
Meeting of the Local Development Framework
Working Group

26th September 2006

Report of the Director of City Strategy

Draft Housing Market Assessment

Summary

1. The purpose of this report is to update members on the issues raised by the Draft Housing Market Assessment (HMA), carried out by Fordham Research in June 2006. A Housing Market Assessment is an essential part of the evidence base for the Local Development Framework (LDF), as identified in the Core Strategy Issues and Options Consultation document.
2. The HMA is currently in draft form, and will be replaced in Spring 2007 by an expanded document developed into policy recommendations through a stakeholder exercise. However, in its draft form it constitutes a robust and credible evidence base which can be used to inform the early stages of preparation of various LDF documents. Members are therefore requested to publish the draft document as part of the evidence base for the LDF, to be replaced by the full document in due course, which will be reported to members when completed.
3. The draft Housing Market Assessment also has implications for development control decisions on planning applications for housing developments. It enables a more robust assessment of the proposed mix and type of housing in accordance with development control local plan policy H3c.
4. Copies of the draft Housing Market Assessment are available in the member's library, and to view at the Guildhall and St Leonard's receptions and on the City of York Council website www.york.gov.uk.

Background

Policy

5. Planning Policy Guidance Note 3: Housing (March 2000) emphasises the role of Local Planning Authorities in creating sustainable communities through the provision of a mix of housing to meet local needs. This requires Local Planning Authorities to assess the need for affordable housing and the needs of specific groups, for example minority and ethnic groups, older people and gypsies and travellers.
6. The City of York Council Housing Needs Survey 2002, carried out by Fordham Research, was a technical assessment of need carried out in accordance with Office

of the Deputy Prime Minister (ODPM) practice guidance. It has been used as an evidence base to develop the Council's affordable housing policy through the Local Plan process and subsequently used to inform both planning policy and development control decisions.

7. In December 2005 the ODPM (now Department for Communities & Local Government - DCLG) published the draft version of PPS 3: Housing for consultation. This emerging guidance, in addition to the assessment of need, emphasises the importance of understanding and responding to the dynamics of the housing market. Both development plans and planning policies should be responsive to the need and demand for housing, so that decisions reflect differing local circumstances.
8. To facilitate this shift in policy the ODPM published a Housing Market Assessment Manual in December 2004 and Housing Market Assessment Draft Practice Guidance in December 2005. The documents provide a technical and practical basis for carrying out a housing market assessment.
9. The LDF Core Strategy Issues and Options (June 2006) establishes that a Housing Market Assessment will be undertaken and used to inform and direct the approach taken in the LDF to meet the objectives of developing mixed and balanced communities which meets the needs of all groups.
10. In June 2006 CYC published a Draft Housing Market Assessment, carried out by Fordham research, as part of the core documents used in the recent joint housing Inquiry. The draft HMA was carried out using the 2002 postal survey data (which is robust for 5 – 7 years), with updated 2006 information on prices, incomes and other relevant data.
11. The Draft Housing Market Assessment investigates the unconstrained demand for housing in York. It clarifies that wider policy objectives of the City of York Council such as the protection of the historic and natural environment have not been applied to demand figures.
12. Copies of the full report are available as specified in para 4 above, however the key findings are summarised as follows:

The socio-economic context

13. York has a slightly older population profile than either regionally or nationally. Mid-2003 population estimates suggest that approximately a fifth of households are of retirement age. Unemployment in York is lower than regional or national average – with a higher proportion of people employed in professional or managerial occupations than regionally. Workplace earnings are slightly higher than the region as a whole.

The current housing stock

14. Owner occupation levels are higher than the regional or national average, with a lower level of social rented stock. Household sizes in York are slightly smaller than the regional or national average, however dwelling sizes are largely similar. The

housing stock in York has grown rapidly between 1995 and 2004, with growth rates exceeding the regional and national average.

15. York has a lower proportion of dwellings in the lowest council tax band (A) than either regionally or nationally. York has low vacancy rates. The proportion of dwellings classed as second homes is in line with the regional average and lower than national average. Census data suggests that levels of overcrowding are below national averages.

The active housing market

16. Prices rose in York by 88.6% between 2000 and 2005, which whilst above the national average, is below the increase for Yorkshire and Humber as a whole (103%). The average property price in York in the 4th quarter 2005 was 92.7% of the national average.
17. In the 4th quarter 2005 over a third of sales were terraced houses and over 30% were semi-detached. On average minimum prices range from £102,000 to £208,000 depending on the size of the properties. Minimum rents ranged from £495 to £775 per month, depending on property size.

Housing Supply and Demand

18. The HMA looks at estimated likely future supply of housing from three distinct groups (household dissolution (death), existing households and out-migrant households). Each is estimated in terms of the tenure, size and type of accommodation released.
19. The same exercise is then carried out in terms of the demand for housing resulting from three groups (newly forming households, existing households and in-migrant households). By looking at what households would *like* in terms of tenure and house type, and what they *expect* to be able to acquire, tested against their income, it is possible to form a picture of the 'demand' from each type of household.
20. Approximately 59% of newly forming households, for example, would *like* to be able to purchase their own home, but only 31% *expect* to be able to do so. By assessing the incomes of these households it is possible to estimate that approximately 52% of newly forming households will be unable to access the private sector market without some form of assistance. The data also suggests that whilst approximately 32% of newly forming households would *like* to acquire a flat, more than 48% *expect* to move to a flat rather than a house.

Balancing Supply and Demand

21. By comparing the demand for housing from the three groups against the supply of housing released, the HMA estimates that there is an 'aspirational' demand of approximately 1,174 dwellings per annum (market and affordable). The HMA does not suggest that this is the level of housebuilding which should be achieved annually in York, but that this is the demand for market and affordable housing based on the response of the survey. The figure is a result of interpreting people's expectations

about market and non-market moves and needs to be considered in the context of other policy considerations (see paragraph 31, below).

22. The draft HMA also makes suggestions about the size, tenure and type of housing which will be required. Whilst it is important to recognise that these findings are a result of interpreting people's expectations, they provide valuable information about preferences for particular dwelling types and size.
23. In terms of tenure, it is clear that there are currently surpluses in all dwelling types and size in the private rented sector. This is backed up by the preferences shown by respondents, with only 16% of newly forming households specifying that they would *like* private rented accommodation, but more than 32% stating that they *expect* to move into it. For existing households the figures would be 4.2% and 16.1% respectively.
24. In reality, planning policy can only influence the mix and type of new houses built in two broad tenure categories (market and affordable), as it cannot control which properties then enter the private rented sector. By looking at supply and demand results, the HMA suggests the mix which is likely to be required to provide the sorts of accommodation demanded and shown to be in short supply.
25. Appendix 1 shows the results of the analysis for the market and affordable sectors, broken down into house type and dwelling size. This shows that the majority of the demand in both sectors is for houses (60% of affordable and over 70% of market demand). Whilst the predominant requirement in both sectors is for two bedroom properties, over 40% of the market demand and 25% of the affordable housing demand is for 3/4+ bedroom properties.

Affordable housing

26. Affordable housing is non-market housing, provided to those whose needs are not met by the market (Draft PPS3). In order to assess housing needs, the draft HMA used a 'basic needs assessment model'. This looks at the existing and arising demand for affordable units as well as the supply available to estimate the shortfall (or surplus) on an annual basis. The backlog of existing housing need together with projected need (gross need – supply) concludes a total affordable need of 727 households per annum over the next 5 years, which, in terms of tenure split can be broken down to an estimated 22% need for intermediate housing and 78% social rented.
27. Newly arising need is estimated by looking at household moves over the past three years to estimate newly arising need, existing households falling into need and in-migrant households in need. The estimated number of households per annum is 724 of which 47% could afford intermediate tenures and 53% social rent.
28. In order to estimate the amount of affordable housing which should be delivered annually, the newly arising need is added to 20% of the backlog. The figure for combined need is 869 units per annum broken down by tenure split into 60% social rented and 40% intermediate. The affordable housing issue cannot be addressed through planning policy alone.

Rural Issues

29. The evidence shows that rural areas generally have a higher percentage of owner occupation than urban areas. Property prices are generally also higher and dwellings are more likely to be detached or bungalows than is the case for urban areas. There is a limited supply of rural affordable housing and a general lack of smaller 'cheaper' market properties.
30. Rural areas also show higher levels of under-occupation, with approximately 45% of households having more than one spare bedroom (compared with the bedroom standard).

Policy Implications

31. The Draft HMA reports that wider planning objectives need to be considered and taken into account when interpreting the unconstrained demand figures into housing policy for the city. There will be clear implications with regard to environmental constraints, traffic flow and impact on natural and conservation designations. These factors will constrain the level of house building in York.

Options

32. The Council is in the process of forming an evidence base, which will inform the production of the Local Development Framework (LDF). An assessment of the local housing market, including both market and affordable requirements will form part of that evidence base, as set out in the Core Strategy. The Housing Market Assessment will inform policy development on a range of issues, including mix and type, affordability and the needs of particular groups. Policy options will be developed through a stakeholder exercise looking at the findings of the HMA and recommendations will be formalised through the LDF process.
33. The housing market assessment will be used to inform the LDF Core Strategy, the Development Control Development Plan Document (DPD) and the Allocations DPD, to facilitate better decision making as part of the development control process, to make it easier to negotiate Section 106 contributions, to provide essential evidence for use at appeals, and to influence the allocation of new residential uses.
34. The draft Housing Market Assessment has been carried out in accordance with the technical outputs set out in the ODPM practice manual. However, in order to develop the HMA fully in accordance with ODPM guidance, a stakeholder exercise will need to be undertaken. This will take the factual findings of the HMA and progress them, with the involvement of key stakeholders, to a series of policy recommendations which will be developed as part of the LDF.
35. This work is aligned with the LDF programme, and ODPM guidance on carrying out HMAs refers to this. It would seem reasonable therefore to identify and include stakeholders through the LDF Working Group. Further work also needs to be carried out to assess the needs of particular groups referred to in the Core Strategy (rural households, students, older persons, housing for those with disabilities and gypsies and travellers).

36. Officers are currently assessing tenders submissions for a 2006 Housing Market Assessment, which will be taken through a stakeholder exercise and aligned to the Statement of Community Involvement. The approximate timescale for the completion of this work is February/March 2007.
37. The draft HMA meets the technical requirements set out in the practice guidance in assessing demand and supply for market and affordable housing in York. As such the it provides a robust evidence base which can be used to inform recommendations for future housing policy. By publishing the draft report as part of the evidence base for the LDF it can be used to inform preparation of various DPD documents, as well as its use to support the existing local plan policy H3c.
38. Given the current position on the draft Housing Market Assessment, the Council is therefore faced with 2 options:
- Option 1: To consider the issues raised by the draft Housing Market Assessment 2006 and publish the document as part of the evidence base for the LDF; or
 - Option 2: To await the findings of a final HMA, which assess the needs of particular groups and develops policy recommendations through a stakeholder exercise.

Analysis

39. The following is a comparison of the options raised in paragraph 33, above.

Option 1: To consider the issues raised by the draft Housing Market Assessment 2006 and publish the document as part of the evidence base for the LDF.

40. This option would involve the consideration of the issues raised by the Housing Market Assessment to inform the progression of the LDF Core Strategy and development plan documents.

The advantages and disadvantages of this option are:

Advantages	Disadvantages
The development of the LDF would be informed by the most recent information regarding the York Housing Market.	The draft HMA does not contain specific information on the needs of particular groups and has not been developed into policy recommendations through a stakeholder exercise.
Development Control decisions on planning applications for housing developments could be made with consideration of housing market requirements.	
Increased transparency in the LDF Core Strategy.	

Option 2: To await the findings of a final HMA, which assess the needs of particular groups and develops policy recommendations through a stakeholder exercise.

41. This option would involve awaiting the outcome of the full Housing Market Assessment (currently at tender stage) before any evidence on the housing market can be fed into the LDF process.

The advantages and disadvantages of this option are:

Advantages	Disadvantages
The HMA would incorporate all the required components, such as the needs of particular groups and a stakeholder exercise.	Lack of transparency in emergence of LDF Core Strategy.
	Lack of an immediate robust evidence base to influence development control decisions on housing mix and type.

42. Officers consider that the findings of the draft HMA are based on a robust and credible evidence base, and that the assessment has been carried out in accordance with the technical outputs required by ODPM Guidance.
43. The draft HMA can be used as part of the evidence base for the LDF until such time as it is replaced by the full and updated HMA, likely to be in Spring 2007.

Corporate Priorities

44. The option outlined above accords with the following Corporate Strategy Priorities:
- Improve the health and lifestyles of the people who live in York, in particular among groups whose levels of health are the poorest
 - Improve the life chances of the most disadvantaged and disaffected children, young people and families in the city
 - Improve the quality and availability of decent affordable homes in the city

Implications

45. The following implications have been assessed:
- **Financial** - *The cost of the Housing Market Assessment has been incorporated into the budget for the LDF*
 - **Human Resources (HR)** - *None*
 - **Equalities** - *None*
 - **Legal** - *None*

- **Crime and Disorder** - *None*
- **Information Technology (IT)** - *None*
- **Property** - *None*
- **Other** – *None*

Risk Management

46. There are no known risks in this proposal.

Recommendations

47. Members are asked:

- 1) To note the issues considered in this report; and
- 2) To publish the 2006 draft Housing Market Assessment as part of the evidence base for the LDF, until such time as the updated HMA is finalised; and

Reason: To allow the findings of the HMA to be used to inform the development of the LDF Core Strategy, Development Control DPD and Allocations DPD.

- 3) To use of the findings of the HMA regarding the required mix and type of dwellings for development control purposes in the context of policy H3c.

Reason: To allow effective negotiations to deliver an appropriate mix and type of housing through the planning process.

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Report Approved



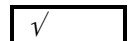
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Specialist Implications Officers – None

Wards Affected: *List wards or tick box to indicate all*

All



For further information please contact the author of the report

Background Papers: None

Annexes: None