

Report of the Cabinet Members for Health, Housing & Adult Social Services and Transport, Planning & Sustainability.

## **Get York Building – Year 1 Update**

### **Summary**

1. On 12<sup>th</sup> February 2013 Cabinet approved the recommendations in a report titled '*Get York Building – Economic Growth, A Case for Change*'. The report outlined the current state of the house building industry during a period of nationwide recession and highlighted the importance of stimulating house building to achieve the council's priority to create jobs and grow the economy.
2. The report considered the real and perceived barriers to house building and set out a series of proposals through which the council could play an important role in helping to support the conditions to stimulate residential housing development. In some cases that was to be through policy changes to provide a direct stimulus to the house-building industry. In others by capital investment in infrastructure to unlock stalled sites, close the gaps on viability and thereby facilitate an increase in the number of new homes of all tenures built in the city.
3. This report provides Members with a review of the package of measures and interventions made under the Get York Building agenda and considers the impact these have had on helping to stimulate house building and construction activity in the city. The report also proposes a series of further interventions and priorities for the coming year. Members are asked to note the contents of this report and consider the recommendations arising from it.
4. The first year outcomes of the Get York Building initiative have included;
  - a. Reducing affordable housing targets on developments of 15 or more homes on urban sites to 20% (brownfield) and 30% (greenfield).
  - b. Accepting financial contributions towards affordable housing in lieu of on-site provision on rural housing developments of 2-14 homes for a period of 18 months.

- c. Investing £1m to reduce overcrowding in existing council homes through a series of loft conversions.
  - d. Agreement to build 50-70 new council homes and release of £7m capital funding from the Housing Revenue Account.
  - e. Agreeing the principle of £10m infrastructure funding for York Central
  - f. A survey of house builders and architects/ agents who generally develop sites of 3-14 homes in order to better understand their views on the housing market, planning processes and any barriers to house building.
  - g. Reviewing affordable housing clauses in Section 106 agreements to make these shorter, simpler and less bureaucratic legal agreements.
  - h. Exploring opportunities for institutional investment to deliver new private rented sector homes.
  - i. Considering options for mortgage support to first time buyers.
  - j. Match funding a project to support conversion of under-used space above shops into following the agreement for 18 affordable flats to be created as part of the refurbishment of the former White Swan Hotel.
  - k. Securing over £760,000 of Homes and Communities Agency funding for new affordable homes.
5. The Get York Building workstream forms an important part of the wider economic growth ambitions of the council and of key Council Plan priorities including; 'Create jobs and grow the economy', 'Get York moving', 'Build strong communities' and 'Protect vulnerable people'.

## **Background**

6. The 12<sup>th</sup> February 2013 Cabinet Report '*Get York Building – Economic Growth, A Case for Change*' considered a first phase of actions to facilitate an increase in house building in the city including investment to unlock major residential development sites that had been stalled due to the downturn in the national economy and residential housing market.
7. The report highlighted the benefits that house building brings to the economy and emphasised the national challenges facing the industry. These included tighter restrictions on mortgage lending and an increase in deposits that together had virtually ended the first time buyer market for all but a few households. Additionally, the banks had placed tighter restrictions on their lending to smaller house builders in particular and there was a backdrop also of massive cuts in publicly funded regeneration and infrastructure projects.

8. In most respects, the challenges in York largely reflected these national ones and so the intention of the Get York Building programme has been to provide a number of local stimuli that will help to create the right conditions to encourage and enable house building against a very challenging national housing market backdrop.
9. Following the February 2013 report, Cabinet have received a further six reports throughout the year updating various elements of the Get York Building programme:
  - 1) *Growing the York Economy – Working with Leeds City Region Local Enterprise Partnership.* (7<sup>th</sup> May 2013)
  - 2) Council House Building – Update. (7<sup>th</sup> May 2013)
  - 3) Leeds City Region – Revolving Investment Fund. (16<sup>th</sup> July 2013)
  - 4) Economic Infrastructure Investment. (16<sup>th</sup> July 2013)
  - 5) Delivering Development Investment – Stimulating Development Delivery. (5<sup>th</sup> Nov 2103)
  - 6) Get York Building – Infrastructure Investment Plan for Growth. (3<sup>rd</sup> Dec 2013)
10. The focus and decisions of those meetings together with the other initiatives supported through the Get York Building initiative reflect the ambition of the council to develop and support a range of interventions that collectively stimulate development and through that, economic growth.

## **Review and update of Get York Building workstreams**

### **Infrastructure investment to unlock major developments**

11. Since the national economic downturn and credit crunch of 2007/8 council officers have continued to keep an open dialogue with developers in York in order to consider how approved but stalled sites may come forward without any significant lessening of overall planning aims in terms of mixed and balanced communities, sustainability and quality in design.
12. Officers have agreed changes of use (employment to residential), changes in types and size, layout and design of schemes as well as reductions in affordable housing numbers and Section 106 financial

contributions in response to approaches from developers concerning financial viability of schemes. These revisions to approved and comprehensively consulted developments illustrate the determination of the council to support the delivery of good quality new housing development in the city.

13. Part of the rationale behind GYB was not only to stimulate development where planning consent had been given, but also to facilitate significant movement in bringing forward some of the city's key strategic developments. The following gives an overview of the current position with regard to major strategic housing developments in the city.

#### Terry's

14. Following acquisition of the site by GHT Developments in 2006 the council worked with the owners to submit a high quality masterplan for a mixed development of residential and commercial uses including 271 new homes, live-work units, office accommodation a hotel, health centre and local retail. Planning consent was approved in February 2010 and demolition began in March 2012 at the same time as GHT announced their intention to sell all or part of the site. In April 2013 the whole site was bought by Henry Boot Developments and David Wilson Homes. Demolition work has been completed and council officers have worked with the developer team in order to consider revisions and a timetable for Phase 1 of the originally approved masterplan (residential on the northern part of the site). This has included a reduction in affordable housing to 20%.
15. The planning application for the first phase (85 new homes and a local convenience store) on the northern half of the site was approved by Planning Committee 19<sup>th</sup> December 2013. Work has started on site with the first homes expected to be marketed from spring 2014.

#### Nestle

16. A planning application was submitted for the development of a mixed use scheme including offices, live-work units, community facilities, retail, and housing on the former Nestlé factory site in September 2009. The planning application was approved by Planning Committee (subject to a legal agreement) in January 2010.
17. In response to significantly changed market conditions officers have worked with Nestlé to review the master plan and agree to the principle of a shift towards a greater degree of residential rather than commercial provision. Agents for Nestlé have remarketed the site and are now

working with developers and council regeneration officers in order to bring forward development in 2014.

### Hungate

18. Outline planning permission was granted in 2005 for a mixed use scheme including offices, 720 apartments/ townhouses, shops, a new bridge over the River Foss and a focal building to include community space. The first phase of 176 apartments and townhouses was completed in 2011, and the new bridge in 2012.
19. A full planning application was approved on 20 February for the second phase of residential development comprising 195 apartments. Viability work and affordable housing negotiations have progressed in parallel and agreement in principle has been reached for 31 apartments (16%) to be affordable. At the time of writing the planning application was scheduled to be considered at Planning Committee on 20<sup>th</sup> February.

### Germany Beck

20. Following outline approval of the scheme by the council in 2005 and Public Inquiry Planning Inspectorate approval in 2006, Persimmon Homes and Hogg the Builder submitted a reserved matters application for the development of Germany Beck in February 2012. Following widespread consultation on the revised masterplan this was approved at the Council's Planning Committee in April 2013. The reserved matters application includes details of appearance, landscaping, layout and scale of 655 dwellings and associated facilities and is expected to include 229 affordable homes.
21. In December 2013 the High Court turned down a renewed application by Fulford Parish Council for a judicial review of the council's decision to approve the reserved matters application to develop this site for housing. The council's Project Team have worked collaboratively with Persimmon and their design team over the past two years in order to agree a high quality housing scheme and these discussions are now continuing with the discharge of appropriate planning conditions.

### British Sugar and Former Manor School sites

22. The British Sugar Factory ceased operations in 2007 and the former Manor School closed in 2008. Since then the factory buildings have been demolished and the former school has been used by a community group under a temporary licence. Both sites are identified through the Council's Local Plan Preferred Options for housing development with the potential

to provide around 1,000 homes, public open space, a new neighbourhood centre and community hub facilities.

23. Due to the close proximity of the two sites, a single planning document has been prepared for the area - the *Former British Sugar/ Manor School Draft Supplementary Planning Document*. This provides the planning framework for the area which will be used in the determination of any planning applications being made including agreement on appropriate access.
24. The owners of the former British Sugar site, ABF, have engaged a consultant team to bring forward the redevelopment of the site. The Council's Regeneration Team has worked closely alongside ATLAS (an independent advisory service that helps local authorities deal with complex large scale housing-led projects and the site owner to produce spatial concept options for consultation.
25. Master-planning layout options for the site have progressed culminating in a public exhibition in November 2013. Responses to the options presented are now being considered prior to presentation back to a Community Forum in early 2014. The Community Forum includes representation from local residents and ward members from Acomb and Rural West. Following this, the proposals will be worked up into a Preferred Option and Planning Framework. Viability work is also ongoing and supporting studies for a site remediation strategy and traffic modelling are progressing. A planning submission is anticipated in spring 2014.
26. In recent months discussions have been ongoing with the owners of the British Sugar site to consider the wider links of the development and its association with the former Manor School site. A decision was approved at Cabinet on 7<sup>th</sup> January to sell the Manor School site to ABF to ensure a comprehensive approach to the whole area is undertaken. The Heads of Terms and contract are now in negotiation.

### York Central

27. York Central is located on the edge of the city centre, to the immediate rear of York Railway Station. The site of 35ha incorporates a range of existing uses including the National Railway Museum, a small amount of private housing and businesses (to be retained), and operational rail land owned by Network Rail. Extensive community consultation has been undertaken in relation to the emerging plan documents since 2007-2008

28. The site has been derelict for decades with development proposals continually stalling due to the high levels of infrastructure funding needed. Without an ability to close this viability gap it has been impossible to bring the site forward. However, by working alongside the site's majority owner, Network Rail, council officers have agreed a master-plan led study for the site, looking particularly at a phased approach in order to identify early deliverable parcels of the site for development of new housing and offices whilst not prejudicing the wider scheme. Work is ongoing to identify funding options through conversation with the Government Department for Business Innovation & Skills (BIS), as well as the Local Economic Partnership (LEP) and local based funding.
29. On 3rd December 2013 Cabinet approved the earmarking of £10m from the council's Economic Infrastructure Fund to kick-start development, potentially delivering a new road bridge and access into York Central from Holgate Road. £500k from the fund will cover immediate costs, including transport, legal and consultancy fees, with details of how the remaining £9.5m will be spent being brought to Members in early 2014. Together with ongoing viability appraisals from Network Rail council's funding will contribute to de-risking the site and significantly reducing the viability gap to the point where it is expected phased development will come forward.
30. A separate report to the same 3<sup>rd</sup> December Cabinet meeting approved a land swap which will result in a council-owned site next to Holgate Road being sold to Network Rail to allow operational relocations and improvements, with acquisition of land next to the carriage works by the council to safeguard a bridge and access route from the A59.
31. Detailed timescales and delivery rates will flow from the master-plan led study, though indicative work to date reveals a first phase of housing of up to 350 homes plus a small early deliverable office scheme could begin in 2015.

### Castle Piccadilly

32. Castle Piccadilly is an area on the southern side of the city centre adjacent to Clifford's Tower and includes a section of the River Foss. A planning brief was approved in 2006 by the council, following public consultation. This sets out the main design and planning principles that the redevelopment of Castle Piccadilly should be based on. Regeneration proposals have needed to sensitively balance the retail needs of the city centre with the world class heritage of the area.

33. Short-term proposals to extend parts of Coppergate 1 (retail) and Piccadilly (mainly residential with some ground floor retail), without losing sight of longer-term ambitions to regenerate the whole area have progressed to Planning Committee during 2013 and building work is now expected to begin early in 2014.
34. A planning application for residential re-use and uplift in the design of Ryedale House on Piccadilly is expected in early 2014, and discussions have also been held to consider the potential for a new public foot/cycle bridge across the Foss to the car park and Eye of York. These proposals together with planned improvements to the streets and junctions as part of the Reinvigorate York initiative, will contribute to the regeneration of the Castle Piccadilly area.

### Barbican

35. Following closure of the site in 2004, schemes have come forward to redevelop the site for residential and leisure use. In 2008 an application for 180 apartments was approved by the council but not progressed by Persimmon Homes because of the uncertainty in the mortgage market. In 2011 the Barbican Centre was reopened after a £1.5m refurbishment.
36. Council-led pre-application discussions were resurrected in 2013 and are now being concluded with the developer in order to amend the existing consent for apartments. A presentation of the application to Planning Committee is anticipated in early 2014, with construction to follow later in the year if approved.

### **Reduction of affordable housing targets**

37. From March 2013 amended affordable housing targets were introduced following Cabinet approval in February. These are split between urban and village/rural sites.
38. On urban sites affordable housing targets on developments of 15 or more homes were reduced from 25% to 20% on brownfield sites and from 35% to 30% on greenfield sites. This was in line with the dynamic model principles of the Affordable Housing Viability Study (2010) and Annex (2011) (AHVS). These are now some of the lowest targets across the region. Based on provisional data the targets have been re-run in line with the dynamic model at a base date of December 2013 and there has been no change to the viable percentage levels.



39. Table 1 below shows the number of *new* developments receiving planning consent under the new targets and the number of *existing* consents where the target for affordable housing has been reduced following the change in targets.

<b>Table 1: Impact of revised affordable housing targets.</b>				
<b>Housing Developments February 2013 to February 2014 where affordable housing targets have been:</b>				
<ul style="list-style-type: none"> <li>• <b>Approved by planning committee or</b></li> <li>• <b>Reduced from previous planning consent</b></li> </ul>				
<b>Development</b>	<b>Status</b>	<b>Total No. of Homes</b>	<b>Affordable housing (%)</b>	<b>New scheme or reduced target</b>
The Tannery, Strensall	Approved (Mar 13)	53	11 (20%)	New scheme
Terrys	Approved/reduced (June 2013)	271 <sup>1</sup>	54 (20%)	Reduced target
Burnholme Social Club	Approved (Aug 13)	37	7 (19%)	New scheme
Former White Swan Hotel, Piccadilly	Approved (Sep 13)	18 <sup>2</sup>	4 (20%)	New scheme
36-44 Piccadilly	Approved (Sep 13)	37	8 (20%)	New scheme
Sessions, Huntington Road	Approved (Oct 13)	59	12 (20%)	New scheme
Brecks Lane, Strensall	Approved (Feb 14)	102	31 (30%)	New scheme
Hungate phase 2	Approved (Feb 14)	195	31 (16%)	New scheme
<b>Total</b>		<b>772</b>	<b>158 (20%)</b>	

40. The eight developments in Table 1 represent a 100% increase in developments and a 261% increase in the number of homes from the previous year, as shown in Table Two below.

<sup>1</sup> Reserved matters planning approval for first phase of 85 homes was granted on 19<sup>th</sup> December 2013. Note: In addition to 271 homes the development will also include 14 live-work units and 110 retirement homes that may also be subject to an affordable housing requirement.

<sup>2</sup> Note: White Swan hotel scheme agreed that all 18 homes will be affordable for a period of at least 15 years. The 20% affordable housing – in perpetuity – is the fallback agreement should this not proceed.

**Table 2: Housing developments with affordable housing requirement from January 2012 to January 2013**

- *Approved* by planning committee or
- *Reduced* from previous planning consent

<b>Development</b>	<b>Status (planning committee date)</b>	<b>Total Homes</b>	<b>Affordable housing (%)</b>	<b>New scheme or reduced target</b>
Former Shipton Street School	Reduced	38	9 (24%)	Target reduced from 29%
Ouseacres, Boroughbridge Road.	Approved (March 12)	57	14 (25%)	New scheme
Yearsley Bridge, Huntington Road	Approved (May 12)	32	8 (25%)	New scheme
New Lane, Huntington	Approved (Dec 12)	87	30 (35%)	New scheme
<b>Total</b>		<b>214</b>	<b>61 (29%)</b>	

41. On rural developments of between 2 and 14 homes Cabinet approved for an 18 month period from 1<sup>st</sup> March 2013 off-site financial contributions towards affordable housing in lieu of on-site provision.
42. Table 3 below shows the developments granted planning consent since the introduction of the amended policy and the affordable housing financial contributions agreed. A further four sites are at earlier stages of negotiation with officers.

**Table 3: Rural planning consents with off-site financial contributions towards affordable housing, March 2013 – December 2013**

<b>Development</b>	<b>Status</b>	<b>Total Homes</b>	<b>Affordable Housing Commuted sum agreed/paid</b>	<b>New scheme or reduced target</b>
Algarth, Wetherby Road, Rufforth	Approved (April 13)	2	£15,427 Agreed	New scheme
Manor Farm, Towthorpe Road, York YO32	Approved (June 13)	3	£23,133.80 Agreed	New scheme
Park Cottage, Jackson Walk, Askham Richard	Approved (August 13)	4	£34,700.70 Agreed	New scheme
42-44 Church Lane, Bishopthorpe,	Approved (October 13)	4	£34,700.70 Agreed	New scheme
Aspen House, 65 The Village, Stockton on the Forest	Approved (January 14)	2	£11,566.90 Agreed	New scheme
<b>Total</b>		<b>15</b>	<b>£119,529.10</b>	

43. For comparison, Table 4 shows the rural developments that received planning consent in the year prior to the policy change. The three larger sites were also viable for an on-site provision of affordable housing.

**Table 4: Rural planning consents with affordable housing contributions: April 2012 – February 2013**

<b>Development</b>	<b>Status (planning committee date)</b>	<b>Total Homes</b>	<b>Affordable housing contribution and commuted sum paid/agreed</b>	<b>New scheme or reduced target</b>
Fox and Hounds, Copmanthorpe <sup>(a)</sup>	Approved (August 12)	11	2 homes + £15,427 Agreed	New scheme
97 York Street Dunnington	Approved (Sept. 12)	4	£46,282.50 Agreed	New scheme
Fox Inn, 90 The Village, Stockton On The Forest	Approved (November 12)	9	1 home + £46,282.50 Paid	New scheme
The Green, Poppleton	Approved (October 12)	9	1 home + £61,710 Paid	New scheme
<b>Total</b>		<b>33</b>	<b>4 homes + £169,702</b>	

<sup>(a)</sup> Nb on 8<sup>th</sup> February 2014 a further application at this site for 28 retirement flats was approved. It includes agreement for a £350,604 affordable housing commuted payment.

44. There has been an increase of one site that has received planning consent since the change in policy, and a further four sites are currently at pre-application stage. That does suggest the policy has had some impact on stimulating rural development. However, it is difficult to draw firm conclusions at this stage not least because the size of sites varied markedly between the two years.

**£1m investment in existing council homes through a series of loft conversions to reduce overcrowding.**

45. It is estimated this two year investment will enable up to 30 loft conversions to create additional bedrooms and thereby reduce overcrowding and add value to the council's housing stock. It was agreed that the works would be tendered for local contractors and since this was finalised in September 2013 five conversions with a further three due to complete in early 2014. There are a further 18 potential conversions that are being progressed for delivery in 2014/15. The five conversions so far completed have been met with very positive feedback from tenants.
46. The scheme has been publicised in tenants' newsletters, through the local media and by housing estate managers resulting in a long-list of interested households all of whom are currently living in overcrowded homes. Each of these properties are now being assessed for their structural suitability for these works and the programme of conversions will be accelerated in 2014/15.

**Agree a first phase of building 50-70 new council homes**

47. The programme is on track with approval given by Cabinet in May 2013 to develop, subject to planning consent, six Housing Revenue Account owned sites. The first of these, at Beckfield Lane has planning consent and will deliver 27 homes of which 9 will be for open market sale and 18 for affordable rent. Work started on site in January with the contractor Gentoo who were appointed following competitive tender. The development has also secured £403k of social housing grant from the Homes and Communities Agency. Completion is scheduled for the end of 2014. A further five sites are being prepared for planning applications between February and April and are expected to deliver a minimum of 32 further homes by September 2015.
48. Work has started on identifying sites or other opportunities for delivering a further phase of council house building. Detailed work on this, including Member approval, will commence when the sites under the first phase of council house building have been submitted for planning consent.

## **Work up options for a mortgage advice scheme**

49. At the time of the report to Cabinet in February 2013 there was strong evidence that restrictions on residential mortgages; and especially the requirement for deposits of up to 20%, meant that buying a home was out of reach for the majority of first time buyers. Members wanted to see if there were initiatives that the council could support that would enable more first time buyers to access a mortgage.
50. Work began on looking at mortgage indemnity schemes as well as the potential for the council to be a mortgage provider. However, the announcement by the government of the Help-to-Buy scheme led to this workstream being placed on hold until the local impact of the national scheme can be fully evaluated.
51. Phase 1 of Help to Buy was launched in April 2013 and provides an equity loan to purchasers of new build properties only. The government have reported that up to December there had been 25 completed sales in York with a further 50 scheduled completions in progress<sup>3</sup>.
52. The second phase of Help to Buy is likely to be more significant in terms of the numbers of homes purchased through the scheme. Officially launched in January 2014 the scheme provides government backed indemnity guarantees for mortgage lenders of up to 95% of the mortgage. This means that purchasers of homes will only need to find a 5% deposit. The scheme is eligible to second time movers as well as first time buyers and, importantly, on second hand as well as new build homes.
53. The Get York Building Board agreed at their meeting on 24<sup>th</sup> September to put further work regarding a council backed mortgage support scheme on hold pending an evaluation of the national Help to Buy scheme.

## **Review of affordable housing clauses used in S106 agreements.**

54. This element of the workstream is essentially about improving processes that are potentially adding cost and time to the delivery of private housing developments where affordable housing is required. It is not a

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<sup>3</sup> Source: Department for Communities and Local Government - Statistics showing cumulative sales since the launch of the Help to Buy (equity loan) scheme on 1 April 2013. Data to December 2013. Published 28<sup>th</sup> January 2014.

workstream that is considering any policy changes or amending affordable housing targets.

55. On private housing developments where an on-site provision of affordable housing is required this is secured by way of a Section 106 Agreement. The intention is clear and necessary; namely to secure the affordable housing in perpetuity, establish the terms on which it will be transferred by the developer to a Registered Provider (housing association) and to establish the procedures for the letting and sale of the affordable housing. Over many years, however, the 'standard' clauses used in these agreements have become unwieldy (often running to over 25 pages), over bureaucratic and on occasions have led to difficulties for mortgage lending on the properties.
56. A review of S106 affordable housing clauses, including those used by other local authorities has been undertaken and an external solicitor with wide experience in this field has proposed a much shorter agreement. This has been achieved primarily by moving any clauses that relate to council policies and processes into a separate guidance and policy statements rather than in the body of the S106 Agreement itself.
57. At the time of writing this report, the proposed new Affordable Housing Schedule has been received – approximately 10 pages shorter - and we are now preparing to consult on this with housing association partners and developers in the city who have built out schemes where affordable housing has been required on site.
58. The consultation with developers and housing associations will be concluded as expeditiously as possible. Thereafter officers will incorporate the changes on future S106 Agreements as well as ensuring up to date policy guidance is provided on the council's website. Progress on this workstream will be reported to the Get York Building Board.

### **Review of barriers to development faced by smaller house builders**

59. In developing the background evidence to support the Get York Building programme a consultation was undertaken in 2012 with developers and agents who had unimplemented planning consents for three or more homes. The results painted a mixed picture. Most developers had firm plans to bring forward their schemes; many were already doing so and for the larger strategic sites it was clear that the individual circumstances of each site meant these needed to be addressed separately (see the information on Major Sites at paragraphs 11 to 38 of this report).

60. For some smaller developers there was a concern that following the credit crunch commercial lending was less accessible with some banks requiring up to 40% deposits for speculative house building schemes. Although the numbers of house builders stating this as a problem were relatively few it was an area that had also been highlighted nationally and therefore warranted further consideration.
61. In the intervening period, there has been strong evidence that the major volume house builders have ridden the credit-crunch and, as seen in paragraphs 11-38 above, are now looking to bring forward the major strategic housing sites in the city. However, it is less certain if the same confidence in the housing market, and ability to raise capital funding exists for the smaller house builders, nor whether there are other barriers to development which they face.
62. In December 2013 a survey of developers and land agents/architects was commissioned by the council. The survey was undertaken by MORI and targeted those house builders and/or agents who had over the past 10 years applied for planning consent to build one or more developments of 3-14 homes in York. The cohort of developers of 3-14 homes was chosen because the research was aimed at those house builders who build homes for onward sale but who generally do not build schemes that trigger the requirement for an affordable housing contribution (usually 15 or more homes except in rural areas).
63. A total of 118 house builders/agents were contacted and 61 (52%) completed the survey. The survey included questions relating to capital funding, planning processes and the state of the housing market in York. It also asked for specific details of any sites that remain stalled due to reasons other than fundamental non-viability.
64. The full analysis of the survey responses was not available in time to be included in this paper but will be reported to the Get York Building Board together with any recommendations arising from them.

**Develop opportunities for Institutional investment to deliver new Private Rented Sector homes within the city**

65. When considering the issues that were being raised both nationally and locally with regards to the willingness / ability of the major banks to lend and developers concerns about access to commercial lending, as part of the suite of potential interventions the option of attracting institutional finance to support development was considered.

66. This was an issue that was also gaining traction with government and in response to the recommendations of the Montague report, the Build to Rent Fund was launched by the government to stimulate new private rented housing supply and to provide opportunities for new institutional investment in the sector. The Fund was a fully recoverable, commercial investment where Government would share risk or bridge finance to allow schemes to be built, managed and let. The investment could be used to cover development costs such as land, construction or management costs. Once the scheme is fully let the developer will sell on its interest or re-finance and repay the loan/equity.
67. In partnership with a number of other authorities in the Leeds City Region, consideration was given to potentially including some of the council's land assets as part of a joint Build to Rent bid to government.
68. Analysis of the model clearly showed that in areas of high private sector rent levels, as is the case in York, when considering not only the revenue returns but also the potential for capital uplift over time, the potential to attract institutional investment into the city for this purpose is an attractive option for the investor.
69. However, whilst it makes sense for an investor, when considering any potential involvement of the council - especially the use of any land assets as part of the programme - it is necessary to consider if that is the best use of that council asset.
70. Ultimately, whilst the model itself was financially viable, given the high level of the rent on the open market, it was felt that the council should not use its land assets to support the provision of open market rented properties.

### **City centre living project**

71. A project to encourage the redevelopment of under or disused upper floors of retail and other commercial properties was added to the Get York Building workstream in July 2013. It followed the publication of research commissioned from the North of England Civic Trust demonstrating the potential for up to 800 flats to be created in the city centre above existing shops and commercial premises. The successful negotiation to deliver 18 flats on the upper floors of the former White Swan Hotel on Piccadilly and the availability of government funding through the Homes and Communities Agency to support this initiative to 2015 gave further impetus to the project.



72. The council agreed to support with £20,000 match funding a proposal from Tees Valley Housing Group (a housing association) to continue a project to deliver further homes over shops and other commercial premises. The project will run to March 2015 and utilises the skills and experience of a property agent to identify suitable properties, negotiate with owners/landlords and work up proposals to a point where Tees Valley Housing Group can conclude agreements to lease or purchase dwellings from the owners. Currently the agent has identified over 50 properties that may be suitable for conversion and is now working on a shortlist of those with their owners and agents to determine if there is interest in the scheme.
73. For the council, the investment is anticipated to deliver up to 35 dwellings in the city centre and in so doing generate additional income from council tax and new homes bonus payments. Additionally, bringing into use disused upper floors will support the regeneration of the city centre and improve the night time economy of the city.

### **Has the Get York Building programme made a difference?**

74. Since the national credit crunch and recession started in 2007/8 the housing market has been unable to deliver anything more than a fraction of the new homes needed nationwide. In this respect York is no different to other areas of the country with the national impact of reduced mortgage availability, increased deposits, stalled sites, squeezed capital funding and unimplemented planning consents constraining house building.
75. Historically the local authority has also had lower targets for house building; 640 homes new homes each year from 2004-2008 and 850 per year from 2008-26<sup>4</sup>. The proposed local plan target to deliver an additional 22,000 homes at an average of 1,090 per annum represents a step-change from these previous targets.
76. The Get York Building initiative was established with the intention of helping to create and support an environment to encourage house building against a challenging backdrop of a national housing crisis. At the outset it was acknowledged that there is little the council can do to influence the national availability of mortgages, interest rates, and the deposits required for first time buyers. However, through the package of policy changes and investment decisions highlighted in this report it was anticipated that a strong message of confidence in the York economy and housing market would be given and that local policy changes would

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<sup>4</sup> Regional Spatial Strategy, May 2008.

help to create the conditions necessary to stimulate house building on large and smaller sites.

77. The impact of the initiative cannot be judged after a single year. Housing market trends take many years to establish accurately and there is an inherent risk in using short term 'snapshots' to evidence longer term trends. Nevertheless, it is important to consider whether there is evidence emerging of an improvement in the housing market and in this respect, however cautious one needs to be in drawing firm conclusions, the initial signs are encouraging.
78. As outlined in paragraphs 11 to 38 of this report the past year has seen significant progress on larger strategic housing sites. Development at Terry's has now started some 9 years after the factory closed. The Derwenthorpe and Revival (Tadcaster Road) developments have continued to build out and sell private market and affordable homes and developments at Germany Beck, the Barbican and phase 2 of Hungate are all close to commencing on site. Perhaps most significantly a planning application is expected in the spring for the former British Sugar site and proposed infrastructure funding from the council will provide the impetus and confidence for York Central to move forward, including proposals for an initial phase of approximately 300 homes.
79. On smaller sites too, there has been encouraging progress. Following the reduction in affordable housing targets in March 2013 six new developments totalling 259 homes have received planning consent<sup>5</sup> and a further three sites totalling 700 homes have had previously agreed targets for affordable homes reduced<sup>6</sup>. Additionally, £119,529 of commuted sums has been agreed on rural developments in lieu of on-site affordable housing.
80. Three sets of statistics are perhaps the most helpful in identifying and tracking housing market activity and in particular whether market conditions are improving:
1. Planning consents.
  2. Starts on site.
  3. Completions.

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<sup>5</sup> Sessions Huntington 59 homes, The Tannery, Strensall 53 homes, Burnholme Social Club 37 homes, Former White Swan, Piccadilly 18 homes, Former Our Lady's School site 55 homes, 36-44 Piccadilly 37 homes.

<sup>6</sup> Terrys 318 homes, Hungate phase2 195 homes , Barbican 187 homes (subject to planning consent)

## Planning consents

81. An increase in net dwellings granted planning consent is perhaps the first indication of improved market conditions and confidence. Consents have increased significantly since 2011/12 as shown in table 5 below. The notes to these figures beneath the table are important, showing that included within some of these totals are a number of student cluster flat developments and also dwellings resulting from the new planning laws permitting conversion of offices to dwellings. Both of these types of development are included because they accord with government guidance on counting 'consents' resulting as they will with additional accommodation. However, even if they are excluded – as shown in the final column of the table - there has still been a 125% increase in the number of homes granted planning consent from 2011/12 to the third quarter of 2013/14.
  
82. The preferred options for the Local Plan were published in June 2013 and set out the council's view on the best ways to provide accommodation for York's increasing student population; that accommodation should be provided primarily on campus or otherwise in purpose built private sector accommodation. The planning consents for 528 new-build student cluster flats since 2010 reflect this ambition and will reduce the reliance on meeting student housing needs through shared houses that could otherwise offer much needed accommodation for families.

**Table 5: Housing Planning Consents\***

Year	Number of developments granted consent (full & outline)	Net units granted consent		Total units	Total units <i>net</i> of student clusters and office to residential conversions
		Full	Outline		
2006-07	118	248	1068	1316	1316
2007-08	155	371	1258	1629	1629
2008-09	96	232	302	534	534
2009-10	66	178	4	182	182
2010-11	75	109	89	198 <sup>a</sup>	122
2011-12	68	124	50	174 <sup>b</sup>	126
2012-13	94	364	6	370 <sup>c</sup>	327
2013-14 (to Quarter 3 only)	99	830	404	1234 <sup>d e f</sup>	736

\* Note: to avoid counting units twice, Reserved Matters applications are excluded from the table.

<sup>a</sup> Includes 76 student cluster flats. <sup>b</sup> Includes 48 student cluster flats. <sup>c</sup> Includes 43 student cluster flats.

<sup>d</sup> Includes 361 student cluster flats. <sup>e</sup> Includes 137 units resulting from new offices to residential conversion planning laws on five separate sites.

<sup>f</sup> At the end of Q4 final total will be adjusted to reflect any reductions where reserved matters approvals were granted for reduced numbers of homes.

### Starts on site

83. The number of new developments starting on site is a strong indication of housing developer's confidence in selling homes. In Table 6 below it can be seen that from 2010/11 'starts' have been 64, 62 and 56 developments per year but by the end of quarter two in 2013/14 (the latest data available) there had already been 54 developments starting on site and the homes from those sites already exceeds the total homes started in 2012/13. It is highly likely therefore that when full year statistics are available these will show a very significant rise in both the number of developments starting on site and the number of homes these developments will deliver compared with recent years.
84. Further tracking of this data in future years will give a firmer indication whether 2013/14 figures are indicative of an upward trend or a one-off increase.

<b>Table 6: Housing starts on site</b>								
<b>Year<sup>1</sup></b>	<b>Number of schemes of 1-4 homes starting on site</b>	<b>Units from schemes of 1-4 homes</b>	<b>Number of schemes of 5-9 homes starting on site</b>	<b>Units from schemes of 5-9 homes</b>	<b>Number of schemes of 10+ homes starting on site</b>	<b>Units from schemes of 10+ homes</b>	<b>Total Schemes starting on site</b>	<b>Total units starting on site</b>
2010/11	57	93	5	35	2	69	64	197
2011/12	48	72	5	34	9	286	62	392
2012/13	47	64	4	29	5	139	56	232
2013/14 (Q1 & Q2 only)	46	65	4	27	4	226	54	318

<sup>1</sup> Note: consistent monitoring of starts on site only began from 2010/11 hence earlier years not shown. Due to workloads created through analysing consultation responses to the local plan, site visits have not been undertaken to check on 'starts' in Q3.

85. The data in Table 6 is compiled by the council based on site visits to schemes. The figures assume that once a site has 'started' development it will continue to build out. Although other local authorities will collate similar data, there is no single agreed methodology for doing so and therefore benchmarking the outputs in Table 6 with other authorities is not possible.

### Completions

86. Data on completions is also a useful measure of market activity; certainly in respect of those sites which had 'stalled' or significantly slowed their build out of homes

87. Looking at Table 7 below it is clear completions have fallen, especially since 2011/12. It is interesting to note that prior to then they had held up very well despite the credit crunch in 2007/08. Evidence shows that few if any developments that were on site at that time were 'mothballed' and in this respect the York housing market demonstrated resilience to the overall market downturn.

88. The significant fall in completions from 2011/12 to 2013/14 (albeit with some recovery in 2012/13) can be tracked back to the reduction in planning consents and starts on site in 2010/11. By definition any reduction in consents and starts on site will be reflected in reduced

completions some time later (exactly when depends on the volume and build out of developments already on site). So in this respect it is no surprise to see completions reducing over the past two years. By the same logic the increase in consents from 2012/13 and in starts on site from 2013/14 gives confidence that there will be a subsequent upturn in completions in 2014/15. Affordable housing completions, for example, are forecast to be approximately 180 in 2014/15 and over 260 in 2015/16.

**Table 7: Housing Completions**

	<b>Gross Completions</b>	<b>Net Dwelling Gain</b>	<b>Of which (gross) affordable housing completions</b>
2006/07	875	798	40
2007/08	557	523	51
2008/09	502	451	151
2009/10	606	507	152
2010/11	571	514	282
2011/12	354	321	151
2012/13	540	482	115
2013/14 (to Quarter 2) <sup>1</sup>	179	159	15

<sup>1</sup> Note: Due to workloads created through analysing consultation responses to the local plan, site visits have not been undertaken to check on completions in Q3. These will be undertaken in March 2014 and included in the final analysis for the full 2013/14 monitoring period

### **Priorities for the next 12 months of the Get York Building initiative**

89. After the first year of the Get York Building initiative, there is good evidence that the package of interventions supported by the council is having a positive impact on the house building industry in York. It is important these interventions are reviewed and built upon over the coming year. Without doubt there will remain challenges in a housing market that is still struggling to overturn five years of under-investment. But there are also great opportunities to move forward on the existing projects and to support further opportunities that to provide much needed homes, support the house building industry and support York's ambitions for economic growth.
90. It is proposed that the following workstreams provide the core of Get York Building activity over the next 12 months:

- Bring forward detailed proposals for use of the remaining element of the £10m Economic Infrastructure Fund allocation to de-risk and bring forward the York Central site for development.
- Maximising investment in York from both the Leeds City Region and York, North Yorkshire and East Riding Local Enterprise Partnerships. These are conduits for government backed infrastructure funding and also for Homes and Communities Agency funding for affordable homes. York has strategic housing sites that may benefit from both and must present the strongest possible case for a share of the available investment.
- Continuing to enable the delivery of the strategic housing sites outlined in this report through appropriate support, negotiation and intervention.
- Ensuring all 'phase one' sites for new council housing are progressed as proposed and that work to identify and bring forward proposals for 'phase two' continues.
- Consider opportunities for the best use of the HRA regeneration / investment fund to deliver a significant increase in the number of new council homes.
- Continuation of the £1m loft conversion programme for council housing to reduce overcrowding.
- Maximise, in partnership with housing associations in York, bids to the Homes and Communities Agency for funding in the new 2015-17 Affordable Homes Programme.
- Widen the 'city centre living' project to align more directly with the City Centre Regeneration strategy while at the same time supporting the delivery of up to 35 additional homes over shops and commercial premises.
- Investigate the options for modern methods of modular construction as an alternative to traditional construction methods, including proposals for an exemplar development in York.
- Work with property agents and developers to bring forward - in conjunction with the Local Plan - the early delivery of longstanding brownfield housing sites where these can deliver additional benefits to the city such as higher percentages of affordable housing, and other sites where there may be opportunities for self-build or modular construction housing.
- Bring forward any proposals to support smaller house builders based on the outcomes of the survey work undertaken by MORI in December 2013.
- Review the impact of Help to Buy in York and whether there remains a need for the council to consider supporting first time buyers.

## Consultation

91. Significant consultation has taken place in the development of the interventions set out in this report:

- There has been statutory consultation as part of the planning applications for new council house building and also public exhibitions of proposals held for each site as it comes forward.
- A survey of 61 house-builders and their agents/architects was conducted by MORI on behalf of the council in December 2013. The results of this survey will be analysed and reported to Members in due course together with any recommendations arising from them.
- Housing Associations and developers who have built out schemes that require affordable housing to be provided are being consulted on proposals to re-draft the affordable housing clauses used in Section 106 Agreements.
- On 16 October 2013 as part of York Housing Week the council hosted a seminar on the potential for further conversion of under-used upper floors in York to residential dwellings.
- The Federation of Resident's Associations was consulted on the initiative to convert lofts in council houses as a means of addressing under-occupation. The proposals were also publicised in the tenants' magazine Streets Ahead.
- Internal consultation on the entire programme has been fed through monthly meetings of the Get York Building Board. The Board comprises officers from Communities & Neighbourhoods, City & Environmental Services and Cabinet members Councillor Dave Merrett and Councillor Tracey Simpson-Laing

## Options

92. Option One:

- Note and approve the updates on the first year of the Get York Building project.
- Support the proposed future workplan priorities to March 2015 as outlined in paragraph 88 with the Get York Building Board



overseeing their delivery, and reporting to Cabinet where necessary for decisions and approval.

- Agree to the continued programme support through the provision of a project manager.

### 93. Option Two:

- Note and approve the updates on the first year of the Get York Building project.
- Amend the proposed future workplan priorities of the project to March 2015 with the Get York Building Board overseeing their delivery, and reporting to Cabinet where necessary for decisions and approval.
- Agree to the continued programme support through the provision of a project manager.

## Analysis

94. Members are asked to review the first year programme of activities relating to the Get York Building initiative and to support the continuation of this work. The report sets out a proposed programme of priorities for the next year that have been agreed with the Get York Building Board. The difference in the first two options presented to Cabinet is whether there is a wish to support the current proposals or to amend them.
95. On the basis that the Get York Building Board have considered and 'signed off' the workplan priorities, the recommendation of this report is to support Option One.

## Council Priorities

96. Whilst the principal objective of the programme is to 'Get York Building', the impact of the project impacts on all five of the council priorities as set out in the Council Plan
- Create jobs & grow the economy – A clear link exists between activity in the construction industry and the economic prosperity of the city.
  - Get York Moving – Unlocking major sites through delivering major infrastructure works will have a positive impact on Getting York Moving.

- Building Strong Communities – Meeting the housing needs of our communities is central to ensuring that we can in the long term ensure that our communities are strong and sustainable. Development of new sustainably designed homes will ensure that we deliver some of the fundamental building blocks of strong communities for the future.
- Protecting vulnerable people – Whilst the key focus of this report is about delivering increasing the number of new homes built across all tenures, delivery of specialist accommodation is also part of the wider picture. Delivering new homes will also help address some of our long term needs for affordable housing and have a direct impact on some of the most vulnerable individuals in housing need.
- Protect the environment - Whilst we are focusing growth both in the economy and the numbers of homes built, central to our approach needs to be the sustainability of those homes and the impact that these have on our environment. As part of our approach to delivery we will be considering how we can play a leadership role within the city to ensure homes that are delivered are sustainable.

## Implications

97. The implications arising from this report are:

- Financial.** There are no direct financial implications arising from this report. Any financial implications arising from future interventions will be considered through the appropriate decision route as interventions are brought forward.
- Human Resources (HR)** The initiative should continue with dedicated officer support until March 2015. This can be delivered from within existing budgets
- Equalities** None
- Legal** None
- Crime and Disorder** None
- Information Technology (IT)** None
- Property** None
- Other** None

## Risk Management

98. In compliance with the Council's Risk Management Strategy, there are no risks associated with the recommendations of this report.

## Recommendations

99. Cabinet are asked to:

a) Agree Option One to:

- Note and approve the updates on the first year of the Get York Building project.
- Support the proposed future workplan priorities to March 2015 as outlined in paragraph 88 with the Get York Building Board overseeing their delivery, and reporting to Cabinet where necessary for decisions and approval.
- Agree to the continued programme support through the provision of a project manager.

Reason: On the basis that the Get York Building Board have considered and 'signed off' the proposed workplan this option will enable the project to focus on the most important priorities for the coming year.

## Contact Details

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	<b>Report Approved</b>	√	<b>Date</b>	11 <sup>th</sup> Feb 14
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<b>For further information please contact the author of the report</b>				

### Background Papers:

- Get York Building – Economic Growth, A Case for Change. Cabinet, 12 February 2013.
- Growing the York Economy – Working with Leeds City Region Local Enterprise Partnership. Cabinet, 7<sup>th</sup> May 2013.
- Leeds City Region – Revolving Investment Fund. Cabinet, 16<sup>th</sup> July 2013.
- Economic Infrastructure Investment. Cabinet, 16<sup>th</sup> July 2013.
- Delivering Development Investment. Cabinet, 5<sup>th</sup> November 2013.
- Get York Building – Infrastructure Investment Plan for Growth. Cabinet 3<sup>rd</sup> December 2013.

### Annexes

None.