

EXETER CITY COUNCIL

**SCRUTINY COMMUNITY COMMITTEE
20 JANUARY 2009**

**EXECUTIVE
27 JANUARY 2009**

AFFORDABLE HOUSING AND THE HOUSING MARKET

1. PURPOSE OF REPORT

- 1.1 To consider the implications of the housing market downturn and the Council's response, particularly in relation to the provision of affordable housing.

2. BACKGROUND

- 2.1 As a result of the crisis in world banking, together with low confidence in the economy and a pending recession, the level of credit available to house purchasers and builders has been severely limited. As a consequence, the number of people looking to buy and sell property has dramatically declined forcing house prices into a downward spiral. In response, house builders have cut back their development plans, with many stopping work on existing developments, postponing or seeking to renegotiate existing permissions, or seeking to sell individual sites or whole property portfolios altogether.
- 2.2 Nationally, most commentators believe that the market downturn will affect levels of development throughout 2009 and 2010 and possibly beyond, with no certainty as to when the market will start re-adjusting itself. Some facts to illustrate this are:
- House prices have seen their biggest fall since records began 25 years ago
 - The number of repossessions has risen by 48%
 - Mortgage arrears have risen by 20%
 - 2 million people nationally are projected to be in negative equity by 2010
 - Home loan approvals fell by over 90% in the year to August 2008
 - 40% of new mortgage offers have been withdrawn
- 2.3 As the level of new developments being completed declines, the Council's chances of procuring new affordable housing, both rented and low cost home ownership, through the use of section 106 agreements reduces. To highlight the threat to the programme, in June 2008, it was estimated that almost 70% of the City's programme of new affordable housing between 2008 and 2011 would have been developed through Section 106 sites if the market had continued to thrive.
- 2.4 Given the downturn in market conditions, it is therefore essential the Council has in place a number of strategies to respond in order to maximise the number of affordable homes it can procure to meet the high levels of need in Exeter.
- 2.5 The Council has a range of statutory responsibilities with regards to housing. This includes a duty towards households who are homeless or threatened with homelessness, ensuring that housing needs are accurately measured and that a range of strategies are in place to meet those needs. These responsibilities are coupled with national targets that seek to measure the Council's success, or otherwise, across these areas.

- 2.6 The importance of housing in the city is reflected in the Local Strategic Partnership's 'Vision' document that states that Exeter should be *"a city where everyone has a home"*, and the Council's Corporate Plan where our strategic objectives state we should *"ensure that there are enough well-designed, well-maintained and affordable homes in the city"*.

3. HOUSING NEED

- 3.1 Appendix I to this report highlights the level of need for affordable housing across the city using a range of measures and indicators. These show:
- There are currently 6000 households registered with Exeter Home Choice;
 - Approximately 450 affordable properties become available each year;
 - In 2007/08 average house prices in the city were 12.9 times average earnings compared with 11.2 nationally;
 - The Exeter Housing Market Assessment showed that a net requirement of over 5,200 additional dwellings was needed within Exeter up to 2012 (over 1000 per annum), with over 60% being affordable (rented or low cost home ownership)
- 3.2 The number of total new housing completions is expected to decline from a peak of 891 in 2006/07 to about 230 in 2009/2010. Many of these properties are expected to be delivered on smaller sites (ie below 15 properties) and therefore no affordable housing element will be included.
- 3.3 The turbulence in the housing market is compounded by a situation where the supply of housing sites available for development in the short term will not increase until new allocated sites can be brought forward in accordance with the requirements of the Regional Spatial Strategy and Exeter's Core Strategy. The Government's proposed changes to the Regional Spatial Strategy recommend about 1425 homes per annum are built in the Exeter Principal Urban Area of which about 750 per annum will be in Exeter. The RSS proposes that 35% of these homes are affordable homes.
- 3.4 The current planning policy on affordable housing, as set out in the Local Plan First Review, is to seek 25% of dwelling provision (over 15 dwellings or 0.5 hectares) to be affordable. Through the emerging Core Strategy, the aim is to increase this to 35% on sites of over 3 dwellings. A draft Affordable Housing Supplementary Planning Document (SPD) has been published to provide further guidance on the interpretation and implementation of policy. The SPD has been subject to consultation but will not be adopted until the Core Strategy has been approved by the Secretary of State.

4. RESPONSE

- 4.1 During 2007, when the 'credit crunch' first became evident, officers recognised the potential impact on the delivery of affordable housing across the city that an economic decline could cause. Given the continued upward trend in need, officers agreed to develop a comprehensive action plan that sought to provide a range of innovative solutions and intervention measures that would help negate the worst effects of any down turn in the market.
- 4.2 The 'Additional Lettings Plan' (ADDLETS) is attached as Appendix II to this report. Many of its actions were included in the newly revised Housing Strategy Document 2007-2012 that has previously been reported to members. Actions in the plan include:

- Undertaking detailed negotiations with developers on sites with existing planning consent and Section 106 agreements to bring forward the affordable housing element faster and at a higher rate;
- Looking at sites with existing planning consents and working with RSL partners to assess whether these could be brought forward as affordable housing only schemes;
- Seeking to buy empty or unsold new properties and convert them to affordable or intermediate rented properties with a Registered Social Landlord (RSL);
- Continuing to implement a policy of developing new housing on Council owned land including in-fill sites in partnership with RSLs;
- Undertaking the conversion and extension of existing stock to create larger family units and ease pressure on the housing register;
- Extending the existing downsizing scheme for Council tenants to those living in housing association (RSL) properties; and
- Promoting the benefits of taking in lodgers to encourage households to explore this option and help meet demand from single people.

4.3 The Council is also seeking to increase the amount of prevention work undertaken with those households who approach the Council as potentially homeless. Over recent years, the numbers of households prevented from becoming homeless has increased steadily, ensuring the Council continues to meet challenging Government targets to reduce the number of statutory acceptances and the number of households in temporary accommodation. Appendix I gives further details of these figures. However, with the economic downturn and the increase in mortgage arrears and repossessions, it is important that additional services are made available to ensure we prevent homelessness wherever possible. Actions include:

- The creation of a mortgage arrears helpline to give advice to households struggling to pay their mortgage and to help with negotiations with their mortgage companies;
- Implementation of a rent deposit/guarantee scheme for potentially homeless households to enable them access to private rented properties; and
- Continuing to increase private sector lettings through the “Extralet” scheme.

4.4 The Council has successfully led a Devon-wide bid that has been awarded over £240,000 of Government grant to develop a range of ‘enhanced housing options’ for potentially homeless households. This includes improved advice services, linking housing opportunities with job opportunities through Job Centre Plus and increasing the housing options available to applicants thorough the new Devon Home Choice scheme. The money will help to roll out a similar model to Exeter’s successful “Extralet” scheme across the county. Officers believe that, by taking a more co-ordinated approach to housing advice, there is a real opportunity to share best practice and create county-wide opportunities for potentially homeless households.

4.5 The Council’s housing officers continue to engage with a range of county-wide partnerships aimed at increasing the supply of affordable housing, improving the housing options of vulnerable people and raising the standards of training for staff in

giving advice. A number of key actions and targets are contained in the Local Area Agreement – particularly LAA 26 and 27 – aimed at this client group, that commit partners to working together to meet the targets they contain.

5. RESOURCE IMPLICATIONS

- 5.1 The Council has a capital budget of £1 million per year between 2008 and 2011 to assist with the procurement of new affordable housing across the city and help the Council intervene in the housing market, where necessary, to create additional lettings. The majority of this money is used as 'top-up' grant on new development schemes to ensure the units remain affordable 'in-perpetuity' and to help attract maximum grant through the National Affordable Housing Programme – now administered by the new Homes and Communities Agency (HCA). The remainder of this money is used to subsidise a range of other projects from the Extralet scheme to funding extensions and conversions and developing the Council in-fill sites.
- 5.2 In its response to the housing market downturn, the Government has agreed to bring forward large sums of money from future years' housing budgets to help the HCA, housing associations, private developers and local authorities maximise the opportunities for creating new affordable homes. As a 'strategically significant city' Exeter will expect to receive a considerable proportion of the funds available in the South West and further investment from the Council's own capital programme will assist in attracting this type of funding.

6. CONCLUSION AND PROPOSAL

- 6.1 The current housing market slow-down across the Country is something that the housing service is pro-actively responding to and monitoring regularly. Housing staff will continue to work very closely with developers and housing associations in the city to offer help and advice, where possible, to enable the completion of developments currently on site or to start schemes with planning consent on sites with Section 106 agreements attached. In particular, the Council is looking, with local RSLs, at acquiring extra units from developers to give them certainty of sales and therefore the confidence to either continue on site or progress towards a start-on-site date.
- 6.2 In undertaking these negotiations with developers, it will be necessary to adopt a flexible approach to the negotiation of existing Section 106 agreements. This will ensure that opportunities to procure new affordable housing are maximised and that developers are helped to regain the confidence to start building. The need to vary Section 106 agreements could include the following matters: (although this is not intended as an exhaustive list)
- The Council's approach until now has been to seek affordable homes provided on S106 sites to be clustered in small groups. This provides a balance between avoiding undue concentrations of affordable units and the management problems posed by widespread dispersal (ie 'pepper potting'). The bringing forward of affordable homes before private sector completions, or agreements of higher proportions may require a more flexible approach with larger clusters to avoid problems of planning infrastructure.
 - In some agreements the price at which affordable housing is to be sold to an RSL is capped in recognition of the levels of grant funding available at the time and the overall developer contribution. If more grant becomes available it may be appropriate to lift this cap.

- It is possible that grant funding via the Homes and Community Agency may be available on the basis that all or part would be repaid by the developer when the market recovers. To enable developers to take advantage of such funding, it may be appropriate to amend agreements to provide a mechanism for repayment. Of course, should market conditions remain depressed in the longer term grant repayment may not be achieved. This is a risk the Homes and Community Agency would need to take into account then deciding if a particular application for grant should be funded.
- 6.3 Many of these ideas are currently being trialled across the country and officers will continue to monitor the development of such policies to assess whether they can be applied locally.
- 6.4 Given the fast moving situation within the housing market and the need to respond quickly and flexibly, it is important that officers have the ability to negotiate such deals with developers and vary existing Section 106 agreements where necessary. The Head of Planning and Building Control already has powers to agree minor variations to the terms of existing and proposed section 106 agreements in consultation with the Head of Legal Services and Chair of the Planning Committee.
7. **RECOMMENDED** that Scrutiny Committee – Community supports and Executive agrees to:
- 1) Note the report and its contents;
 - 2) Maintain a flexible approach to renegotiate and vary existing Section 106 agreements and consents to encourage the development of affordable housing wherever possible; and
 - 3) Recognise that variations to the specific terms of S106 agreements regarding affordable housing, where neither the overall proportion of affordable housing nor the proportion of affordable housing for rent is reduced, will be treated as minor and therefore delegated to the Head of Planning and Building Control (in consultation with the Head of Legal and Chair of Planning Committee), where supported by the Head of Housing Services and the Portfolio Holder for Housing & Social Inclusion.

HEAD OF HOUSING SERVICES

S:LP/PA/Committee/109SCC3 v2
2.1.09

COMMUNITY AND ENVIRONMENT DIRECTORATE

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:-

None