coming forward since 2005 (they have increased in fact), and affordable numbers and percentages are increasing.
34. It is important to note that many sites do not qualify for an element of affordable housing because they are below the site size thresholds at which affordable housing provision can be required (there are also different size thresholds for rural and urban areas). This follows national policy, but will be reviewed through the current LDF (Core Strategy) programme. Recent national guidance (PPS3, November 2006) is now saying that, whilst the national indicative minimum site size threshold is 15 dwellings, local planning authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. The statement goes on to say that this could include



setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area<sup>3</sup>.

TABLE 1

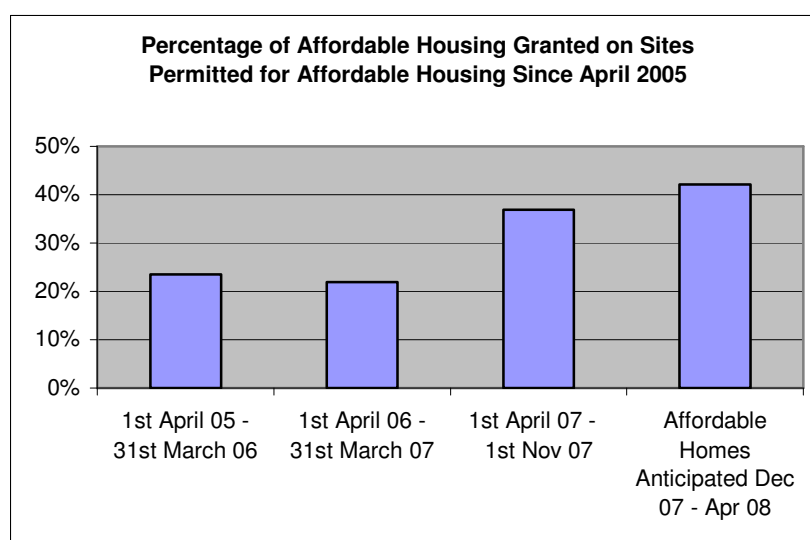
	No. of homes granted pp (Gross)	No. of homes on qualifying sites	Potential Affordable Housing Provision	Potential Affordable Housing Provision as a % on qualifying sites (1)	Actual Affordable Housing Provision	Actual Affordable Housing Provision as a % on qualifying sites
01/04/05 – 31/03/06	1,255	898	519	57.80%	211	23.50%
01/04/06 – 31/03/07	1,359	1,086	577	53.10%	238	21.90%
01/04/07 – 01/11/07	1,698	1,398	724	51.80%	516	36.90%
<b>Totals</b>	<b>4,312</b>	<b>3,382</b>	<b>1,820</b>		<b>965 (2)</b>	

**Notes**

(1) Potential affordable percentages are given as higher than 50% overall because there are some RSL-owned sites, which achieve 100% affordable housing.

(2) If all sites within village locations that have gained permission since April 2005 had maximized their potential for affordable housing (2 homes rather than 1), 46 additional affordable homes could have been provided over the same timescale.

35. The bar graph below illustrates the general trend upwards in affordable percentages since approval of the policy in 2005. As expected there has been an initial downturn followed by a marked increase to 42% overall. The figures pre 2005 are not as reliably comprehensive but, since the policy at that time was 25%, they will be under 25%. On introduction of the policy in 1996 there was a period of understanding and transition before schemes achieved 25% as standard.



36. Table 2, below, shows planning applications, which are due to be included as commitments (i.e. either approved at Planning Committee and awaiting legal

<sup>3</sup> Planning Policy Statement 3 (PPS3): Housing, CLG, November 2006. Paragraph 30

confirmation through a signed Section 106 Agreement, or about to go to Planning Committee).

TABLE 2

Site Address	Total no. of homes imminent	Affordable homes anticipated Dec 07-April 08	Percentage of Affordable Homes
Ouse Acres, Boroughbridge Road	80	30	37.50%
Poppleton Gate House (net)	6	3	50.00%
Discus Bungalows	98	49	50.00%
Terrys Factory Site Bishopthorpe Road	225	90	40.00%
<b>Total</b>	<b>409</b>	<b>172</b>	<b>42.05%</b>

37. Table 3, below, gives more detail to recent and imminent submissions/permissions since approval of the 50% target. It illustrates the increasing success of the target and also, crucially, the willingness of the Council to lower provision down from 50% where viability assessments demonstrate very clearly and accountably that 50% cannot reasonably be achieved.

TABLE 3

Site	Total homes	Affordable no.	% Affordable	Comments
31 Lea Way	14	7	50%	No viability argument put forward by developer.
Fox and Hounds, Copmanthorpe	8	4	50%	No viability argument put forward by developer.
Terrys	225?	90?	40%?	Decision not yet made on scheme, but 40% agreed following detailed assessment of site viability.
Gladstone, Elvington	3	1	33% (50%)	Application not yet been to Planning Committee. Agreement equivalent to 50% as this fully complies with policy (1 from 3).
Ouse Acres	80	30	37.5%	37.5% agreed following detailed assessment of site

				viability and CYC acceptance of some abnormal costs.
Heworth Croft	12	6	50%	No developer challenge on grounds of viability.
Primrose Farm, Knapton	5	2	40% (50%)	Equivalent to 50% as this fully complies with policy (2 out of 5).
Calf Close, Haxby	11	3	27%	27% agreed following detailed assessment of site viability and understanding of site acquisition before policy change from 25 to 50%.

38. The two major greenfield housing permissions, Germany Beck and Metcalfe Lane, agreed 35% and 40% affordable housing respectively following Inquiry Inspector intervention last year. The Inspector requested that site viability assessments be updated after the City Council had approved the schemes with 25% affordable housing in accordance with policy at the time of approval (i.e. pre April 2005).

39. Regional Government Office has seen York's affordable housing policy as an exemplar and has, in recent years, been encouraging neighbouring authorities to follow York by increasing their own affordable targets.

#### Recent emerging applications achieving 40-50% affordable housing

40. Recent schemes, for example Ouse Acres (80 homes approved at October Planning Committee) and Terrys (220 homes due to go to Planning Committee soon) are, after detailed negotiation and analysis of viability statements, agreeing affordable housing levels of around 40%. This still allows for a reasonable developer profit, reflecting the uplift in value that planning permission brings – balanced together with, respectively, recognized costs of remediation and, in the case of Terrys, specific additional costs to support Science City development on the site in line with the wider planning objectives of the planning brief and vision for the site. Emerging schemes, such as Nestle South, are heading for similar levels of affordable housing provision – and may even get even closer to 50% with the addition of Social Housing Grant (SHG).

41. In March 2005 Joseph Rowntree Foundation published the findings of a research project undertaken by Cambridge and Sheffield Universities entitled '*Land and finance for affordable housing: The complementary roles of Social Housing Grant and the provision of affordable housing through the planning system*'. The research showed that over 80% of housing sites coming forward

in England between 2000 and 2003 were reliant on SHG to bring them forward. York, however, is one of the few authorities that have delivered affordable homes, through Section 106 Agreements, without public subsidy.

42. Officers are now actively pursuing the use of Social Housing Grant with the Housing Corporation in order to get levels up to 50%, where viability assessments conclude that the target cannot be reached through S106 contributions alone. Interestingly, the Housing Corporation has used York's policy of achieving affordable housing without the need for public subsidy as a benchmark for their work with other local authorities. It is now Housing Corporation policy only to support the use of Social Housing Grant on planning gain sites where it can be demonstrated this brings additional benefits in terms extra homes or higher standards. Because of York's successful track record in delivering homes without grant, we are in an excellent position to demonstrate the 'additionality' that the use of grant can bring to schemes.

#### The experience of other local authorities

43. Over the past few years virtually all local authorities have increased their planning gain affordable housing targets. Sub-regional targets include Ryedale 35%, Craven and East Riding 40%, and Selby and Hambleton 40-50% depending on the location. Scarborough Council Members visited York in 2006 to discuss York's policy and have since approved a sliding scale of targets specific to locations. These range from a Scarborough target of 25% on up to 9 dwellings and 40% over 9 dwellings. In Whitby and Filey 40% on any development over 5 homes and in villages 50% on any development of 2 or more homes.
44. In Harrogate a 50% policy target was approved following an Inquiry into the Local Plan. Interestingly, the Planning Inspector backed the 50% policy target, and commented that the it "accords with government guidance and reasonably seeks to maximise affordable housing opportunities. Through the effective introduction of a target for affordable housing the Council has planned appropriately."<sup>4</sup> The Inspector wholly endorsed the argument that they were likely to capture more affordable housing at a 50% target, through site negotiation, than if they had set a lower figure, and it was therefore in accordance with Government stated objectives to "maximize opportunities for providing affordable housing." The 50% target is now very well established and is generally being met, although generally on small sites and with SHG, largely due to Harrogate's overriding moratorium on major new house building.
45. Further afield, in London, the Mayor's strategic housing plan has a 50% affordable housing target for all London Boroughs. Elsewhere there are now very few local authorities in high demand areas with affordable housing targets below 40% and many have 50% targets, including the examples below.

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<sup>4</sup> Harrogate Local Plan Inspector's Report, 2004, para 4.18

### Oxford City Council

46. There are obvious comparisons to York in terms of historic city/green belt issues, but also in terms of local plan status as they implemented the policy in an unadopted local plan. Oxford increased their policy from 30% to 50% policy in the first and second drafts of the Local Plan in 2002/03. The Local Plan Inspector's report indicated that the 50% target should apply to all sites creating 10 dwellings or more. In the following years the average percentages achieved through S106 has steadily increased from 29% in 2003/04 to 49% in 2005/06.
47. They report that the policy does not seem to be having an adverse impact on delivery of affordable housing. They have noticed developers appear to be turning to smaller schemes such as conversions and small-scale infill, although this is considered to be due to the limited amount of land available rather than the policy per se.

### Ealing Borough Council

48. They have a target of 50%, which was formally adopted in 2004. Permissions are now coming forward with an average provision of 44%.

### Harrow Borough Council

49. Introduced a 50% policy in 2004 and report that they started off slowly but have been picking up each year as the policy 'beds in'. In the past year there has been a significant increase in the number of affordable homes granted planning permission.

### Cotswold District Council

50. Introduced a 50% policy in 2006 and are already achieving between 40-50% on sites following viability appraisals. Most recently this included 50% affordable housing on a 48 home scheme with one of the major national house builders.
51. Although it is always useful to benchmark policies with other authorities – and certainly there are good practice lessons to be learnt – some caution is necessary as direct comparisons are often difficult due to the unique circumstances of individual areas and local authorities. There is, for example, wide variation on individual sites and priorities for regeneration or other community facilities, on the political support at planning committees and, not least, on the capacity and negotiation skills of officers.
52. Nor should we underestimate the role of York being at the forefront of good practice in this area. In 1998, for example, York was virtually alone in negotiating affordable housing on private developments without public subsidy and yet now this is taken as standard Housing Corporation policy.

53. Most of those authorities that have introduced a 50% target have done so at around the same time as York and so they are also in a transition stage as the policy beds down. This emphasises that the policy needs to be seen in the longer term before robust conclusions can be drawn regarding its success.

#### The role of the private developer

54. It is unreasonable to assume that developers will enter into high-risk projects without an appropriate return. However, York has shown itself to be a relatively low-risk, buoyant housing market. It is understood that some developers are only interested in building if they can make a 22% return, but 15% is considered to be reasonable in the city, and this is used as a benchmark figure in agreeing with applicants and developers residual land values as part of viability appraisals.

55. This Council is clear in its policy that the 50% is a target, not a rule. It is accepted that it cannot be achieved in every development. The Council hasn't refused schemes for not achieving 50%, and there have been no developer objections through appeal, which have challenged the policy stance of the Council. Our significant experience to date shows that an appropriate and reasonable level of affordable housing can be negotiated with reference to an open book and detailed assessment of site viability.

56. The development value of land is greatly increased through the receipt of planning permission (potentially adding £2.5M a hectare to existing use value of a few thousand pounds), and the landowner does nothing to create this increase in value. The increase derives from general economic and social advance of local authorities, and more directly to local authority facilities such as roads, drains and sewers. The developer 'adds value' by delivering what the city needs in terms of housing and this is taken into account by allowing for a reasonable developer profit within the detailed site viability assessment.

57. It is now established policy throughout the country to receive developer contributions, in the form of local affordable housing, play space and financial contributions to highways, transport and local school facilities<sup>5</sup>. These are advanced through Section 106 agreements between developers and local authorities.

58. In York we make it clear up front what our policy position is so that developers can negotiate a realistic land sale price with landowners. The likely costs of S106 contributions (including for affordable housing) are set out in supplementary planning guidance (such as the Affordable Housing Advice Note), and referred to in site Planning Briefs and Planning Statements – which are made available to land agents and planning consultants. Bids for land can, therefore, be made realistically and transparently. Reasonable developer returns need not be affected.

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<sup>5</sup> ODPM Planning Obligations Circular 05, 2005

## Role of the Local Authority as Landowner

59. The recent Government Green Paper on Housing puts increased emphasis and responsibility on local authorities releasing their land for affordable housing. Historically the Council has either 'gifted' or sold at a discount housing land for the development of affordable housing schemes in partnership with local housing associations. These have included schemes at Bismarck Street, Strensall Council Depot, Viking Road, Sixth Avenue, The Elms (Hull Road), Askham Richard, Boltby/Boothwood Road, Bramham Road, Horseman Avenue, Danebury Drive, several schemes in Foxwood, and flats above shops in the Shambles. Current schemes on site are:

- Fifth Avenue (11 homes under construction)
- Victoria Way (8 homes under construction)

The following sites are in the process of securing planning permission:

- Chapelfields Road (9)
- Dane Avenue (5)
- Morritt Close (6)

60. However, the majority of Council-owned land identified for residential development is put out to the open market, where the Council's 50% affordable housing policy (or previously the 25% policy) and site thresholds are applied.

## Other Public Sector landowners

61. The Housing Green Paper puts great emphasis on maximising the use of public sector land to deliver more affordable housing. It has identified the role of key agencies such as English Partnerships in identifying new opportunities. There is very little surplus public sector land in York identified on the national register. There are, however, significant public sector bodies in York such as the police, Primary Care Trust and the MoD. There is scope to explore how best to achieve affordable housing provision on suitable land in their ownership. This could include affordable 'key worker' type housing for their employees. The Universities in York will also play a key role in developing on and off-site accommodation for students, so releasing pressure on other sectors of the housing market in York, and the scope to support them in drawing in additional funding to achieve this could be explored.

## Types of affordable housing needed in York

62. Using CLG methodology, 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 homes for households with children, 836 for households without children, and 16 per annum for older persons<sup>6</sup>.

63. Using the Balancing Housing Markets model, which considers 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. There appears to be a particular demand for 2 and 3 bedroom houses.

64. 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.

65. The demand for flats in York is highest in the intermediate/ discounted sale sector (45% of total) and lowest in the social rented sector (28% of total, compared to 36% overall i.e. including open market homes).

### **Corporate Priorities**

66. This report addresses the Council's Corporate Strategy priority to improve the quality and availability of decent affordable homes in the city.

### **Implications**

#### **Financial**

67. There are financial implications to consider with regard to the sale of Council owned land and best consideration of that land.

#### **Human Resources**

68. There are no implications for human resources.

#### **Equalities**

69. There are no equalities implications.

#### **Legal**

70. There are no legal implications.

#### **Crime and Disorder**

71. There are no crime and disorder implications.

#### **Information Technology**

72. There are no IT implications.

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<sup>6</sup> SHMA, Fordham Research, June 2007, Chapter 14



### **Property**

73. There are property implications to consider in terms of Council-owned land.

### **Other**

74. There are no other implications.

### **Risk Management**

75. In compliance with the Council's risk management strategy. There are no risks associated with the recommendations of this report.

### **Recommendations**

Members are requested to :-

- (1) note the findings of this Affordable Housing Policy Review;
- (2) endorse the view that the most appropriate forum to understand, discuss and revise affordable housing policy in the city is through the LDF programme and, specifically, the preparation of the Core Strategy; and
- (3) approve that information contained in this Affordable Housing Review Report is fed into that LDF policy review process.

*Reason: to maximise opportunities for providing more affordable, decent homes in York.*

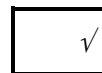
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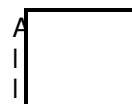
Paul Stamp  
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Specialist Implications Officer(s)

Wards Affected:



For further information please contact the author of the report

### Background Papers:

- 2007 Strategic Housing Market Assessment, June 2007