

Delivering Large Scale Housing Schemes

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This briefing considers the deliverability and impact of large-scale housing developments. It is based on research conducted by Heriot Watt University and Three Dragons Consultancy for the RTPI South West region. The research combined analysis of data about the housing market and housing supply in the South West of England with an investigation of six case studies selected to represent a range of large-scale developments in the region.

Who should read this?

This report will be of interest to local and regional policy-makers, decision-makers and practitioners, national government policy-makers, and researchers and commentators interested in planning and housing.

Key messages for local authorities

Steps that are within the control of local authorities and should form part of good practice in delivering large-scale developments:

- Early identification of potential schemes including analysis of key challenges such as land ownership consolidation and infrastructure constraints.
- Develop partnerships with scheme promoters and developers as soon as possible after they have emerged or been identified – this may be in the form of a bespoke single-purpose group.
- Give consideration to development corporation approaches (either private or public sector-led) as well as joint venture models.

- Leadership within the local authority, including elected member support, which establishes the importance of the scheme to the authority and how it fits with the authority's objectives and plans.

- Build flexibility and reviews into major projects over many years to take account of changing markets and impacts on viability.

- Authorities should connect on an informal basis to share ideas and learn from others' experience.

Key messages for developers

- Establish partnerships with local authorities and other stakeholders as soon as possible.

- Push for early delivery of infrastructure wherever possible, and provide a single voice to funders.

- Adopt design-led approaches aimed at maximizing *long term* value.

- Take a flexible approach to revising masterplanning in light of changes.

Key messages for national politicians and policy community

- Find suitable replacements for the strategic planning processes provided in the past by structure plans and regional plans.

- Provide public investment and access to finance for the early development of key infrastructure to overcome viability issues.

- Establish a knowledge-sharing network between a peer group of LA's to share experience of large-scale developments.

For more on this & other housing research see:
rtpi.org.uk/housingaffordability

Main findings

About the research

The research investigates the impact of large-scale housing developments in order to increase understanding of the ways in which the housing market has, and is, changing, and to assist with the adoption of more appropriate approaches to the delivery of genuinely more affordable housing.

The research combines analysis of the housing market and housing supply in the South West of England with an investigation of six case studies of large-scale developments in the region.

The case studies were chosen to represent a range of locations, values, site types and scales and stages of development. The case studies range from 650 dwellings to around 8,000. They are predominately residential developments, although in the larger schemes there is also the provision of a mix of non-residential uses including retail and community uses (for example, schools) and employment.

The case studies are: Bath Western Riverside (Bath); Charlton Hayes (South Gloucestershire); Cranbrook (East Devon); Monkton Heathfield (Taunton); Sherford (Devon); and Tolgus (Redruth).

House prices and affordability in the South West

Affordability is a problem across the region and the South West is one of the least affordable regions in England, with affordability levels close to those of the South East. Adjusted for inflation to 2016 values, the average house price in the South West in 1983-89 was £89,950; and in 2010-15 it was £238,650, a rise of almost 2.6 times over 30 years. This increase far outstrips income growth.

New housing supply, through housebuilding completions, has been in serious decline over quite a long period and the trend in the South West has mirrored that of England as a whole. This is well-illustrated by the rate of housing completions per 100 households. In the South West, the rate was around 1.75 in the late 1980s and is currently running at around 0.75.

While the study is specifically about supply, it is acknowledged that house prices/affordability are strongly driven by demand factors, interacting with sticky/inelastic supply, and that this excess demand is reflected in both house prices and land values. Demand can be stoked-up by easy credit and tax concessions, as well as by the traditional factors of incomes and demographic growth.

Scale and impact of the case study schemes

Large-scale developments do not immediately lead to lower house prices. New build sales in the case study sites tended to be priced somewhat above the median level for the housing market area in which they are found.

The modelling in this research indicates that house prices would be lower in the housing markets where the case studies sit by between 1% and 8% by 2021 and by between 2% and 15% by 2031 than they would be if the schemes were not built.

The ability of younger households (aged up to 40) to buy, given normal mortgage lending criteria and taking account of estimated income distributions, was projected to improve by 5-8% by 2031. Inevitably, the impact on prices and affordability depends on the scale of the new developments in relation to the scale of the housing market area in which they sit.

Large-scale schemes also provide opportunities to deliver a steady flow of a relatively large amounts of affordable housing (of around 25-30% of the total dwellings). This is predicted to enable increases in the social housing supply of 5-17% in their housing market areas.

These improvements in general housing market affordability could also be achieved if a similar number of new homes were provided at the same pace across a number of smaller sites. However, it is not clear that a multiplicity of smaller sites would be built-out any faster than, or be subject to, the same S106 obligations as the type of large-scale development reviewed in this research.



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Types of housing provided

The case studies include different development types and the development characteristics reflect this. For example more flats are provided in higher density regeneration sites and in town centres.

Delivery of affordable housing is guided by local targets, but varies due to scheme specific factors. Large schemes can have a major impact on whether a local authority meets its affordable housing targets. However, the proportions and type of affordable housing achieved often differed from plan targets. This is usually because of changed grant funding priorities and viability issues which meant less affordable housing can be delivered and/or the tenure mix changes. Some of the affordable housing built-out was grant funded and some not. There is not always a clear link between amounts of affordable housing achieved and grant available.

Timescales

Large-scale strategic developments take time to start to produce housing completions. For the case studies, on average it was 10 years from the time the schemes were first identified until development began.

There is no single reason for the time taken with issues around land ownership, funding availability, working relationships and guidance all playing a part. The market downturn of the late 2000s also held back development in most of the case studies.

Once the schemes are started, they can deliver up to 250-350 dwellings per annum. However, the flow of completions can be erratic year-on-year and will depend on a number of factors including the pipeline of full permissions, the strength of the local market and the perceived attractiveness of the scheme to draw in purchasers.

Role of design and master planning

Design has an impact on deliverability of schemes. Some of the case studies have had strong design-led approaches and these are expected to have longer-term commercial gains. However, they may also have short-term tensions with more standard approaches to delivery. If

misjudged, they may also constrain market and affordable housing delivery.

Both the private sector and the public sector have a role in the masterplanning and design guides. While the original masterplanning will be undertaken to support the promotion of the site, there is also a role for the local planning authority to maintain oversight of the design process to ensure the desired quality is safeguarded and for the officers and committee members to uphold the principles set out. There will be occasions where masterplanning will need to be revised and therefore some flexibility is important.

Role of strategic planning

All of the schemes studied which are well advanced were the product of formal statutory strategic planning processes – either structure plans or the South West Regional Spatial Strategy. For some time housing completions have been reliant on this legacy. Urgent steps are now needed to fill the gap left by the removal of formal strategic planning.

Local authority approaches to strategic sites

Delivering large-scale development requires a range of skills and approaches that may be unfamiliar and local authorities have responded in different ways to the challenge. This ranges from setting up dedicated in-house teams, through to bespoke structures that combine multi-authority input along with the developers/land owners.

These organisations (perhaps labelled as projects or delivery boards) may be set up and have oversight for one scheme or for the growth of a wider area. They typically include the local authorities and the developers/landowners involved as well as the major potential funders (such as the Homes and Communities Agency and the Local Enterprise Partnership).

However they were established, the teams increasingly bring together a range of traditional planning skills, alongside development and funding know how with senior level involvement. It is now unusual for an authority to deal with this

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scale of development through its standard development management route.

Viability issues

Viability issues emerged as a common theme across all the case studies. These issues can affect a scheme across its life. While the main viability discussion takes place as part of the outline planning permission process, external events later on (for example the property market downturn of 2007-08) can result in changes in the scheme's circumstances and renegotiations. New phases of development and new (outline) planning applications also tend to lead to renewed viability discussions.

S106 agreements are often reviewed more than once and the availability of public funding will impact on what can be achieved. Some of the case studies have been in receipt of substantial amounts of public funding in order to overcome these issues and this has enabled delivery to proceed.

Viability issues differ depending on affordable housing requirements, public funding availability and infrastructure needs. Different solutions identified for each case study usually involved compromises between the amount and type of affordable housing secured and other infrastructure provided.

Where the site is required to provide substantial infrastructure (for example, off-site transport, schools, town centre facilities), the viability issues that arise can be sufficient to halt progress until some solution such as funding support or reduced planning obligations can be arranged. Viability issues are exacerbated where the infrastructure is required early in the development.

The type of housebuilder involved in large-scale developments is currently limited to the major national developers (as well as to the major housing associations). Proactive

planning would be required to broaden the range of businesses involved.

Funding

Some of the case studies have been in receipt of substantial amounts of public funding either in support of affordable housing delivery and/or infrastructure needed to bring forward the development. Others have had little if any public funding.

The research identifies five factors that seem to be important in securing public sector funding:

- i) a clear development strategy shared across all relevant authorities;
- ii) high level political agreement on what is required and priorities for funding;
- iii) 'ready-to-go' schemes that can pick up short term funding opportunities;
- iv) a clear 'single voice' to funders so it is apparent what is required; and
- v) lobbying to ensure the value of the scheme is understood by funding decision makers and local and national politicians.

The full report is available on the RTPI website at:

<http://rtpi.org.uk/knowledge/better-planning/better-planning-housing-affordability/>

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