

**Economic and City Development Overview & Scrutiny Committee
topic paper – 24 July 2012.**

Proposed Topic: Housing stock – how is it meeting the changing needs of a growing population?

Background:

York is an area of high housing demand evidenced by high house prices and high private sector rents. The *Cities Outlook 2012* report¹ showed York had the third fastest population growth in the country, due in part to York's strong economy. Local research² points to a changing population demographic, particularly the rise in older households, as a key driver for the future. Some have concerns that York's housing market is increasingly dysfunctional and could serve to constrain York's future economic and growth ambitions.

The average price of a house in York stood at £178,200 in March 2012 against average median gross earnings of £21,136. This gives a house price to earnings ratio of 8.4:1, significantly higher than the regional figure.

Reduced access to borrowing and the requirement for sizable deposits are significant barriers to owner occupation, particularly for younger households.

At the root of many housing problems is the fact that supply has not kept pace with demand. Net annual household growth is around 1,100 new households per year³ whilst the delivery of new homes has run at an average of 620 per year over the past 5 years of which a proportion (average 150 per year) have been affordable.

When set against an identified need for 790 affordable homes per year to meet the backlog of existing households in unsuitable accommodation and newly arising need we can see the scale of the challenge ahead.

Whilst the recent economic recession has played a part in constraining new supply, longer term issues such as land availability, York's historic

¹ Centre for Cities 2012

² York Strategic Housing Market Assessment (SHMA) 2011

³ ARUP 2012

character, transport capacity and the willingness of residents to accept new development are also key factors.

Many of those unable to afford a market solution look to social housing providers to meet their needs. There are currently 3,900 households on the affordable housing register.⁴ The majority of these will never be offered a social rented home as the proportion of homes is relatively low and turnover limited.⁵

Right to Buy has reduced the council's housing stock by around 4,500 units and enhanced discounts introduced recently are designed to promote further sales. Right to Buy losses have, in part, being made up for in new housing association supply, but huge cuts to this sector's funding as part of deficit reduction could curtail further growth.

The private rented sector has seen significant growth in recent years to over 15% of total stock. It provides a flexible housing offer ideally placed to meet the needs of students and others on the move. More recently, it is being used by those shut out of owner occupation and those unable to access social housing, including families.

Strong demand has fuelled high rents. York is one of only three cities in the north of England with rent levels on a par with those of the South East of England.⁶ It has the highest rents in the region above both Leeds and Harrogate. Research undertaken by Sparerroom.co.uk in April 2011, found there to be almost six applicants for every room to rent in the city, placing York the 9th highest demand area within the UK.

Not everyone is able to compete and access to the sector is particularly tough for those on lower incomes. This is set to become more difficult with welfare reform changes that will further reduce choice for those on benefits (including in-work benefits).

⁴ June 2012

⁵ The proportion of social rented homes in York stands at around 15% against 21% regionally and annual turnover is between 500-700 properties per year

⁶ The others being Manchester and Harrogate – Shelter 2011

Government expects the sector to play an even bigger role in future, but high rents, short-term tenancies and ongoing condition problems⁷ mean that the sector is not the 'tenure of choice' for many.

There is increasing need for homes that better meet the needs of older people and those with disabilities. A significant proportion of older people are under-occupying their home due in part to the lack of attractive downsizing options. This has big implications for the local housing market and the availability of family sized homes. As more people are supported to live independently, new homes must be well designed, capable of adaptation and well connected to local services.

What is currently happening?

On the back of a five year period of low housing completions resulting from adverse market conditions there are a number of significant housing sites that will help increase completion rates within the next five years and beyond.⁸ The draft Local Development Framework sought to identify sufficient future land supply but this has now been withdrawn and a new 'Local Plan' will replace it.

In recent years the council has followed a policy to improve the type and mix of planned housing with an emphasis on more family homes. During the period 2003-6, 66% of all housing completions in York were flats and since then flats have represented 54% of all completions. Of all planning consents at 1st April 2012 only 35% are anticipated to be flats.

To further assist new development the council has recently lowered its affordable housing target on eligible sites and uses dynamic viability assessment to identify appropriate levels of affordable housing contribution on a site by site basis.

⁷ The 2008 Private sector stock condition survey found the worst conditions to be in sections of the private rented sector.

⁸ These sites include Revival, (360 homes) Derwenthorpe (540), Germany Beck (700) and Ouseacres (57) with Terry's and Nestle South (710) awaiting signature of legal agreements before construction can commence.

The council is facilitating access to government loans designed to ‘kick-start’ stalled development and currently one scheme in York has been shortlisted to receive help from the ‘Get Britain Building’ fund.

Local developers are beginning to offer help to aspiring homeowners struggling to raise deposits by offering new government backed mortgage indemnity products. There is increasing scope for more intermediate home ownership to meet the needs of those unable to afford full market housing.

City of York Council Housing Services is currently developing an asset management strategy for its circa 8,000 dwellings and exploring opportunities within the HRA⁹ for new council house building. Nineteen new council homes are currently being built in Clifton, the first such homes in over 20 years.

The SHMA shows an unmet need for more intermediate housing options (i.e. ‘affordable rent’, shared ownership and discounted sale) for those households that do not qualify for social rented homes but cannot afford open market prices and rents. Planning policy required a proportion of all affordable homes delivered as part of S106 contributions to be intermediate.

The future supply of new housing association homes is uncertain given huge funding cuts to the National Affordable Housing Programme. It seems application of the government’s new ‘affordable rent’ model could be limited.

Work is ongoing to support the growth of the private rented sector. The council is limited in what it can do to influence rent levels in the absence of national regulation and this remains an ongoing challenge.

Like others, we are exploring opportunities for greater institutional investment that could deliver more sustainable rents, longer tenancies and good quality management. The Leeds City Region is currently looking at appropriate investment models.

⁹ Housing Revenue Account – This is ring fenced account made up of income from council rents and outgoings on repairs/maintenance.

In terms of condition, we continue to work closely with local landlords and landlord bodies. The council is developing a landlord accreditation scheme aimed at raising management standards. The very poorest conditions continue to be addressed through ongoing enforcement action.

The council's 'YorHome' social lettings agency is opening access to the sector for more low income and vulnerable households and there is potential for this to become a stand-alone trading body. It currently manages 72 properties of which 24 are 2-bedroom (those in greatest demand). It is becoming increasingly difficult to sign up new landlords due to welfare reform.

We have seen growing interest in the development of dedicated off-campus student accommodation in recent years.

Strategically the council and its partners are moving away from specialist housing to supporting more people to live independently in their own homes. This requires a shift in focus from 'bricks and mortar' approaches to floating support and related services. This process is underway.

Several downsizing schemes have been developed within the social housing sector to free up much needed family homes, and the council is developing additional incentives for tenants to be rolled out later this year.

Within the owner occupied sector it is recognised there is more for private sector providers to do in providing a wider range of attractive housing options.

York is performing well in terms of the numbers of disabled people supported within their own tenancies. The Local Development Framework included a commitment for all new homes to be built to a lifetime standard by 2013.

Pros and cons of a scrutiny review:

Pros: Scrutiny could shine a light on difficult issues around future land availability, capacity and willingness of the city to accept additional development to meet the housing needs and aspirations we know exist.

Cons: Housing problems are not all about new supply. Making best use of the existing stock is of equal importance and this could be outside the scope of this particular scrutiny committee (?).

Potential focus for scrutiny review:

To what extent does York's housing 'offer' support or constrain local economic ambitions and growth aspirations? How does it meet the needs of 'key workers' support graduate retention and employment and provide viable options for those working in key employment sectors such as Science City York, leisure and tourism etc? How does it meet the needs and aspirations of particular groups such as young people, first time buyers, families, older households and those with specific needs?