

North Essex Garden Communities Ltd



Response to Further Hearing Statements for Matter 4 (Build out rates)

16 December 2019

Matter 4 (Build out rates) – Response to Further Hearing Statements

There is a general consensus in the Further Hearing Statements on the factors that influence build out rates as espoused in the Letwin Review. These are the scale of development, the amount of affordable/specialist housing, the upfront provision of infrastructure, and local and national market conditions. However, many of the statements continue to fail to recognise the characteristics of the garden communities' proposals and policy environment in which they will be delivered. Collectively this will allow development to progress at a pace that is unlikely to be achieved by smaller sites led solely by private sector developers.

In December 2019, Lichfields published a report '*How does your garden grow?*'¹. The report recognises that "large-scale new developments have a long-established role in helping to meet housing needs"² and as the garden communities have no parallel in recent decades "there is no readily-available body of evidence to help understand the nature of the programme, its scale, what success will look like, and what metrics one should use to measure its progress, effectiveness and additionality"³. This supports our view that garden communities should be assessed on their individual merits rather than be unreasonably compared to standard developments.

Three Further Hearing Statements from parties with delivery knowledge and experience; Andrewsfield New Settlement Consortium and Countryside Properties, Galliard Homes, and the L&Q, G120 and Cirrus consortium; are supportive of the NEGC Ltd projected build out rates and assumptions on sales outlets. In addition, sales information in the Parker Strategic (particularly Table 2.1) and Williams Group submissions also supports the sales outlet information presented by NEGC Ltd.

Some of the statements reference new information and previously presented information which is flawed. Our specific responses to these flaws are set out below.

1. Many submissions fail to recognise the contribution of the range of non-market sale tenures, including the affordable housing, to overall delivery rates (Parker: Paragraph 2.19, CAUSE: Page 1, Paragraph 2).

In our statement we stated that housing diversification will be critical to delivering the garden communities vision and central to achieving the projected build out rates. Providing a diverse range of housing products will maximise opportunities for households to access housing that meets their needs and aspirations.

Generally, where build out rates are presented and converted to sales outlets in the statements, the range of tenures delivered is missing. This leads to inflated sales rates and consequently many of the statements overstate the number of sales outlets required at the garden communities.

We reiterate that the NEGC Ltd approach is based upon the delivery of housing for market sale at average build rates of 150dpa within an overall build rate of 300dpa, and separately 200dpa market sale within an overall build rate of 500dpa. See our Further Hearing

¹ <https://lichfields.uk/content/insights/how-does-your-garden-grow>.

² Executive Summary, *ibid*.

³ Executive Summary, Point 3, *ibid*.

Statement for the break down of tenures required at 300 and 500dpa (reproduced in Appendix 1).

NEGC Ltd has undertaken further work on the range of housing tenures and products that could be available at the garden communities, in line with the recent House of Commons Briefing Paper, *Stimulating housing supply*⁴. The indicative range of housing options available by tenure and markets can be illustrated by the figure, below.

	Housing for Sale (home ownership with full ownership responsibilities)	Intermediate Occupancy (specific legal arrangements to allow market access)	Housing for Rent (tenancy arrangements with landlords having stewardship role)
Upper Quartile: Market (housing accessed solely on ability to pay)	Market sale <i>Retirement housing</i> Custom build		Private rent <i>Private care homes</i>
Median: Affordable (housing accessed with targeted support)	Shared equity Discounted sales	Shared ownership Rent to buy <i>Mutual or Co-ownership</i>	Affordable private rent Student accommodation
Lower Quartile: Social (housing accessed on the basis of need)			Social rent Supported accommodation <i>Sheltered housing</i>

Bold text: primary tenures

Shading: likely significance

Orange text: options for older people.

To ensure a 500dpa build out rate, NEGC Ltd would:

- Aim to produce 200 units of market sale housing per annum, a sales rate supported by evidence from private sector sales elsewhere,
 - Increase the production of affordable housing to 40%,
 - Increase the scope of affordable housing to include bespoke shared equity loans and social rented housing as well as affordable rent and shared ownership,
 - Increase the percentage of rented housing across tenures to at least 30% which will allow concentrated production and provide a counter cyclical development potential,
 - Broaden the strategy for the provision of older persons' housing, Ensure that 20% of housing market provision is tenures and products other than developer market housing for sale, to increase diversification and opportunities.
2. The ability of the garden communities to deliver new housing during the plan period, five years from adoption, is questioned (Lambert: Page 1 Paragraph 6, Lightwood: Paragraph 6).

The arguments fail to recognise the amount of evidence work carried out for this Examination (which will shorten DPD/LDO preparation), and also the benefits offered by a potential Development Corporation to accelerate the programme.

⁴ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06416>.

NEGC Ltd supports the L&Q, G120 and Cirrus consortium in its contention that a master developer role at the garden communities will serve to accelerate delivery for a variety of reasons already identified.

3. The ability of NEGC Ltd to deliver affordable housing within the early years of construction is questioned (Lambert Page 2, Question 2a, Paragraph 2).

This argument fails to recognise the commitment to deliver a broader range of affordable housing and the support of Homes England to the development of the garden communities. The delivery of affordable housing will be within the control of the master developer, supported by the NEAs and Homes England with the potential to maximise early years delivery.

In our statement we presented information on the proposed tenure mixes (see Appendix 1) and we will continue to scope affordable housing products as set out in the second point, above. The broader the range of tenures and products on offer means that the dependence on open market sales will be lessened and the ability to secure early years delivery of affordable housing, strengthened.

4. The ability of NEGC Ltd to sustain significant numbers is questioned (Gladman: Paragraph 1.2).

Gladman's response states "It is not disputed that sites of such size can reach such completion rates (300dpa to 500dpa) but it is considered it is not realistic that such a rate can and will be maintained over the long term".

The first part of the above statement supports the forecasts presented by NEAs and NEGC Ltd. The second part of the statement fails to recognise the impact of a diverse range of housing tenures and products in being able to sustain delivery rates (i.e. the findings of the Letwin Review).

The delivery of housing for sale, especially in areas like North Essex where households struggle to support outright ownership, can be sustained if they are delivered alongside tried and tested housing tenures and products such as shared ownership and equity loans. This has been evidenced across the country in recent years through the use of the Help to Buy scheme. It is very likely that such initiatives will continue to be a feature of the housing market, particularly as Government is committed to increasing home ownership.

Currently custom/self-build accounts for around 6% of the UK market with the greatest concentrations in the South East, East of England and South West (accounting for just under 50% of the UK total). Using a configurable/volume custom build approach, and with a strong market and supportive policy environment, it is conceivable that it will account for up to 10% of homes at the garden communities.

In addition, NEGC Ltd plans that approximately 30% of all housing will be rented housing (private, affordable and social) which gives greater control over build rates, both the early pace and sustainability of delivery, and mitigates against market downturns.

5. The ability of NEGC Ltd to sustain values is questioned. (Parker: Paragraphs 2.22 and 2.23).

Neither the NEAs or NEGC Ltd viability work includes any form of 'place making premium' even though there is evidence that it would occur⁵. NEGC Ltd sales values are therefore conservative and can accommodate the rates of supply and demand.

NEGC Ltd has commissioned initial work on masterplans for each of the three communities. This will ensure diversity and that each site has its own identity which will support values being sustained as the garden communities are developed.

6. The conclusions drawn by HCA are questioned (Gladman: Paragraph 1.1) and their independence is questioned (Wivenhoe Town Council: response to Question 1a, Paragraph 1).

HCA and their successor body Homes England are both non-departmental public bodies with responsibility to increase housing production by using its influence, expertise and resources to drive positive market change. It is a key voice and supportive of the NEGC Ltd proposals. Appendix 2 contains an additional supportive statement from Homes England.

7. CAUSE has presented additional information which NEGC Ltd disputes. In CAUSE Figure 2, we contend that the graph is incorrect in its representation of HCA figures and Figure 3 we do not recognise the profile or the assumptions that CAUSE apply.

We also have wider concerns on references to Welborne. There are different contexts to Welbourne compared to the garden communities which need to be understood to enable a more appropriate judgement to be made on the comparability of the schemes.

Welborne is a smaller and more compact proposal (6,500 units) with particular spatial and infrastructure constraints that limits the opportunities to open-up multiple phases at once. Additionally, as the *Welborne Garden Village Viability Review*⁶ states, the scheme can only afford to provide 10% affordable housing during the delivery of the first 1,000 units.

The Welborne proposals are therefore significantly different to the garden communities in terms of infrastructure/access constraints, scale, as well as the affordable housing being significantly lower than that required by Section 1. These are critical differences that should be acknowledged before drawing comparisons.

We should also highlight the Waterbeach scheme in Cambridgeshire has recently been consented at 350dpa.

8. Reference is made to the impact of proposals for road improvements. (Lambert: Page 1 Paragraph 7)

NEGC Ltd understand from ECC that, at the time of writing, the CBB A12 HIF bid is still under consideration by Government. Delivery of the A12 widening scheme will support the delivery of the anticipated number of homes in the Local Plan period. The timescales and dependence on the proposed strategic road improvements are set out in ECC's statements.

⁵ RICS, *Placemaking and value* (2016) (https://www.rics.org/globalassets/rics-website/media/upholding-professional-standards/sector-standards/land/placemaking_and_value_1st_edition.pdf)

⁶ CBRE, *Welborne Garden Village Viability Review* (2019) (<https://modern.gov.fareham.gov.uk/documents/s23065/Appendix%20B%20-%20Welborne%20Viability%20Review%20-%20Edited.pdf>)

Appendix 1 – NEGC Ltd housing tenure mixes

Housing diversification will be critical to delivering the garden communities vision and is also central to achieving the projected build out rates. The housing tenure mix used by Avison Young on behalf of NEGC Ltd in the viability assessments are as follows:

300dpa

Tenure	Percentage	Units per annum
Market Sale	50%	150
Affordable Sale	12%	36
Affordable Rent	18%	54
Other market products: Private rent Custom Build Elderly	20%	60
Totals	100%	300

500dpa

Tenure	Percentage	Units per annum
Market Sale	40%	200
Affordable Sale	20%	100
Affordable Rent	20%	100
Other market products: Private rent Custom Build Elderly	20%	100
Totals	100%	500

The NEGC Ltd approach is based upon the delivery of housing for market sale at average build rates of 150dpa within an overall build rate of 300dpa, and separately 200dpa within an overall build rate of 500dpa. Affordable rented accommodation, shared ownership and discounted sales will make up 30% to 40% of total new homes. Other market products such as custom build, purpose-built housing for older people and private rented sector will make up the final 20%. In total it is planned that approximately 30% of all housing will be rented housing which gives greater control over build rates and mitigates against market downturns.

Appendix 2 – Supporting Statement from Homes England

Introduction

Homes England is the Government Agency (sponsored by MHCLG) tasked with supporting the housebuilding sector in developing more homes, of all tenures, in those areas where they are most needed. Homes England achieves this through a combination of increasing the amount of available land that is made available for housebuilding, through increasing the range of funding that is available to the market, and by providing support and skills to those involved in the supply of new homes.

Build Out Rates on large sites – Example of Northstowe, Cambridgeshire

Homes England is undertaking the role of master developer at the new town of Northstowe, located some 6 miles NW of Cambridge. For simplicities sake the role of master developer includes the assembly of necessary land, gaining the necessary planning approvals, designing and implementing strategic infrastructure, and then the subsequent sale of land to suitable house builders. Homes England retains the key overarching co-ordination of the development and retains the responsibility for achieving quality place making, including holding S106 obligations. It is an approach which underlines the commitment of Homes England to the delivery of large new settlements.

In the context of Northstowe Homes England will optimize the range and type of housing ‘outlets’ in order to increase the build out rates achieved. Across 8,500 new homes, and with a tenure split of 60% private sale and 40% affordable housing, Homes England expects to achieve a build out rate of c400 homes per annum. The master developer role is the vehicle which allows these rates to be achieved.

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Homes England

December 2019