Derby City Council

Housing and Regeneration Scrutiny Board
29 November 2017

ITEM 6

Report of the Strategic Director of Communities and Place

Accelerating Housing Delivery

SUMMARY

1.1 Following a request from theHousing and Regeneration Scrutiny Board, this report sets out the requirement for new housing across tenures, the need for additional affordable housing, and a proposed course of action to increase supply by accelerating construction.

1.2 It focuses on 3 main areas: the profile of our housing requirement, the use of a Housing Delivery Vehicle to accelerate housing construction, and the contribution that apartments above shops and other commercial premises can make.

1.3 These 3 areas are discussed in more detail in the 'Supporting Information Section', paragraphs 4.1 – 4.32.

1.4 Along with many areas nationally, Derby's supply of new housing is falling short of target: In the last 6 years Derby has under-delivered against its local plan target by 1,095 dwellings. Increasing housing supply is therefore a key objective.

1.5 Crucial to delivering on this objective is the establishment of a Housing Delivery Vehicle, but there are a number of different options as to how this might be set up. It is our intention to fully evaluate these different options and report back to cabinet with a specific recommendation for its formation in the early part of 2018.

1.6 The purpose of this report is to update the Board on the current position, on progress made and on future actions and timescales for delivery.

RECOMMENDATION

2.1 To note the contents of the report and make any further comments or recommendations on future actions to promote housing delivery.

REASONS FOR RECOMMENDATION

3.1 To give members an opportunity to discuss and agree any additional actions or follow-up requests.

SUPPORTING INFORMATION

Overall Housing Requirement

4.1 Derby's adopted local plan identifies a housing requirement across all tenuresof 16,388 new homes for the period 2011-2028. It is intended that over 5000 of these will be met from sites outside the LA boundary, with 11,000 to be provided within Derby city itself.

4.2 This equates to the provision of 647 new homes per year, a target that on current projections will be challenging. (For the first 6 years of the plan period, 2011-2017, Derby under delivered by 1,095 dwellings against target, meaning of the remaining 11 years of the local plan period we need to deliver 746 dwellings per year).

4.3 This reflects a national picture of under delivery. According to the Housing White Paper *Fixing our Broken Housing Market*[1], we need "from 225,000 to 275,000 or more homes per year [nationally] to keep up with population growth and to start to tackle years of under-supply". However, since the 1970s, national growth has been averaging 160,000 homes per year. Since 2011, growth has averaged 151, 000 dwellings per year[2].

4.4 Not only must there be a sufficient quantity of housing to meet demand in Derby, but there must also be a sufficient quality and range of housing to cater for the needs, tastes and aspirations of both existing and prospective new residents. The housing offer must therefore provide for:

a) Additional quality housing to meet the needs arising from economic growth and support an appropriately skilled workforce to grow and maintain the city's' existing and emerging industries
b) A sufficient quantity and quality of affordable housing for those unable to meet their need in the market place.
c) Adequate supported housing to provide for vulnerable households, to maintain turnover in the social housing stock and reduce strain on other service areas.
d) Attractive, premium market housing to encourage aspirational households to live here as well as work,enabling the wealth associated with the City's high average earnings to be retained and spent locally.

[1] https://www.gov.uk/government/publications/fixing-our-broken-housing-market
[2] https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing

4.5 Providing a wide range of quality housing is not only important in meeting need but also, in attracting a skilled workforce, it provides an incentive for new businesses to locate here. Consequently, providing new housing is an objective aligned with the expanding employment needs identified in our economic strategy. Furthermore, expenditure on new house building and housing renewal creates jobs for construction workers and those in associated occupations, with 'knock-on' effects on demand and inward investment in the broader local economy. It therefore acts as a catalyst for regeneration and growth.

4.6 Housing growth also has financial benefits for the Council - it attracts New Homes Bonus government funding and Council tax income which can both be utilised to enable further growth, regeneration and support a range of local services.

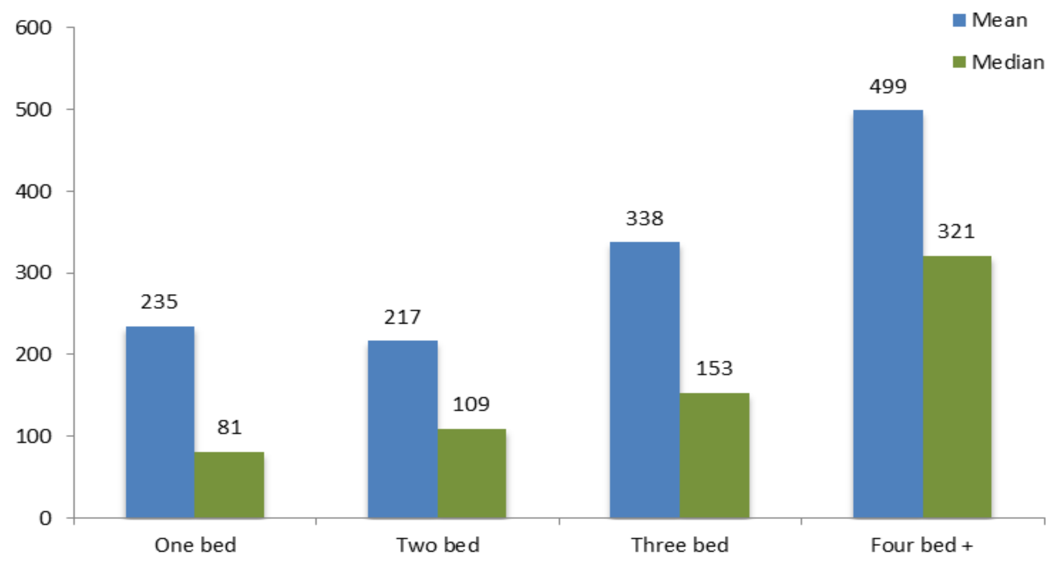
Affordable Housing

4.7 The figures in 4.1 relate to our housing requirementacross all tenures. With regard specifically to affordable housing, our Strategic Housing Market Assessment (SHMA) 2013 has identified a need to deliver anadditional632 affordable homeseach year.

4.8 Clearly this is undeliverable in practice- it is impossible to ensurethat 632 of the total of 647 of all new dwellings per year are affordable. But this does illustrate the extent of need and the pressing requirementto deliver more dwellings both of affordable and market tenure.

4.9 As for the profile ofaffordablehousing need, there are more applicants seeking 2 bed dwellings than any other number of beds. But when consideringneed versus supply, it is 4+ bed properties that are most acutely needed, as illustrated by the waiting times chart below:

Average waiting times in days by number of beds (Derby Homefinder analysis 2016-17)



4.10 Waiting times for 3 bed properties are also considerably longer than those for one and two beds.

Measures to Accelerate Housing Construction

4.11 In recognition of the housing shortages outlined in 4.1- 4.4 above we are taking a number of steps to improve housing supply:

a) Working more closely with developers to overcome barriers. This included the staging of a housing delivery event (October 2017)which was attended by approximately 70 professionals including developers, builders, land owners, designers, architects, planners, surveyors and other stakeholders. The purpose of the event was to identify barriers to housing delivery, how they might be overcome, and what opportunities are available that we might more fully exploit. Following this event we are formulating a detailed action plan which will be shared and agreed with those representatives of the local development industry that attended.
b) Contacting individual owners of stalled sites, to ascertain what the issues are and determine what assistance we can give.
c) Taking on a 'direct delivery role' to bring forward sites left undeveloped by the market.
d) Speeding up assembly and development of Council and other publicly owned sites
e) Bids to the Housing Investment Marginal Viability and Facilitation Fund. These comprise a £4m bid for a scheme in Osmaston delivering up to 400 new homes and a £3.15m bid for Castleward enabling delivery of around 500 homes.
f) Following up on opportunities for selected sites via an Expression of Interest to the HCA’s Accelerated Construction programme. These sites comprise the following with the possible number of units to be generated in brackets: land at Swallowdale Rd, Sinfin (70); Britannia Court, Duke St (26); Normanton Junior School, Grange

Ave (30); Sovereign Car Park, Castleward (40); Middleton House, St Mary's Gate (80).

g) Combined working between Planning, Housing and RegenerationOfficers in order to offer:

   - help for applicants for residential housing sites to secure planning permission. This includes ensuring appropriate brownfield sites are included on the new Brownfield Land Register, and support with appropriate evidence for residential development and to secure Planning Permission in Principle (these are new legal requirements)
   - cross-boundary working to ensure that Derby City's unmet housing supply can be met within the wider Derby Housing Market Area (including Amber Valley and South Derbyshire)
   - assistance with any changes/reforms to the Planning process where required, including a potential new Planning Charter.

h) Investigating options for a Housing Delivery Vehicle. (see 4.12 below)

In addition, the Council has also created the new post of Principal Regeneration Manager (Housing) to lead on and coordinate many of these activities ensuring that the accelerated housing delivery agenda has dedicated resources and consistent and strong focus.

Housing Delivery Vehicle

4.12 The establishment of a Housing Delivery Vehicle[3](HDV) offers the potential to be a key driver to accelerating housing delivery both within the City and surroundings. An HDV will assist the authority to maximise housing delivery on its existing land supply and make best use of its resources and expertise. Its main role will be to facilitate accelerated delivery streams of remediation, residential investment and possibly the investment of RTB receipts. It will also potentially enable the development of private rented sector schemes and hold properties accessible at affordable levels.

4.13 A number of Councils have set up HDVs, with the structure depending on the preciseremit. Some have used their ALMO, others a local housing company, while others have used some kind of joint venturecompany. (Indeed, Members will be aware that the Council is already a JV partner with Keepmoat in order to bring forward the redevelopment of significant brownfield sites in Osmaston). Equally, a Joint Venture need not be in the form of a company, it can simply be a contractual arrangement.

4.14 These options are not necessarily mutually incompatible; in some cases it is possible to combine them. For example an option involving DCC and DH could be combined with a larger option that also includes Nottingham CC and its ALMO

4.15 The common theme is that these vehicles use public land, and use revenue streams such as those obtained from the Homes and Communities Agency (HCA), or derived from right to buy receipts, to facilitate new house building.

[3] Note on terminology: various terms are used in this context: 'Housing Delivery Vehicle', 'Local Housing Company', 'Housing Development Company', 'Arms Length Regeneration Company', etc. These reflect the different forms such a body might take, though some terms might be interchangeable. Throughout this report we've used the term 'Housing Delivery Vehicle' or HDV

4.16 One such option we are exploring in detail is the establishment of an HDV as part of joint working with Nottingham City under the Metro Strategy. Proposals are being developed which will be presented to the Metro Strategy Board in March 2018[4].The focus of the HDV will be on accelerating housing delivery and regeneration taking forward those sites that won't be developed by the private market. It will therefore provide additionality i.e. a different offer to the private sector rather than directly seeking to compete with or mirror it.

4.17 A potential arrangement for the Derby/Nottm Metro Strategy HDV would be in the form of a Local Asset Backed Vehicle (LABV). This would comprise as partners the 2 city Councils, with a potential partnership role for the HCA and also a specialist development company. Subject to the success of the initial venture, it may be possible to expand the Housing Delivery Vehicle to include the wider Housing Market Area partners – Amber Valley Borough Council and South Derbyshire District Council, plus other District Councils and also to expand the remit to include other joint initiatives in addition to housing.

4.18 The HCA is a logical partner, as the non-departmental public body responsible for housing and affordable housing in England. The HCA also has the resources to buy land; there is a limited supply of DCC-owned land and the HDV needs the ability and resources to buy in land. While a developer specialising in complex regeneration projects and with an excellent working knowledge of some of the housing sites that are expected to form the asset base for this company would also be invaluable.

4.19 The initial purpose of this LABV HDVwould be to regenerate major strategic housing sites. These could include: the former Celanese Acetate Site, Spondon,Infinity Garden Village, Nottingham Waterside andThe Island Site. These sites alone have the potential to generate in the region of an additional 6,000 housing units The partners may identify other sites in future to bring into the LABV.

City Centre Residential Development

4.20 Changes to the city centre over the past 8 years or so, including improvements to the public realm and improvements to retail and leisure have created an attractive environment to young professionals who might not have previously considered living here.

4.21 Alongside this, Derby has seen significant progress in expanding the residential offer in the city centre. For example there have been significant developments at Roman and Celtic House (126 units), while Prosperity House, Gower street also exemplifies large scale conversion to residential use, providing 92 apartments, rising to 158 at the end phase 2. Castleward phase 1 (164 units) is the prime example of development on the periphery of the central area.

4.22 Student accommodation has also boomed, with substantial new developments in and around the city centre. For example there are 330 new students' apartments on Cathedral Street.

4.23 There have been a number of Council led initiatives which have contributed to this activity.

a) The city centreMasterplan sets out the strategic context for investment opportunities in the city in the next 15 years (2015-2030). It aims to leverage £3.5m in investment, create 4,000 new jobs and deliver 1,900 new homes
b) The City Living Initiative was launched in 2015 topromoteresidential living within the central area. It comprisesthe establishment of the City Living Fund, support for strategic developments such as Castleward, primacy of Living City as a key city centre Master plan theme, promotion of residential opportunities from the Council and Marketing Derby and achieving Housing Zone Status.

   - The city living fund was established to support the delivery of 225 new dwellings over 3 financial years up to 31st March 2018 through a combination of low cost loan and grant funding. (The City Living Fund is now under review, with consideration being given as to whether to expand to a Derby-wide geography).
   - The designation of the city centre and part of the immediately surrounding area as a Housing Zone is also significant. This is a government-backed programme intended to unlock brownfield sites that have the potential to provide viable housing schemes. The programme sets out to achieve this through a combination of long term investment funding, planning simplification, local authority leadership and support from central government.

c) The City Living Initiative has been very successful. Coupled with permitted development rights it has contributed to a significant number of new homes in the city centre. In 2016-17 there were more new homes delivered in the city centre than in the rest of Derby, in sites such as Weaver's Point, Full St, Queen St and Saint Mary's Gate.

Development of apartments above shops and other commercial premises

4.24 In principle, vacant space above commercial premises – as distinct rom the wholesale conversions described in 4.21 above - provides a potential for conversion to residential use.

4.25 Derby has had a degree of success in promoting this type of accommodation, particularly in the city centre, though not, arguably to the same extent as cities such as Leeds and Manchester.

4.26 For example there are flats above commercial premises in the following locations:

a) Bottom of Iron Gate / market sq.
b) Bottom of Osmastonrd. / nr top of St Peter's street
c) Cheapside
d) Heritage gate – retail again on ground floor
e) Macklin street / Green street – opp. Hippodrome

4.27 Older units of accommodation were historically houses, once on the edge of the city centre, which have been split up into flats.However, more recent new residential units in the centre tend to be wholesale conversions of office space, such as at Heritage Gate and Gower Street.Images of some of these residential units are provided in background paper 1.

4.28 The most prominent example of city centre new build developments with residentialunits over shops are part of the Castleward programme phase 1.

4.29 This is Liversage Street Boulevard, where there areflats above the beauty salon, gym and sales room.

4.30 However, of the completions last year, there is only oneunit which represented a new residential flat above commercial premises, which is on Exchange Walk. (The commercial premises below it are currently empty).

4.31 This example seems to be the exception rather than common place over the last ten years or so, reflecting theinherent problems faced indeveloping this type of accommodation, particularly with older properties. With pre-war and more antiquatedpropertiesthe nature of the original construction is often unsuitable for conversion – floor to cellingheights may be insufficient, drainage, refuse collection, space for parking etc. can also be problematic. The complexities of mixed use leases, insurance and obtaining finance for the conversion works can also present barriers.

4.32 When considering the scope of this type of conversion to providesignificantnumbers of extra units, these issues are significant. It is likely therefore that, as exampled above, wholesaleconversion of former commercial premises, or demolition and rebuild, providea more productivemeans of expanding housing supply than converting upper floors whileretaining a commercial use on the ground floor.

OTHER OPTIONS CONSIDERED

5.1 The Council could decide not to implement the proposed measures to accelerate construction and rely purely on the private market to bring forward sites. However, this is likely to leave us facing a continued shortage of both affordable and market housing, and the consequent lack of stimulus necessary to achieve our economic growth and regeneration objectives.

This report has been approved by the following officers:

Legal officer **Financial officer** **Human Resources officer** **Estates/Property officer** **Service Director(s)** **Other(s)**	Olu Idowu, Head of Legal Amanda Fletcher, Head of Finance Greg Jennings, Acting Director of Regeneration, Property and Housing Ian Fullagar, Head of Strategic Housing

For more information contact: **Background papers:** **List of appendices:**	Jeremy Mason 01332 640329, Ian Fullagar01332 643405 Jeremy.Mason@derby.gov.ukIan.Fullagar@derby.gov.uk Appendix 1 – Implications

Appendix 1

IMPLICATIONS

Financial and Value for Money

1.1 As this is a progress/briefing report, with no recommendations other than to undertake further investigation and evaluation, there are none directly arising. However, further action is likely to bring forward future recommendations which may have financial implications.

Legal

2.1 As this is a progress/briefing report, with no recommendations other than to undertake further investigation and evaluation, there are none directly arising. However, further action is likely to bring forward future recommendations which may have legal implications.

Personnel

3.1 None directly arising

IT

4.1 None directly arising

Equalities Impact

5.1 All new housing will be built to part M of the building regulations and any affordable housing with allocations from Derby Homefinder will accommodate some of the most vulnerable people in society.

Health and Safety

6.1 None directly arising

Environmental Sustainability

7.1 None directly arising

Property and Asset Management

8.1 As this is a progress/briefing report, with no recommendations other than to undertake further investigation and evaluation, there are none directly arising.

However, further action is likely to bring forward future recommendations which may have implications for asset management.

Risk Management and Safeguarding

9.1 No risks arising from this report, but that there are risks associated with the delivery of the overall housing requirement, but these are being assessed and appropriately managed.

Corporate objectives and priorities for change

10.1 The contents of this report provide the basis for possible future increases in housing delivery which will help to deliver essential accommodation to many households in need.

Supporting papers

Supporting Paper A: Residential apartments in and around the city centre

Albion St/Albert St

Cheapside

Gower St 1

Gower St 2

Heritage Gate 1

Heritage Gate 2

Irongate Cathedral

Irongate – Market Square

Macklin St

Morledge

Osmaston Road/St Peters St