

STRATEGIES

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HOUSING

EXECUTIVE SUMMARY

Background

There is a housing crisis in this country. Population growth (set to increase by 7 million by 2030), the collapse of the traditional family unit, divorce and immigration, combined with a failure to deliver new housing at matching rates has led to a critical and imminent housing crisis. 2.5 million homes are needed in the next 10 years.

Sherford is a response to this crisis at a regional level. The sub-regional need for a new community at Sherford has been informed by a number of factors:

- A shortfall in residential development within Plymouth City and the South Hams within the last 10 – 15 years. Actual completions and the development pipeline, running well behind demand rates
- High levels of general population relocation to South West England. Inward migration to the sub-region – principal and second home (particularly South Hams)
- The increase in the number of elderly people within the local area

There is equally an affordability gap between house prices and earnings. This is a national issue but South Hams rates as the 16th least affordable of 53 local authorities. The national average proportion of housing designated affordable is marginally below 20%. Plymouth has just over 20%; South Hams, Carradon and West Devon settle around the 10% mark. All dwelling average values for PL9 (Plymstock) PL7 (Plympton) and PL8 (Brixton/Yealmpton) at June 2006 are £190,000, £170,000 and £338,000 respectively. Average earnings for men in full-time work in Plymouth Urban Area (PUA), South Hams, Devon County and the South West region are £16,000, £18,000, £15,800 and £17,800 respectively.

For further detail of the Background to Housing Need please refer to the end of this chapter.

Meanwhile, the need to control the delivery of housing has led to a planning environment that demands regulation and this relies on standardisation. The business models and production efficiency methods of those that deliver housing lead to systems equally reliant on standardisation. One system reinforces the dependency of the other.

Existing settlements have in many cases become saturated and have had housing estates or dormitory developments grafted onto them

This forces planning authorities to prescribe affordability as a 'tax' on development where traditionally the market would deliver.

The Challenge

There are, therefore, a number of fundamental challenges that are universal to all development on this scale in the UK and specific to Sherford, namely to:

- increase immediately and substantially the supply of housing
- match the supply to the unique complexities of demand
- be flexible in delivery to the extent that the accuracy of that response is maintained over time
- maintain social balance and inclusiveness so that the society of people flourishes and lasts
- respond to the requirements of planning policy and protect Affordable Housing from the competing capital demands of infrastructure and other on-site investment priorities
- accept control through regulation and standardisation but allow for the subtlety of traditional development
- ensure that the imperative of quantity does not compromise the quality of existing and new
- ensure the viability of development and avoid the temptation to unduly burden it with wider infrastructural demands which are not directly attributable to such development

Red Tree's response

Sherford will, by virtue of the supply of 5,500 dwellings, release pressure on local housing demand. In itself, though, this is not enough.

Red Tree proposes to deliver affordability not just through the provision of prescribed Affordable Housing, but by developing the com-

plex mix of different types of home by size, type, configuration and value across the private market housing traditionally found in towns that have developed over time.

(Please note that throughout this document reference will be made to generic affordability or affordable housing but when discussing prescribed affordable housing it will be capitalised 'Affordable Housing')

The organic growth of traditional towns over centuries results in an extraordinary variety of dwellings and other use types. This is primarily a reflection of their evolution; periodic layering of hap-hazard increments of small-scale development with some 'moments' of more formally planned urbanism. This growth pattern at widely varying densities is thrown over an increasing footprint of land made up of disparate ownerships and is best characterised as 'unique complexity'.

The richness of housing choice, by size, tenure, value, type and character, reflects the equally complex demographic profiles of the people who live in the towns. If this is underwritten with a supply level that at least keeps pace with demand and is flexible, the proper condition for universal affordability is met. The width of supply matches the unique complexity of demand. Without this you do not have a sustainable community.

The planning requirement for prescribed Affordable Housing must also be provided to guarantee that the housing on offer will fit demand across the whole spectrum. South Hams District Council (SHDC) demand is for 50% Affordable Housing. Red Tree's strategy has to balance the varying demands of social sustainability and viability when contemplating the delivery of this level of affordability. In response Red Tree proposes a top to bottom hierarchy of property by value and tenure simplistically summarised in Figure 1.

Of the total number of dwellings a minimum of 40% (approx 2,200) will be Affordable Housing. It is intended that this Affordable Housing will be split between 12.5% social rented (approx 700) and 27.5% (approx 1,500) intermedi-

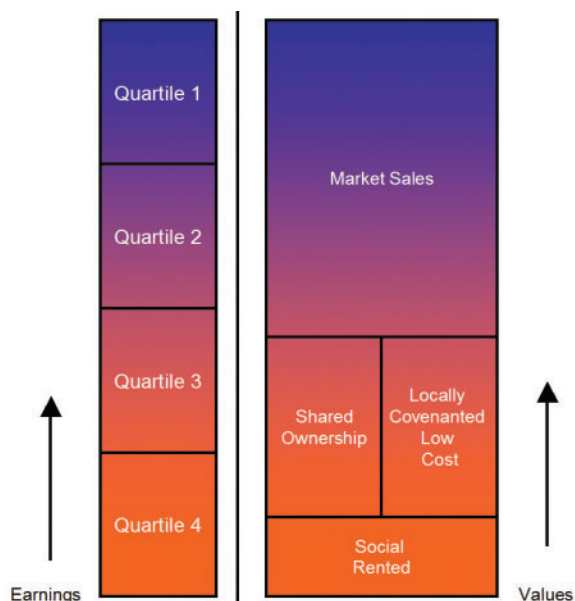


Figure 1
Hierarchy of Property Value and Tenure.

Dwelling Tenure	Percentage range of total housing		Range by number of dwellings	
	Min	Max	Min	Max
Social rented	12.5%	15.0%	688	825
Intermediate - Shared Ownership	12.5%	15.0%	688	825
Intermediate - Other Tenures *	15.0%	20.0%	825	1,100
Total Affordable Housing	40.0%	50.0%	2,200	2,750
Market Sale	60.0%	50.0%	3,300	2,750
Grand Total	100.0%	100%	5,500	5,500

Please note that the proposed mix is expressed in the 'Min' percentage column. This may climb to the 'Max' percentages should funding become available either through Social Housing Grant or the Fund Pool (see Funding).

* Intermediate Other will not have specific financial discounting mechanisms applied directly but will comprise housing that is by value and covenant affordable for key areas of localised demand not otherwise satisfied in the open market. The covenant status will have a suppressing impact on the market value, which are projected to match the 'market values' of Intermediate Shared Ownership properties.

Housing Type	Market		Intermediate (Shared Ownership)		Intermediate (Other)		Social Rented		Total	
	No.	% Total	No.	% Total	No.	% Total	SR	% SR	No.	% Total
1 bed apartment	99	3%	69	10%	25	3%	69	10%	261	4.75%
2 bed apartment	331	10%	193	28%	83	10%	138	20%	743	13.50%
2 bed terraced house	396	12%	193	28%	99	12%	124	18%	811	14.75%
2 bed semi-detached house	66	2%	14	2%	17	2%	14	2%	110	2.00%
3 bed terraced house	990	30%	172	25%	248	30%	261	38%	1,671	30.38%
3 bed semi-detached house	66	2%	14	2%	17	2%	14	2%	110	2.00%
3.5/4 bed terraced house	825	25%	34	5%	206	25%	69	10%	1,134	20.63%
4 bed detached house	363	11%	0	0%	91	11%	0	0%	454	8.25%
5 bed detached	165	5%	0	0%	41	5%	0	0%	206	3.75%
Grand Total	3,300	100%	688	100%	825	100%	688	100%	5,500	100.0%
% of Total	60.0%		12.5%		15.0%		12.5%		100.0%	

NB: The distinction between semi-detached and detached is not specified for 4 to 5 bedroom in order to make this Table manageable but it is recognised that there are likely to be material proportions of these sized dwellings that pair very well.

ate tenure housing. The proposed mix by tenure is shown in Table 1 and further by type and size in Table 2.

In arriving at this mix Red Tree have relied on the definition of affordable housing as contained in the SHDC Sherford Area Action Plan (AAP). The AAP defines affordable housing as follows:

“Housing which provides for the needs of local people within the Plymouth sub region and the wider South Hams who cannot afford to buy or rent on the unrestricted open market. It can include social rented housing and a range of intermediate housing. Intermediate housing includes shared equity, discounted, key worker and locally targeted constrained market housing. Affordable housing should meet the needs of eligible households, including availability and low enough cost for them to afford and is determined with regard to local incomes, local house prices and/or local need.”

The total housing stock must be in balance both through development phases and at end-state. The supply must be certain in terms of commitment but flexible; able to respond to changing demand throughout the development phases. For this reason Red Tree proposes an indicative mix of house types which will be monitored through each development phase. The proposal is parametric; it includes a baseline or minimum provision of each tenure of housing within Affordable Housing but allows increases to these minima subject to the performance of the development over time (see Funding). Equally some tenure types are capped.

Red Tree will ensure that local needs come first. The supply will respond to the highest priority of demand – that being local and sub-regional. This will be the case for market and Affordable Housing. Social Rented will be subject to cascading tiered nomination qualifications, and a significant amount of intermediate will be subject to covenants protecting local need.

Affordable Housing must be genuinely affordable. With a high ‘target’ aspiration of affordable housing delivery through new schemes, a finite funding pool could theoretically be spread as

a shallow discount over a large proportion of homes. The resultant supply would not match equivalent need. The effective discounting (whatever the mechanism for access to ownership) must make home ownership properly accessible to intermediate buyers as described in the SHDC AAP above.

Red Tree proposes a strategy that also delivers a funding mechanism, that will extend the provision as an absolute commitment, at outset. These funds will be derived from the performance of market properties and from the stair-casing of shared ownership properties. Capital amounts generated from future stair-casing of shared ownership dwellings and an overage of private sales will contribute to a pool that may be used to increase the overall levels of affordable housing, reverse stair-casing initiatives and on-site or off-site affordable housing schemes within the sub-region. Red Tree is confident that the scale of the pool funding, which may be further enhanced by Housing Grant, will comfortably deliver the additional provision, from 40% to 50%, required.

The Town Plan and Design Codes will protect the public realm but allow for the complexity of mix and the uniqueness of place.

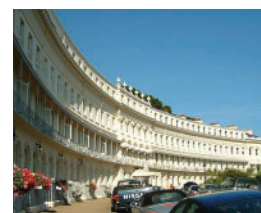
The build method will deliver the complex range of housing required without fracturing the overall composition of streets. Within each development phase, design will be ‘street-led’; identification of legible movement networks and streetscapes will create the framework within which block and building types sit.

Housing will contribute to and create a socially sustainable community, not compromise it. Design, mix and management will contribute to social inclusiveness and community integration.

Market and Affordable Housing will not be isolated from each other or zoned but may be clustered for management efficiency. Affordable Housing will not be separated from Market Housing by the quality of their design. It will be ‘tenure-blind’.



Plymouth City Centre



Torquay



Noss Mayo



Red Tree proposes that this strategy will deliver a socially inclusive and sustainable community that responds to local housing need across the range of demand without prejudicing the viability of the whole.

COMMUNITY AND SOCIAL INCLUSIVENESS

Levels of affordable housing will be self-defeating if the demographic outcome impacts negatively on the social balance and sustainability of Sherford. The aspiration to generate Affordable Housing is commendable but short-sighted if the end state collapses the community.

Sherford will have integrity as an independent community, even if as part of the wider Plymouth sub-region. A level of affordable housing in the traditional sense of social rented, discounted or shared ownership models, of anything over 25% would be unique as an end state to a stand alone community.

The national average for discreet and 'complete' communities is 20%. South Hams has 11.6% affordable (including shared ownership) with Plymouth at 22.1% by these definitions (SHDC Housing Needs Assessment, 2006). Sherford is proposing considerably higher levels than this.

Sherford will, by design, mitigate the impact of these higher levels by avoiding one of the most socially fracturing elements of previous development – zoning.

The development will operate a 'tenure blind' policy where Affordable Housing is fully integrated and not zoned. All tenures of affordable housing will be indistinguishable from other housing types both in terms of design and build quality and this will include social rented accommodation.

Nevertheless, social rented housing may be clustered in some cases for ease of management and orientated towards community facilities, public transport, access and other daily needs. This clustering could be as fine a grain as a single property or block of flats and may extend up the entire block. There will be no 'zoning'

beyond a single block and it is unlikely that affordable housing will take more than a single run of terrace or block side.

By treating affordable and private housing in the same way, in terms of physical structure, a range of opportunities in a continuum from most deprived to most well off is created in a way that is tenure blind. By making sure there is a full spread of dwellings focussed around walkable neighbourhoods with good mixed-use, we will have made for an inclusive and dynamic environment to enfranchise residents.

The strategy will ensure that the housing delivers a mix so as to avoid both extremes i.e. affordable housing ghettos and gated communities. This will ensure that spatial boundaries do not reinforce social boundaries and will engender a spirit of community and enfranchisement that is often lacking in other new developments. The various types of housing and tenure will not be zoned but clustered and integrated throughout the development.

The ability of residents to laterally and vertically relocate between house sizes, types, tenures and consequently values will offer a flexible dynamic which will defend Sherford against outward migration. Not only will Sherford attract residents and empower them, but it will also retain them.

This will deliver further opportunity for a socially balanced and inclusive community.

The strategy endorses the benefits of mixed tenure neighbourhoods as set out by the ODPM in 2004, shown in Table 3.

DESIGN

The Vision expresses the principles of Red Tree's approach to design and the Town Code deals with the more prescriptive levels of design of private frontage and street composition. The Resource Efficiency of the Built Form section deals with building performance.

The Sherford valley has an extraordinary landscape and careful treatment of each character

Table 3: The Benefits of Mixed Tenure Neighbourhoods	
Economic & Service Impact	Better quality public services – due to demand and advocacy
	Better quality private services – due to demand
	Boost to the local economy – more money circulating
Peer & Social Effects	Reduction in anti social behaviour
	Better up keep of properties and the environment
	Greater motivation and optimism about employment
Community effects	Enhanced social interaction and sense of community
	Reduction in residential turnover
Overcoming social exclusion	Reduction in area stigmatisation
	More local pride in the area
	Bridging social capitals through diverse social networks
Source: ODPM Sustainable Communities : Dimensions and Challenges (Kearns & Turok) 2004	



Plympton St Maurice



South Brent

area will add to the richness and diversity experienced in the built form.

The delivery of Sherford as a beautiful place depends on a deliberate and dynamic tension between control and formality on the one hand and the need for complexity as opposed to a regime of uniformity on the other.

The required delivery rate must not compromise quality of design or build. This will inevitably involve standardisation. This is not a bad thing per se; indeed it has been integral to building methodology and design for millennia.

A subtle balance needs to be maintained, however, between standardisation of build and design codes with teeth. An ugly elevation repeated 15 times will always create an ugly street; a beautifully proportioned elevation repeated 15 times may contribute to a beautiful formal street; a beautifully proportioned elevation repeated throughout the town will create an unappealing relentlessness.

The objective is to localise materials sourcing as much as possible, with a target of 65% of bulk construction materials by mass procured from within a catchment of 50 miles by road. This has a multiple benefit profile including enhancing local distinctiveness, reducing haulage distances and stimulating the local economy. Procurement will be weighted by a system of cascading source locations. Priority will be given in order (so long as knowledge of the system is not used to lever un-economic terms) to supply from the 50 mile road catchment, Devon and Cornwall, the South West, the UK, Europe and the rest of the World. Sherford is well-placed for instance with aggregates immediately on its doorstep.

These terms may be modified where over-riding regard to ethical production, lifespan and renewability of source material is concerned.

This will apply also to engagement of trades. Where on site pre-fabrication or processing is appropriate they will be adopted. Training and apprentice schemes will both reinvest in the local community and deliver to the development the required skills.

Sherford is proposed as a Lifetime Town and individual dwellings, as one component of such a town, must be designed to allow adaptability to changing needs across the time of the occupant's residency. This is acknowledged in both the SHDC and Plymouth City Council (PCC) AAPs. Proposal NP 05 in PCC's AAP requires more specifically that of approximately 320 homes within Plymouth, 64 are to be Lifetime Homes. Red Tree proposes that 75% of the 16 standards of Lifetime Homes will be applied to all dwellings throughout the development and that 10% of all dwellings will be designed to 100% Lifetime Homes Standards. The difference between the levels of standards met recognises the broadest distinction between the general issues of accessibility for parents with young children and generic effects of aging and the greater levels of immobility of people with temporary or permanent disability.

VIABILITY

The level and range of Affordable Housing must not collapse the viability of development, particularly considering the significant levels of community facilities; build standard requirements and off-site infrastructure improvements needed.

While Sherford must recognise the housing crisis that underpins the demand for development, if the provision of affordable housing debilitates its immediate or long term economic viability it will either fail to deliver a solution now or succeed in delivering a greater problem in the future.

Not surprisingly the SHDC Baker Report ('Viability of Housing Proposals in the First Deposit Local Plan, April 2004') concluded that 66% was not viable.

The level of affordable housing must not have a materially detrimental impact on market housing values. The strategy proposed seeks to acknowledge the impact on open market saleability to prospective buyers of a community that will be regarded as heavily burdened with social housing. This is a crucial issue and it will be vital to achieve the right balance between open

market and affordable housing particularly in the early phases.

Red Tree acknowledges that there is not proper or widespread public understanding of the mixes of tenure and intermediate types of affordable housing. This is not a surprise given the many complex issues involved with affordable housing and some deeply embedded prejudices associated with it. Rightly or wrongly, the result is a lower general tolerance in the open market for subsidised affordable housing particularly social rented. Levels of Affordable Housing that are perceived to be high have a real impact on market housing desirability and therefore value.

It will be important to ensure, nevertheless, that affordable housing headline levels should not be a residual of planning agreement negotiations. Given that housing demand underpins the entire rationale for Sherford, it may be appropriate to prioritise its provision ahead of off-site social and physical infrastructure.

HOUSING MIX BY TENURE

In response to the demands and aspirations of the AAP and having regard to the balance between the level of affordable provision and the social and financial viability of the development, Red Tree have identified the mix of tenures across the spectrum of housing sectors as shown in Table 1.

HOUSING MIX BY TYPE AND SIZE

This mix will include accommodation that is both flexible and adaptable for all sectors be they family homes, starter homes, homes for the elderly or homes for disabled people or homes adaptable to changing needs over time.

DELIVERY

Intermediate Tenures

Sherford will offer the widest range of housing to reflect the complexity of demand across all

income levels. It will also target ‘specific need’ groups where identifiable (for example the Joseph Rowntree Foundation’s Intermediate Buyer) to ensure that discounting mechanisms (for example Shared Ownership) are compatible with affordability.

Red Tree proposes to maximise the opportunity for enfranchisement empowering the resident, heightening responsibility through ownership and pride in their community. This will also give individuals the best chance of improving their economic status and will close the gap between those that own property and those that do not.

It should be noted that the demand on social housing grant from Social Rented properties as opposed to Shared Ownership properties is that broadly speaking for every 1 social rented property, perhaps 2 shared ownership properties could be provided.

Intermediate Housing will include a minimum of 12.5% (of total housing) shared ownership (approx 700 dwellings).

This will be offered with entry levels between 25% and 75% on the basis that the correct mechanisms are in place to guarantee an average of 50%

Rent on the balance will be set at 3.0% and will be indexed at RPI plus 0.5% in line with Housing Corporation guidelines.

The market value of these properties will be such that the mechanism effectively discounts access to an extent that they are genuinely affordable relative to household income levels. This will ensure that households in the intermediate market will have the opportunity to own a stake in their houses and increase their equity as their circumstances improve over time.

The shared ownership affordable housing will be built by the developer and transferred to a special purpose vehicle (SPV) which will retain the property portfolio (see Funding below).

In arriving at the appropriate level of value for properties to be sold on a shared ownership ba-

sis we have drawn on the research undertaken and methodology used by the Joseph Rowntree Foundation and Professor Steve Wilcox on the Intermediate Tenure Market. This work uses an income approach to assessing a level of value affordable to those in the intermediate market. To that end we have analysed data from the Annual Survey of Hours and Earnings (ASHE 2005) on average **individual** incomes in the **lower quartile**.

According to the ASHE 2005 average **individual** incomes in the **lower quartile** for PUA, South Hams, Devon County and the South West Region are as shown in Table 4.



South Brent with backdrop of Dartmoor

Table 4: Average Individual Income – Lower Quartile

Average Individual Income (Lower Quartile)	PUA	South Hams	Devon County	South West Region
All Employees	£10,446	x	£9,920	£10,895
Male Employees	£15,171	x	£13,828	£16,090
Female Employees	£7,783	x	£6,745	£7,349
Full Time Employees	£14,340	x	£14,395	£15,800
Part Time Employees	£4,188	x	£4,267	£4,343
Full Time Male Employees	£15,928	£17,953	£15,788	£17,803
Full Time Female Employees	£12,188	x	£12,947	£13,739

Source: Annual Survey of Hours and Earnings 2005 – Table 8.7a
 Note: ‘x’ indicates lack of sufficiently robust information.

In general terms the average incomes shown for the PUA are much in line with Devon County as a whole. While the small sample sizes for South Hams at this level of data do not allow robust reliance on specific outcomes, Full time Male Employees are paid £2,025 p/a more than their Plymouth counterpart (12.7%) and average (mean) earnings in South Hams overall are reported to be higher at £21,824 than PUA as a whole at £18,063 (20.8%) (ASHE 2005). This allows reasonable confidence in adopting a 10% premium to PUA figures in our analysis to reflect both PUA and South Hams intermediate tenure markets.

By adopting the PUA +10% average incomes we can identify indicative household earnings most applicable to the dwelling types within the Red Tree housing mix. In addition to this we have increased these average incomes by a further 10% to project them to 2007 levels based on average earnings growth as reported by ASHE 1998 to 2005. The resultant indicative **household** incomes in the **lower quartile** are shown in Table 5.

Clearly there will be a range of incomes and range of house types and variants to match those incomes. In addition to this there will be overlap between household composition and dwelling type. Table 5 therefore is produced to assess indicative overall average incomes by household composition broadly matched against dwelling type.

Based on these indicative household earnings for each dwelling type we can identify the potential mortgages available to applicants. These are initially based on typical industry multipliers of between 3.5 to 4.0 for single incomes and 3.0 to 3.25 for joint incomes however reduced to ensure affordability at 33.0% of household income. Mortgage repayments are based on 25 year term at 5.5% rate of interest.

Table 6 produces shared ownership values for broad dwelling types based on **indicative household incomes** for the **lower quartile** earners. Our analysis assumes an average 50% entry level with 3.0% annual rent on the un-bought share.

In arriving at the indicative values for shared ownership properties we have also blended the average incomes figures up and down across the dwelling types where appropriate. In this way the average household income will be maintained in our analysis.

The Housing Corporation has in the past suggested a level of income spent on housing between 25% and 33% as being affordable. Taking into consideration the annual rent payable on the un-bought share we have ensured that the total outlay for housing against gross income does not exceed 33%.

Table 5: Indicative Household Income Intermediate Tenure Market – Lower Quartile				
	Single	Couple (1 working)	Couple (1.5 working)	Couple (2 working)
Dwelling Type	Full Time Employee	Full Time Male Employee	Full Time Male / Part Time Female	Full Time Male / Full Time Female
Earner #1	£17,208	£19,114	£19,114	£19,114
Earner #2	£0	£0	£5,026	£14,626
Indicative H'hold Income	£17,208	£19,114	£24,139	£33,739
1 bed apartment	£17,208	x	x	x
2 bed apartment	x	£19,114	x	x
2 bed terraced house	x	x	£24,139	x
2 bed semi-detached house	x	x	£24,139	x
3 bed terraced house	x	x	x	£33,739
3 bed semi-detached house	x	x	x	£33,739
3.5/4 bed terraced house	x	x	x	£33,739

Source: ASHE 2005 / Savills

Table 6: Assessment of Shared Ownership Property Values Based on Intermediate Tenure Market Household Incomes

Dwelling Type	Factor	1 bed apartment	2 bed apartment	2 bed terraced house	2 bed semi-detached house	3 bed terraced house	3 bed semi-detached house	3.5/4 bed terraced house
Household composition		Single	Couple (1 working)	Couple (1.5 working)	Couple (2 working)	Couple (2 working)	Couple (2 working)	Couple (2 working)
		Full Time	Full Time Male	Full Time Male / Part Time Female	Full Time Male / Part Time Female	Full Time Male / Full Time Female	Full Time Male / Part Time Female	Full Time Male / Part Time Female
Indicative Household Income		£17,208	£19,114	£22,932	£25,346	£32,052	£33,739	£35,426
Required Mortgage Multiplier		3.18	3.18	3.18	3.18	3.18	3.18	3.18
Mortgage available (Entry level at %)	50.0%	£54,765	£60,831	£72,982	£80,664	£102,007	£107,376	£112,744
Proposed S/O Value		£109,530	£121,662	£145,964	£161,329	£204,014	£214,751	£225,489
Annual Repayments (25 yr at %:)	5.5%	£4,036	£4,483	£5,378	£5,944	£7,517	£7,913	£8,308
Annual Rent (at %:)	3.0%	£1,643	£1,825	£2,189	£2,420	£3,060	£3,221	£3,382
Total Housing Outlay		£5,679	£6,308	£7,568	£8,364	£10,577	£11,134	£11,691
% Household Income		33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%

The strategy will need to ensure that the effect of the shared ownership mechanism does not discount housing to the extent where prices in Sherford are equivalent to the upper end of an open market housing cost in Plymouth. In other words, the delivery mechanisms should not draw in people who can buy elsewhere on the open market.

Social Rented

Social rented housing generally will be built by the developer and transferred to a registered social landlord (RSL). This will be the default delivery route when clustered grouping is at

individual building or sub-block scale. The exception may be sales of land parcels as appropriate to RSLs. Integration and design mobilise towards developer delivery; critical mass for management efficiencies may argue for RSL delivery.

PHASING – BALANCE AND FLEXIBLE SUPPLY

This is acknowledged within the Sherford AAP where it is clearly stated that:

“Sherford is intended to be a mixed and balanced community and levels of affordable hous-



Dartmouth

ing should not be so great or so little as to create an imbalance of the socio economic groupings within the settlement when compared to other settlements in the area”.

The SHDC AAP continues:

“...considerations of the impact of the affordable housing levels on firstly social sustainability and, secondly viability will determine whether 50% affordable housing can be met on site. Any levels of affordable housing that cannot be met on site may create the opportunity for offsite delivery to assist the wider needs of the South Hams and maintain a social balance within the new community”.

Maintenance of the housing balance through each development phase is vital, particularly when affordable housing, and particularly social rented accommodation, may front load relative to private open market housing. The delivery process must have mechanisms that safeguard against this and the consequential perception of a community with a significant element of social rented housing moving in at the outset of each phase.

The overage mechanism (see Funding below) is designed as much to sensitize those that drive on-site demand as it is to deliver funds to support increased Affordable Housing provision.

MANAGEMENT

Red Tree proposes to manage the Affordable Housing at Sherford in a flexible and innovative manner with an overriding objective to protect standards of service and consistency of delivery. The strategy is as follows:

- Social Rented – this will be built by the developer and may be transferred to an RSL in the usual manner. The RSL will be responsible for the management of the portfolio. All stakeholders will be included in the process of selection of management partner/s who will be chosen from the Housing Corporation list of preferred partners
- Shared Ownership – this will be built by the developer and transferred to an Special

Purpose Vehicle (SPV) which will retain the portfolio. The SPV will be responsible for the portfolio’s asset management whilst the day to day property and financial management will be outsourced to an RSL

This proposal will allow the appropriate management expertise to be targeted at the correct level. The RSL will deal with the practical management of the Affordable Housing with the asset management vested in the SPV and by association the Community Trust. In this way, the residents of Sherford will continue to have a stake in the practical delivery of Affordable Housing which would not be possible in conventional models.

CHOICE BASED LETTINGS

It is proposed that affordable housing availability and demand management, rules of access and property management will be marketed through an adapted ‘choice based letting’ (CBL) scheme.

The early engagement with and use of a CBL scheme will clarify demand ahead of each detailed build phase.

Concern about unfair, bureaucratic allocation of social housing is widespread among housing providers, councils and tenants. CBL schemes were designed to replace a points-based allocation system with a lettings service that home-seekers could understand, and to provide more choice and involvement in selecting a new home. This service was originally developed in Delft and operates in 85 per cent of the Netherlands. Current government guidelines in England suggest that choice-based lettings offer tenants a greater role in deciding where they wish to live and when they want to move. The Government’s Housing Green Paper and other policy initiatives are encouraging social landlords to offer more ‘choice’ in lettings based on a common housing register.

The proposal for Sherford is to use the CBL model but expand its role to include a register of all Affordable Housing stock including shared ownership.



Plympton St Maurice

This may also be expanded to incorporate all market property, primary sale or downstream market rental making the system a universal undifferentiated tool for comprehensive access to property availability.

Not only would the system be an access tool for the applicant but one through which qualifying applicants would be screened. Analysis of this demand would be the guide to next phase delivery on-site.

FUNDING

General

The proposals herein are based on the assumption of no Social Housing Grant. Should that be forthcoming Affordable Housing levels may be reviewed.

Red Tree propose to put in place mechanisms that will contribute funds, dependant on the performance of the development, into a pool fund (The Pool Fund) ring-fenced for Affordable Housing initiatives and community investment.

The Pool Fund may be directed at:

- Increasing levels of Affordable Housing on-site
- Equity buy back and reverse stair-casing on site
- Investing in Affordable Housing off-site

These mechanisms are:

- The Overage Pool - An overage arrangement linked to the performance of sales of market properties
- The Shared Ownership Pool - A financial pool contributed to from future receipts from shared ownership stair-casing

Overage Pool

Red Tree proposes to enter into an overage agreement (via the Section 106 Agreement) to share the surplus generated from the success of the market sale properties.

This agreement would ensure that a percentage of the value of average sales of a proportion of

market properties is attributed to an Overage Pool and ring-fenced for re-investment into Affordable Housing.

The Overage Pool would relate to the amount (Gross Margin) that the market properties sell for above a figure agreed at the outset as the expected sales value. This Gross Margin would be adjusted to take into account any increase in the build costs, above the amount agreed at the outset. The overage is a proportion of this Net Margin.

Due to the scale of the development and the development period there are potentially significant benefits to be gained from future increases in house prices.

For illustrative purposes a hypothetical example:

If the average value of dwellings across Sherford's market property was expected at outset to be £200,000 and the average build cost was £100,000 but private sales in year five were actually averaging £250,000 and build costs were £125,000, the Gross Margin is £50,000 (actual sales minus original projected sales) and the Net Margin is £25,000 (GM less the increase in build cost). If say 40% of the Net Margin were pooled this would mean that all private sales of properties that were part of the Overage Pool mechanism would contribute £10,000 each to the Pool.

The performance of the market property and an additional funding source for affordable housing initiatives are inextricably linked. Phase by phase monitoring of market value performance, affordable housing need profiles and on-site social balance, coupled with the ability to invest the pool on-site or off-site, delivers a mechanism that is appropriately flexible over time and aligns the interests of all stakeholders.

Shared Ownership Pool

Sherford will deliver a minimum number of 688 (12.5%) shared ownership dwellings. This portfolio will be transferred, discounted from its market value, once built by the developer, to the SPV.



Plympton St Maurice



Plymouth City Centre



Plymouth City Centre

Traditionally the property would be transferred to an RSL at the discounted value, being the 'subsidy today' which in the long-term, as stair-casing occurs, creates a future value. This future value in the form of capital incomes from the purchase of outstanding equity would therefore normally release back entirely to the RSL.



Residential Street

The Sherford model requires the SPV to retain ownership of the Shared Ownership properties and to be responsible for the portfolio's asset management, including all property, legal and fiscal responsibilities. The SPV will bear the commensurate market and business model specific risks. The property, financial and treasury management will be outsourced to the providers with the appropriate expertise and governance (for example RSLs).

As part-equity owners increase their proportions of ownership, or stair-case, the capital 'revenue' accrues to the SPV. Likewise rental incomes, though discounted, will pass to the SPV.

The revenue generated from the shared ownership portfolio would be used for debt service and asset management (including sales, marketing and overheads). The balance is the SPV's net profit.

It is proposed that 25% of the net profit will be contractually committed (via the Section 106 Agreement) in equal parts to the Community Trust (12.5%) and a Shared Ownership Pool (12.5%).

In the event of inadequate demand for the allocation of Intermediate (other) Affordable Housing on site, following a period of no less than 6 months from commencement of marketing or 2 months from the property becoming available for occupation (whichever is the longer) it is proposed that the individual units will revert to open market sales. Intermediate (shared ownership) will have to have adequate time allowances before reversion to make sure the local authorities can process each tier of their nomination lists. Upon the sale of such properties that have reverted to open market, the benefit would normally accrue entirely to the developer. At Sherford, however, the properties

would then be caught in the Shared Ownership Pool net. The sale as a private property is the equivalent of an immediate and total stair-case and therefore the process will generate income to the Shared Ownership Pool which may then invest in off-site affordable housing.

OUTCOMES

Delivery of this scale of development in itself releases pressure on local housing demand and thereby makes its macro contribution to affordability.

Delivery of the extensive range of house types, tenures and mix with other uses offers the greatest opportunity of 'fit' with the unique complexity of the demographic profile of demand. All housing is affordable.

The width of supply also allows for migration within Sherford based on residents' change of status: marital, family, age, health and wealth. This also acts as a centripetal counter to outward migration. Design to Lifetime Homes standards allows adaptability to changing needs within a house type across time.

The strategy proposed here ensures that the highest baseline provision of housing prescribed as 'Affordable' is delivered as a commitment at the outset, protected from other competing and front-loaded capital demands and without collapsing viability.

Equally, by setting the threshold at a level that does not compromise the performance of the development as a whole over time, the proposal maximises the ability for long term contributions to be made to increase the Affordable Housing provision. The proposal thereby both assimilates and aligns two agenda that are normally mutually exclusive and helps to de-risk the development programme

The phasing of housing in balance with other commercial and community facility uses underwrites Sherford's social and economic vitality and self-sufficiency and minimises external car trips.



Ivybridge

Tenure blind and non-zoned delivery of Affordable Housing contributes to social inclusion, balance and thereby sustainability.

Retained ownership allows for control of the delivery of spatial mix and of design.

Management linkage to the Community Trust allows for the promotion of communal ownership and responsibility and provides the Community with a controlling interest in something of such importance in the social sustainability of Sherford.

Flexibility of delivery that can respond to changing patterns of need. It is essential in a development programme of this length to avoid the need to slavishly adhere to provision levels set at outset. The profile of latent need at outset may not reflect that need over time. The mechanisms will allow responsiveness to changing Affordable Housing demand profiles.

The proposals offer a structured financial mechanism designed to put funds back into the community at a local level and also the wider area.

The proposals also align the interests of all stakeholders including the local authorities and the developer and remove the principle reasons for adversarial approaches to the delivery of Affordable Housing.

The proposed delivery mechanism will be sensitive to market requirements and if demand on site is lower than projected provision, the flexibility will allow funding to be redirected to reverse staircasing or offsite schemes to meet actual demand.

The mechanism comprehensively covers the original contemplation of Shared Ownership property even in the event of reversion to private sale if demand on-site does not materialise, catching a proportion of value for the Pool Fund.

This flexibility of onward investment also allows for the support of the Community Trust and thereby wider non-housing community sustainability initiatives.

No local authority grant will be needed for intermediate housing.

The strategy will ensure that the overriding objectives for the community as set out in the Devon Structure Plan and the city and district AAPs are delivered. Housing mix and tenure, the level of community facilities and infrastructure as well as far reaching requirements for sustainability all have to be resourced. This proposal will ensure that the objectives of the entire community and its stakeholders are met.



Totnes



Bath

BACKGROUND TO HOUSING NEED

Inward Migration – Second Homes

There are significant problems, particular to the South Hams, concerning the number of second homes. The returns from the 2001 census shows that 11% of the South Hams housing stock are second homes, an increase of 53% from the 1991 census. However, in Plymouth, only 1.3% of the private housing stock was identified as second homes in the 2001 census (a reduction from 1991). This results in a substantial effect on average house prices in the two areas, most notably the South Hams where second home demand, lack of supply and low average earnings have created the current imbalance in the market. This is what Sherford is seeking to address.

Population Growth and Changing Profile

According to the mid 2003 population estimates there were 81,800 people residing in the South Hams at that time. 24% were of retirement age comparing to the equivalent figures for England and Wales of 19%. 32% were 15-44 year olds against a national weighting of 40%. (Source: Office for National Statistics)

Between 1980 and 2002, the population of South Hams grew by 23% compared with an increase of 13% for the South West region as a whole. This fact, together with the lack of delivery on residential development over that period, the substantial increase in the number of second homes and the high average house prices have led to the housing situation in which South Hams finds itself today.

By contrast, Plymouth City, according to the mid 2003 population estimates had a total of 241,500 residents of whom 18% were of retirement age in line with national figures (19%).

Between 1982 and 2002, the population of Plymouth declined by 6% compared with the increase of 13% for the South West region as a whole. This regional rise failed to stop the localised decline in population over that time and this in turn could be linked to the type and quality of older housing stock and the generally

poorer levels of economic activity over that period.

In terms of future population, the Office for National Statistics 2003-based Sub-national population projections estimates for South Hams and Plymouth City between 2003 and 2028 are shown in Table 7.

	South Hams	Plymouth City
2003 (base)	81,800	241,500
2008	83,100	242,300
2013	84,600	243,600
2018	86,500	245,400
2023	88,600	247,700
2028	90,500	250,200
Growth/decline over period	+ 8,700	+ 8,700

Source: Office for National Statistics / 2003 based Sub-national Population Projections 2004

Population projections, however, in the latest Housing Market Assessment/Housing Needs Survey (Draft – available on SHDC website) projects higher population increases at 16,312 for South Hams and 37,400 for Plymouth, recognising Plymouth City's accelerated growth strategy.

Plymouth Hoe



The HMA/HNS projections are based on information provided by Devon County Council and Cornwall County Council (for Caradon). Devon CC projections are based in turn on Registrar General mid year estimates calibrated to 2004 estimates and based on the last 20 years migration period. The Caradon projections are based on 2003-based ONS sub-national population projections.

This is significant given the location of Sherford, albeit providing an indication of possible levels of potential demand from the PUA.

Completions

In terms of the regional context, between 1995 and 2002, 29,400 dwellings were completed in Devon equating to 4,200 across the county per annum. This completion rate was significantly below the required annual average provision of 4,730 which was adopted in the Devon County Council Structure Plan for that period. The current Devon County Structure Plan to 2016 seeks an annual completion rate of 4,300 per annum to reflect the past shortfall as well as current and emerging regional planning policy.

There are also considerable differences between housing completion in South Hams and Plymouth City. Between 1995 and 2002, 2,533 residential units were completed in the South Hams whilst 3,359 units were delivered in Plymouth City. Significantly, the South Hams figures place the authority in eighth place out of the 11 Districts within Devon.

The supporting demographic data within the current Devon Structure Plan to 2016 identifies that some 13,600 open market dwellings were unaccounted for thus fuelling the demand for a development at a sustainable location like Sherford. This is a key point in identifying why a new community is required and explains why it was endorsed by regional and local stakeholders.

Supply

The Devon Structure Plan (adopted October 2004) identified the need for 14,500 new homes

in the PUA by 2016. 10,000 (69%) are to be provided on brownfield land, the remaining 4,500 (31%) has to be in sustainable locations on the margins of Plymouth City.

The objective of both PCC and SHDC is to see Sherford become a new, yet distinct, component of the City over the next 20 to 40 years. By 2016 the development will be a community of 4,000 dwellings. Before 2026 it will have grown to 5,500. Any future development beyond this period will be west towards the City. Sherford will contribute by retaining a market town focus in a rural setting with local distinctiveness to create a clear and defined edge for the city

Affordability

In simple economic terms the act of supply will create momentum towards market affordability although it is clearly shown that the market cannot necessarily be entirely relied upon to deliver affordability at lower levels.

Shared Ownership Affordable Housing must be available to buyers whose financial status can access ownership in a sustainable way. This means that the mechanism for discounting the cost of different dwelling types must be matched to the income levels of the equivalently profiled households.

There is not an unlimited availability of funds and it is therefore more appropriate for Sherford to deliver a lower proportion of 'heavily discounted' dwellings that meet the actual demand than to deliver a large proportion of less discounted dwellings for which there is no demand.

It is also important not to underestimate pride - buyers would prefer to buy a lower value property than be patronized by 'state-aided' access to property, unless the mechanism of access delivers a material enough discount, without which any form of appropriate home ownership would be impossible.

Research by Professor Steve Wilcox on behalf of the Joseph Rowntree Foundation ('Affordability and the intermediate housing market:

Local measures for all local authority areas in Great Britain 2005³) illustrates the need for deep discounting in order to encourage access to home ownership. Professor Wilcox's research identifies an 'intermediate market', by which he means those households whose incomes are too high for them to be eligible for rented accommodation from a housing association or local authority but who cannot afford to buy a property even in the cheapest 10 per cent in their area.

The Joseph Rowntree Foundation research also shows that within the South Hams, 48% (2,568 households) of younger working households aged between 20 and 39 are categorised as requiring intermediate housing. For the same category in Plymouth the figures are lower although there is still a substantial intermediate need at 24% (6,925 households).

The research shows that in 2004, based on **average household earnings** of £33,848 per annum and **average house prices** (a 2 to 3 bed dwelling) of £200,012 in South Hams, there is a price to earnings ratio in South Hams of 5.91. South Hams is ranked 16th of 53 local authorities

In Plymouth the ratio at that time was a more palatable 3.89 and in South West England 4.74 against a national figure of 4.13.

In identifying what is truly affordable to the intermediate tenure market for Sherford, the price and value of housing types need to recognise the financial status of the target household to which they will be sold. The two main drivers will therefore be income levels and relative market values. In order to understand this it is important to identify the location and setting of Sherford within the existing built up areas.

Table 8: Average House Price from H.M. Land Registry Data for PL7, PL9 and PL8.

Postcode Area / Location	Period	Jan - Mar 2005	Apr - Jun 2005	Jul - Sep 2005	Oct - Dec 2005	Jan - Mar 2006	Apr - Jun 2006
PL7 – Plympton	Houses	£167,564	£157,797	£172,380	£161,471	£169,477	£171,296
	Flats	£116,981	£137,023	£157,048	£131,208	£133,062	£128,757
	All	£162,095	£154,986	£171,312	£159,477	£166,891	£169,797
PL9 – Plymstock	Houses	£197,753	£190,067	£210,833	£200,344	£208,322	£194,430
	Flats	£157,196	£104,268	£107,850	£99,500	£83,333	£108,583
	All	£192,083	£185,667	£206,871	£197,636	£205,144	£190,614
PL8 - Brixton / Yealmpton	Houses	£424,500	£232,846	£302,221	£304,628	£305,884	£338,615
	Flats	£261,000	-	-	-	-	-
	All	£370,000	£232,846	£302,221	£304,628	£305,884	£338,614

Source: H.M. Land Registry

It is important to note that the information from Land Registry from which the average house prices are obtained simply shows the average of all property sold over the period. These figures show trends but cannot accurately reflect all values unless analysed by size and type. They would also need to be 'corrected' to adjust out the weighting of the more active second home buyers (11% of the total stock in South Hams, at least 40% in several parishes and at least 50% in one parish) who tend to buy at the upper end of the market. This is a crucial issue – average house prices can be a very emotive subject and arguably misleading given local factors such as the influence of second homes.

House prices will vary considerably across the Plymouth sub-region but a detailed assessment at postcode area level of Land Registry data from January 2005 to June 2006, shows consistently lower values in PL7 (£169,767) and PL9 (£190,614) than in PL8 (£338,614) (see Table 8). These areas surround the Sherford development. However, Sherford is straddled by PL7 and PL9. These areas, principally Plymstock and Plympton, are relatively high density developments with tightly packed street layouts.

PL8 by contrast is predominantly rural but incorporates Brixton and Yealmpton which also have a significantly more rural feel with dwellings occupying larger plots interspersed with open green spaces.

As Sherford will be an edge of city extension, lying between Plympton and Plymstock, adopting a more traditional street layout, values will need to relate more closely to Plympton, Plymstock and the eastern fringes of PUA.

The development of Sherford will effectively define the Plymouth City eastern boundary in terms of built up area.

The values of properties at Sherford will therefore need to reflect a balance between being an urban extension of Plymouth City and its attachment to South Hams. It is not appropriate to compare Sherford values directly with those of Brixton and Yealmpton which comprise larger dwellings on larger plots and where activity in the market is significantly affected by the more affluent second homes and retirement sectors. Sherford should not supply more properties to these 'in-migration' markets to the detriment of the Sherford community. The Sherford development will be focussed on increasing the supply of properties to local people in housing need.



Residential Street.
Illustrator: Ben Pentreath