

Date: 30th March 2017

Matter 5

HYNDBURN DEVELOPMENT MANAGEMENT DPD EXAMINATION

Matter 5: Housing

1. The following hearing statement is made for and on behalf of the Home Builders Federation. This statement responds to selected questions set out within Matter 5 of the Inspector's *Schedule of Matters, Issues and Questions*.
2. The Inspector's Issues and Questions are included in bold for ease of reference. The following responses should be read in conjunction with our comments upon the submission version of the DPD, dated 7th November 2016. The HBF has also expressed a desire to attend the examination hearing sessions.

Issue 5a: Is the approach set out in policy DM10 to high-density schemes or those with a high proportion of terraced/town house provision justified?

Q26. Paragraph 5.6 states that very high-density schemes or those with an overly high proportion of terraced/town house provision will in general be resisted. Is this justified? Would this affect the delivery of affordable housing provision?

3. The HBF is unclear why the Council would wish to resist such schemes and on what basis it would seek to do so. This would seem unsound and is likely to impact upon affordable housing delivery. Furthermore it would appear to run contrary to the Governments desire for developments to make the most efficient use of land.

Issue 5b: Proposed modification to policy DM10

Q27. The Council has proposed modifications to policy DM10. Specifically, the insertion of additional criteria to 1d and 1h. Additional text is also proposed to clarify that the applicant would be responsible in meeting the costs for any mitigation measures required in relation to residential amenity. It is also proposed to insert additional text to paragraph 5.7 to clarify that criteria 1c relating to Building for Life is not a mandatory standard for all developments. Would these changes be main or additional modifications? Would the modifications affect the soundness of the plan?

4. The HBF is pleased to note that the Council intends to amend the wording within the plan in relation to the use of the Building for Life criteria. We will, however, await the final amended text prior to finalising our comments.

Issue 5e: Does policy DM12 provide an effective and viable framework for the provision of affordable housing?

Q30. Does policy DM12 provide sufficient flexibility in terms of the application of the Core Strategy's requirement for new housing development of 15 or more dwellings to provide 20% affordable housing where this may affect the viability of proposals in some areas of the Borough?

5. The HBF raised this issue within our comments upon the Publication version (paragraphs 22 to 33) of the DPD. The HBF is unaware of any further information or justification. We therefore consider our comments to remain valid.
6. Within the Council's response (exam ref: DM sub3.1) it is noted in relation to our comments upon viability and in particular future section 106 / 278 costs the Council were going to hold further discussions with Keppie Massie. Whilst we are pleased this matter is being further investigated we are unaware of the outcome of this discussion.
7. The HBF would also point out that the Housing White Paper¹ is proposing to introduce an alternative definition of affordable housing and requires housing sites deliver a minimum of 10% of all units to be affordable home ownership products (paragraph 4.17). The tenure split will need to reflect this requirement.

Issue 5f: Proposed modification to policy DM12

31. The Council has proposed modifications to policy DM12. Specifically, the removal of the term 'overall development costs' from paragraph 2. Would this change be a main or additional modification? Would the modification affect the soundness of the plan?

8. The HBF supports the deletion of this term from the policy.

Issue 5i: Is the adoption of the technical housing standards relating to access and internal space justified, effective and consistent with national policy?

Q34. Is the adoption of technical housing standards relating to access and internal space justified in accordance with an identified local need and supported by relevant up to date evidence?

¹ DCLG 2017: Fixing our broken housing market

9. No, this policy is the key concern of the HBF in relation to the Development Management DPD. It is our opinion that the introduction of the standards will have a detrimental impact upon housing delivery at a time when the Council should be seeking to significantly boost its supply.
10. The Inspector will be aware of our concerns in relation to the optional housing standards relating to space and accessibility. These are included within paragraphs 34 to 42 of our comment upon the publication version of the DPD. Following this consultation the Council has produced a topic paper (exam ref: DM Supp3.1, hereafter referred to as the topic paper) in an attempt to justify the introduction of the optional standards. Whilst the production of this topic paper is welcomed it does not overcome our original concerns. We also wish to submit the following additional comments.

General comments

11. The Housing Standards Review was launched in order to simplify and rationalise the raft of housing standards which local authorities applied to development. At the heart of the review was a desire to reduce developer costs and create attractive conditions to significantly boost housing delivery. The industry was heavily involved in the review.
12. The introduction of the enhanced standards has the potential to have significant implications in terms of product range, build cost, affordability and consumer choice, cumulative policy burden, viability and ultimately housing delivery. The Government was aware of this issue and therefore agreed that the enhanced standards were intended to be optional and that they would only be needed and viable in certain local circumstances. Otherwise, they would have been made mandatory in Building Regulations across the country. The enhanced standards were therefore introduced on a '*need to have*' rather than on a '*nice to have*' basis and policy safeguards were put in place. This needs to be borne in mind when considering the introduction of the optional standards.

Optional Space Standards

13. The PPG (reference ID: 56-020) requires LPAs to identify need and establish a justification considering;
- *need – evidence should be provided on the size and type of dwellings currently being built in the area, to ensure the impacts of adopting space*

standards can be properly assessed, for example, to consider any potential impact on meeting demand for starter homes.

- *viability – the impact of adopting the space standard should be considered as part of a plan’s viability assessment with account taken of the impact of potentially larger dwellings on land supply. Local planning authorities will also need to consider impacts on affordability where a space standard is to be adopted.*
- *timing – there may need to be a reasonable transitional period following adoption of a new policy on space standards to enable developers to factor the cost of space standards into future land acquisitions.*

14. In terms of need the Council has provided an assessment on what is currently being built within Hyndburn. The topic paper (table 5.1) refers to work included in the 2016 Economic Viability Study (EVS). This initial work is not considered particularly useful as it is based upon applications (not completions) and is unclear on the type of property which had been sampled (i.e. 2 bed apartment or house, 3 bed single, double or triple storey).

15. The Council has provided an update to this work in its *Response to the Inspector’s Initial questions*. Table 1 of this document provides an analysis of completions rather than permissions. This is considered an improvement upon the initial evidence, however the HBF still has a number of concerns. The statistics suggest that the majority of dwellings analysed either exceeded or were marginally short of the space standards. It is, therefore, unclear from this analysis why it is important to introduce the internal space standards as the impact would be extremely marginal on the housing stock in Hyndburn.

16. It is notable that the analysis relies on a small sample size of just 224 dwellings built over the period 2013 to 2016. This means for certain types of dwelling there are very few records and the dwelling size will be skewed by a few larger sites. Furthermore it is unclear how representative the 224 dwellings were of the 374 net completions over the same period and the likely future supply.

17. Whilst it is not wholly clear from table 1 it is presumed the analysis simply considers gross internal floor area and does not consider internal dimensions. Clarity upon what has and has not been included in the calculation would be welcomed. The HBF is concerned that the consideration of a small sample size over a limited number of years, without reference to the existing stock or clarity

upon the method of calculation is proposed to be used to underpin such a significant market intervention as applying internal space standards to 100% of new housing.

18. The industry is firmly of the view that current sales rates confirm that the current product range is fully suitable for those wanting to buy properties. The industry knows its customers and what they want, our members would not sell homes below the enhanced standard size if they did not appeal to the market. If customers were not happy with the market offer then they would have the option to purchase from the second hand market. By means of a national measure, the HBF annual customer satisfaction survey of new home buyers identified that 92% of respondents were happy with the internal layout (see paragraph 41 of our comments upon the publication DPD).
19. When establishing need, we would expect the Council to consider market indicators such as quality of life impacts or reduced sales rates with consumer information sighting the inadequacy of housing stock in the local area. None of this has been provided to justify application of the enhanced standard and market intervention.
20. The impact upon housing delivery could also be significant. As previously discussed² the blanket introduction of the space standards is likely to reduce choice within the market. This in turn will impact upon rates of delivery, as they are predicated on a range of issues including ensuring market affordability at relevant price points and maximising the absorption rates of sites. Sales rates on many sites currently in the system or about to be submitted will be predicated on current market sales. The optional internal space standard will effectively remove many of the starter products from the range (i.e. smaller 2, 3 and 4 bed properties). This is likely to reduce sales levels due to affordability issues. If there are reduced sales rates anticipated delivery rates upon which the plan is based upon could be comprised. Given the persistent under-delivery within Hyndburn such an intervention is considered to be unsound.
21. In terms of viability this has been considered within the EVS. It is noted that paragraph 5.44 of the EVS states “...based on the WYG assessment we have included an additional amount of £1,000 per dwelling to meet these requirements... WYGs construction cost assessments are based on the dwelling

² Paragraph 40, HBF comments upon Publication version of Development Management DPD

sizes contained at tables 3.11 and 3.12 which are in line with the space standards.”

22. It should, however, be recognised that table 3.12 provides averaged sizes for two, three bed properties and not the full range identified in the national space standards. The full range of additional costs therefore will not be captured in the study. Furthermore because the EVS applies a linear relationship between house size and house price (table 5.4), by applying a multiplier of sales value upon build size, this effectively means that the increase in size is solely passed onto the purchaser and as such would not impact upon viability. Indeed the approach taken is likely to have a positive effect upon viability. The HBF consider such an approach to be overly simplistic and one which pays no regard to market price caps across differing areas.

23. In contrast to the approach within the EVS the study undertaken by EC Harris in September 2014³ on behalf of the Department for Communities and Local Government (para 4.3.16) concludes that the percentage of costs recovered via additional value declines as the amount of space grows, declining to 60% for an additional 10sq.m or more. Whilst the EC Harris work is yet to be fully verified by real examples it does confirm our assertion that it is not a linear relationship as identified in the original EVS. In the absence of any further evidence we suggest that 60% cost recovery is applied as an assumption within the EVS for considering viability. Given this alternative evidence the current conclusions of the EVS are considered to over-estimate viability.

24. The NPPF (paragraph 174) and PPG (ID 10-008) are clear that policy burdens in plans should not be set at the margins of viability and reasonable viability buffers should be included. The EVS, even with its flaws, clearly demonstrates significant viability issues across much of Hyndburn. Given that viability is a key component of introducing the standards the justification appears weak and in our view is unsound.

25. Furthermore the impact of the space standard upon the less efficient use of land and a relative increase in infrastructure burden per plot does not appear to be considered. Work undertaken by the HBF and submitted to the North Tyneside Local Plan examination identified that application of the standard could reduce the

³ EC Harris (2014) Housing Standards Review: Cost Impacts

number of units generated on sites by approximately 4%⁴. In addition if affordable dwellings are also required to meet the standard this will have further implications for viability. The HBF would welcome clarity upon how these issues have been considered.

26. The PPG also requires the Council to consider the impact of the space standards in terms of affordability. The 2014 SHMA identifies an affordable housing need equating to 542dpa (inclusive of backlog over five years) and a net newly arising need of 377dpa in Hyndburn. It is notable that low levels of affordable housing delivery have been provided in the past with an average of just 26 units per annum quoted in the *Hyndburn Housing Needs Assessment 2012-based Household Projections Update*. There is therefore a significant gap between delivery and need.

27. The reduction in choice (see paragraph 20 above) and increased sales prices will also negatively impact upon affordability, an issue which the plan is already struggling to deal with. The Council is clear it will be unable to meet its affordable housing needs, it therefore appears perverse that it would seek to introduce a policy which could further exacerbate this problem and reduce delivery of affordable housing below the already low levels.

28. The policy also lacks any flexibility and instead applies a one-size fits all approach. This is confirmed in the Council's response to question 9 of the *Inspector's Initial Questions*. However, the recent Housing White Paper⁵ confirms that a one-size fits all approach to internal space standards is not appropriate stating (paragraph 1.55);

"...the Government is concerned that a one size fits all approach may not reflect the needs and aspirations of a wider range of households. For example, despite being highly desirable, many traditional mews houses could not be built under today's standards. We also want to make sure the standards do not rule out new approaches to meeting demand, building on the high quality compact living model of developers such as Pocket Homes. The Government will review the Nationally Described Space Standard to ensure greater local housing choice, while ensuring we avoid a race to the bottom in the size of homes on offer..."

⁴ The HBF is happy to submit this evidence if the Inspector deems this appropriate.

⁵ DCLG 2017: Fixing our broken housing market

29. Finally, the PPG clearly requires a reasonable transitional period, this is required to enable developers to amend their product ranges where the space standards are justified. The Council argues that because it is only a small change in size no transitional period is required. This completely ignores the PPG and shows a lack of understanding in relation to the development process and the time taken from negotiation with a land owner to delivery on site. This process can and does take several years. The lack of a transitional period will only serve to frustrate, delay or even stop developments coming forward.

Optional Access standards

30. We address our concerns upon the optional access standards within paragraphs 35 and 36 of the publication version of the DPD. The Council has not sought to provide additional evidence which overcomes our concerns.

31. The topic paper refers to the SHMA as providing the evidence for a 30% requirement. Whilst the SHMA (paragraph 13.34, bullet 2) does make a recommendation for 30% of the new affordable housing to be specifically tailored to meet the needs of elderly residents. It goes on to suggest that;

“...this could simply entail the development of dwellings to ‘lifetime homes’ standards, with suitable adaptations. Or if specific needs are identified, this could involve more bespoke developments such as Extra Care accommodation. This would need to be subject to viability testing and any policy choices pursued by the LPAs should have a high degree of flexibility to avoid being unduly onerous to the developer.”

32. Given that Extra Care accommodation is also considered to make up at least part of the supply it is not appropriate to set the overall contribution of M4(2) dwellings at 30% of the affordable dwellings on every site.

33. In terms of viability the Council has failed to address our concern that the EVS under-estimates the costs of such adaptations. We refer to the EC Harris report which identified additional costs of between £1,100 and £1,400, as opposed to the £1,000 applied in the EVS.

Q35. Has the viability of this requirement been sufficiently taken account of across all areas of the Borough? Is the approach consistent with national policy?

34. No, the EVS and Council's response to the Inspector's Initial Questions clearly outline acute viability challenges across large swathes of Hyndburn. This has not been given due consideration.

Issue 5j: Proposed modification to Guidance Note 2: Affordable housing

36. The Council has proposed a modification to GN2. Specifically the deletion of part of paragraph 7.1 which references HCA design and quality standards. Would this change be a main or additional modification? Would the modification affect the soundness of the plan?

35. The HBF supports the deletion of the reference to these standards, which following the Government's Housing Standards Review are no longer considered appropriate. The HBF consider the modification would more closely align the plan with national policy and as such can be considered sound.

Yours sincerely,

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