

B8

Can public sector land help solve the housing crisis?

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INVESTING NATIONALLY

DELIVERING
LOCALLY



**Can public land help solve the
housing crisis?**

NHF Housing Development Conference
Claire O'Shaughnessy
6 July 2012

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- HCA purpose and vision
- Land and Regeneration work
- Public land



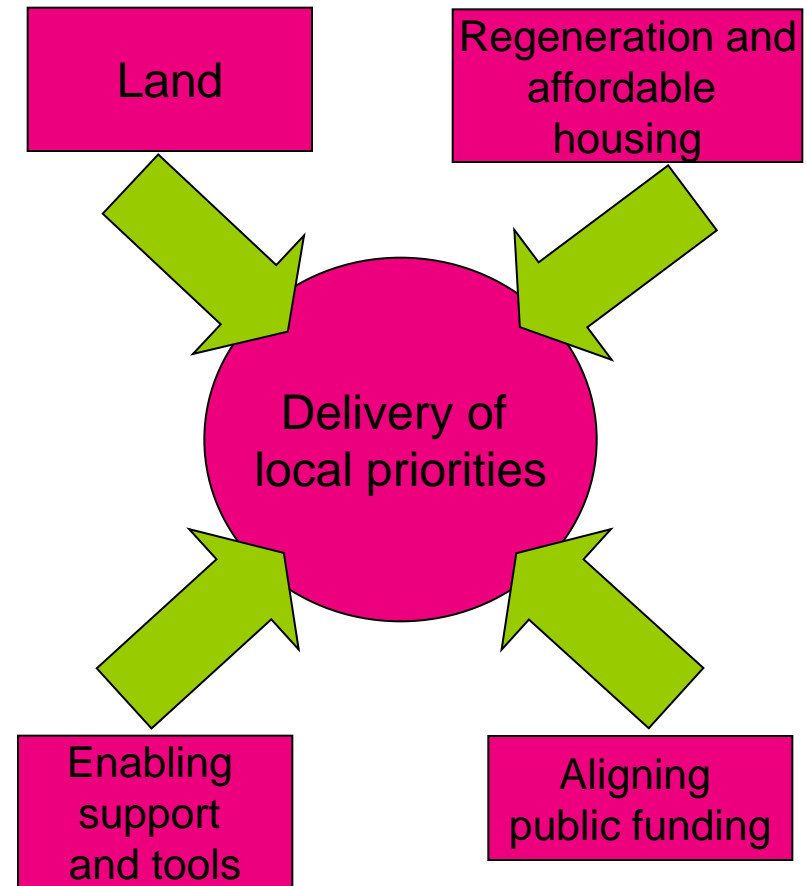
Current delivery context

- Limited public funding
- Localism
- HCA investment is focused on 4 key areas:
 - Affordable housing
 - Renewal of existing social housing stock
 - Land and regeneration
 - Economic Assets Programme
- Focus on growth
- Housing Strategy, *Laying the Foundations: A Housing Strategy for England*



Our role: Delivering local priorities

- Investment has to be aligned with local priorities
- HCA assists local delivery with the right mix of:
 - HCA and other public land assets
 - Affordable housing / regeneration investment
 - Enabling support and tools
 - Aligning public funding streams

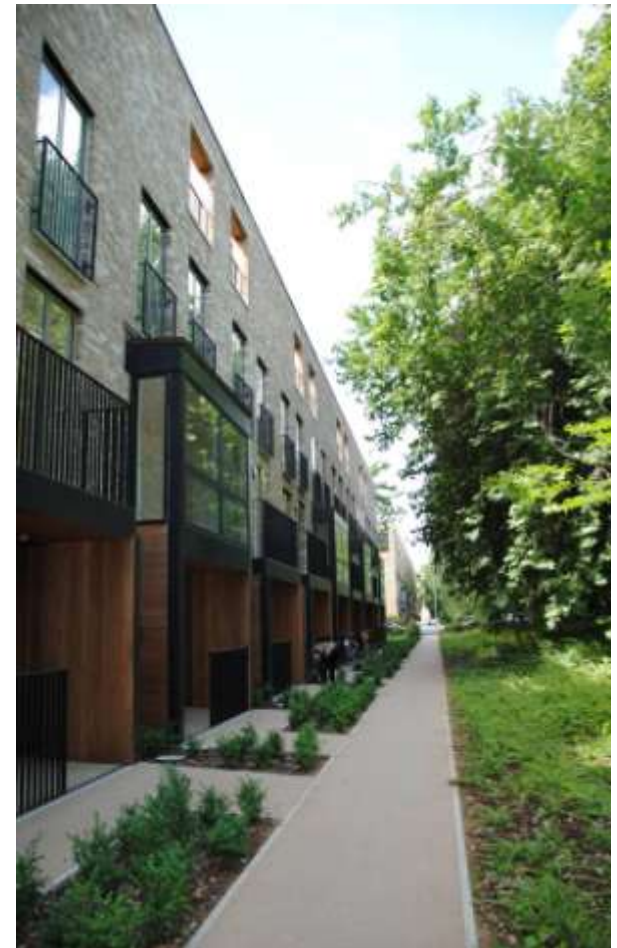


“We are locally driven. We work with councils, LEPs and other local partners, effectively targeting our investment and support at their identified priorities.”

HCA role: land and regeneration



- Our land - HCA land development and disposal plan will deliver >14,000 new homes by 2015
- Our programmes
 - Property and regeneration
 - Economic assets
 - Get Britain Building



“We play a key role in Government's ambition to make the best use of public land to benefit communities”

Supporting growth



- The Plan for Growth and the Housing Strategy highlight the importance of construction to economic growth and housing supply to labour markets
- HCA investment and enabling of housing supply and regeneration supports growth at local level
- Working with Local Enterprise Partnerships and Core Cities that identify housing, land and regeneration as growth priorities, and to develop joint investment models
- Supporting local partners bidding for the Regional Growth Fund and Enterprise Zones
- Accelerating disposal of HCA and other public land
- Support for delivery of Government's Construction Strategy, including working with procurement consortia through our Procurement Efficiency Initiative

“Our investment and expertise support local aspirations and deliver economic growth”

Plan for Growth



- Government set a clear commitment to accelerate the release of public sector land, stimulating much needed housing and jobs growth
 - Productive use of surplus land to stimulate economic growth
 - A key barrier to medium term housing growth is insufficient supply of viable land
 - 40% of suitable sites in public land banks

- Ambition to release land by 2015 with capacity to deliver **100,000 homes** and support 25,000 jobs

Work so far across Government



HCA published its own disposal plan June 2011 ; updated April 2012

Central Challenge process

- Improved scrutiny & **transparency**
- Robust **challenge** of central government land holdings – accelerate release & identify new sites

Published Disposal Strategies

- MoD, DH & NHS, DfT, DEFRA, their agencies and smaller Depts
- Capacity for **over 100,000 homes**
- Performance & Accountability
- Priority sites 'Top 20'

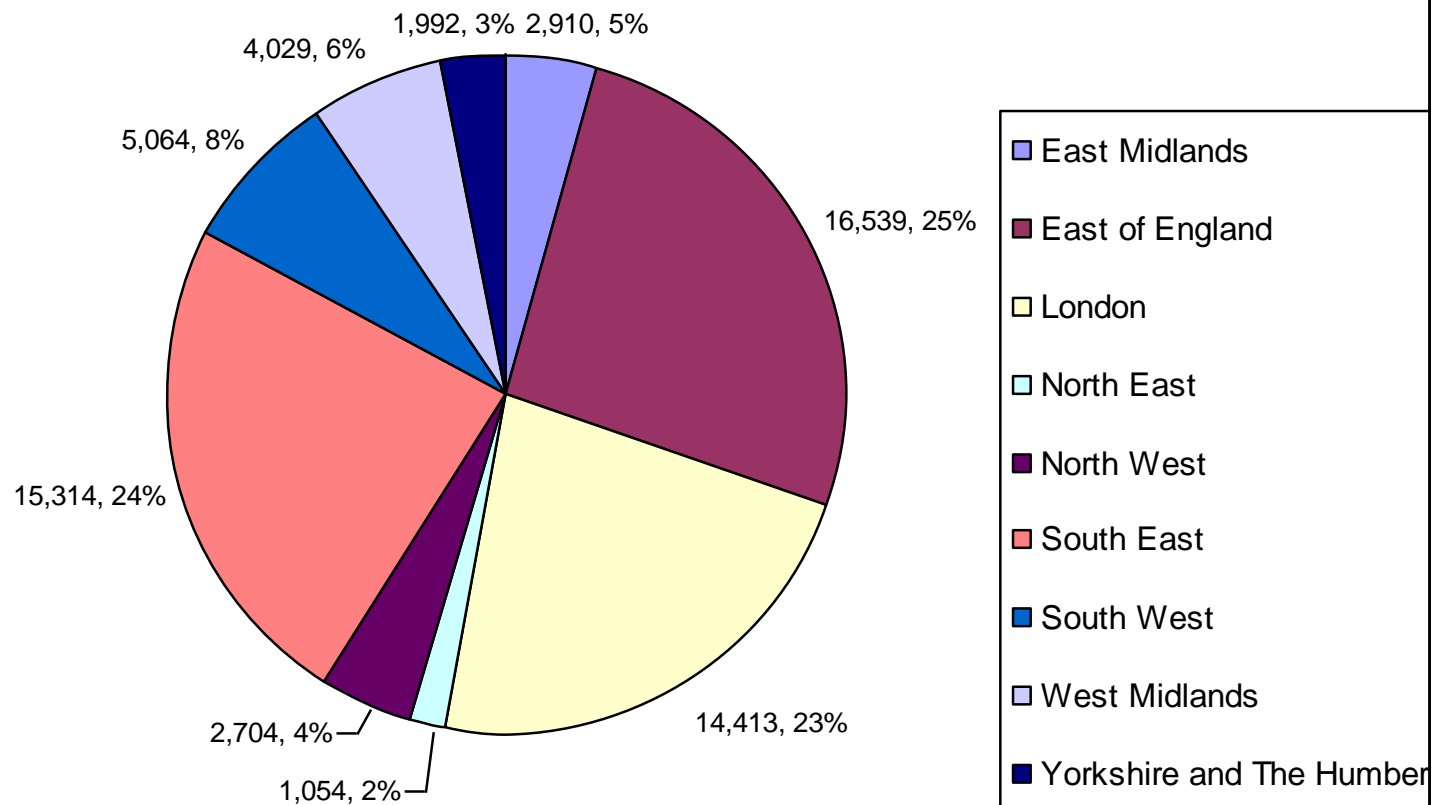
Public Land Supply

Pipeline

- Over 4,371ha
- Disposals weighted fairly evenly throughout the remainder of the SR although highest weighting in 2014/15
(31% in 2012/13 & 2013/14, 38% 2014/15)
- Largest contributors
 - MoD : 37,630
 - Health : 16,150 - vast majority on trust sites (222 sites held by 126 independent trusts)
 - HCA > 14,000

Public land: location

Potential Housing Units by Region 2012-2015 (Remaining)

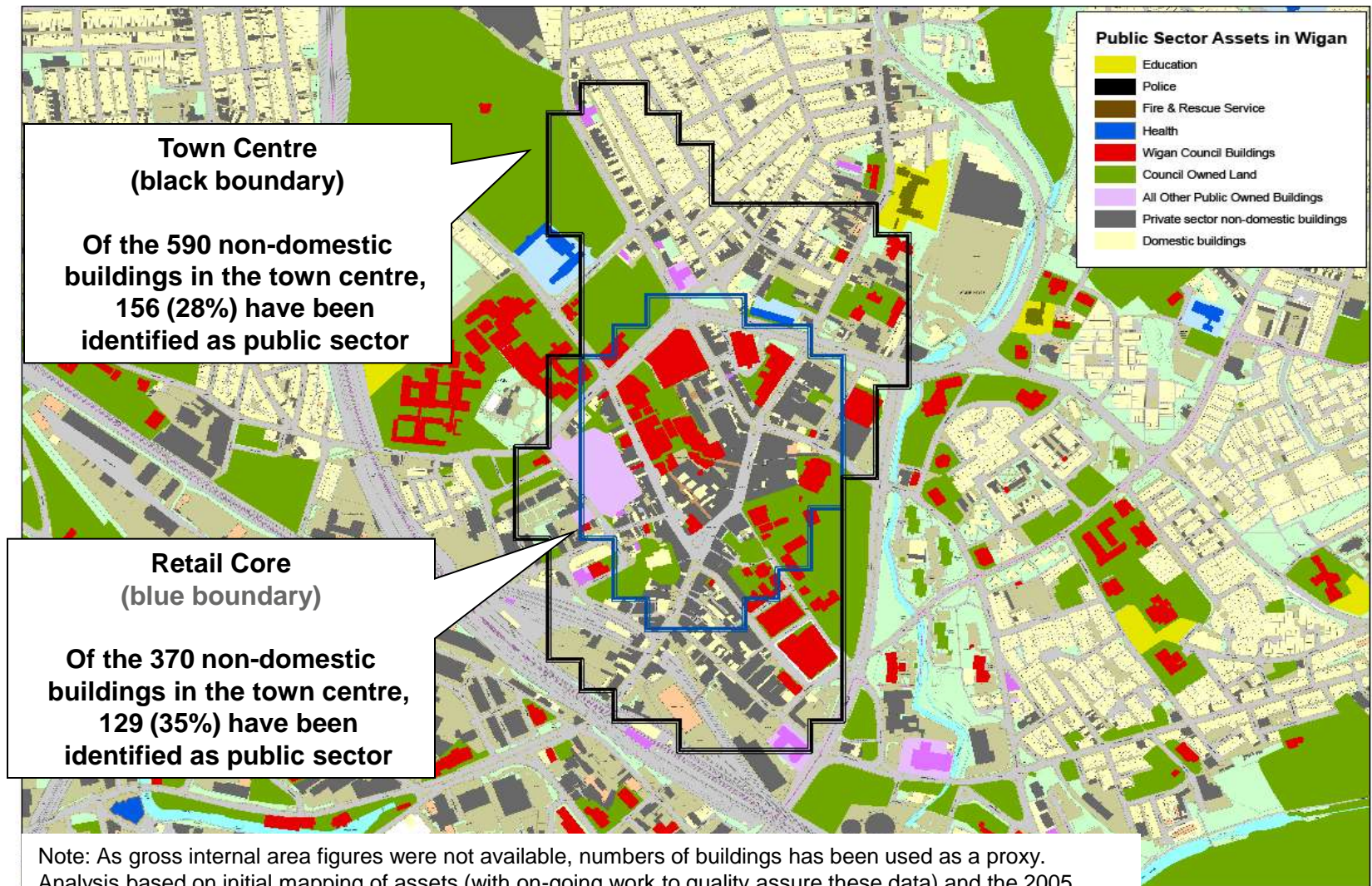


Public land issues

- Market capacity
- Site risks, infrastructure and viability
- Build Now Pay Later
- Landowner motivations and incentives
- Link to core business and service reprovion
- Different business models



Public land: local lens



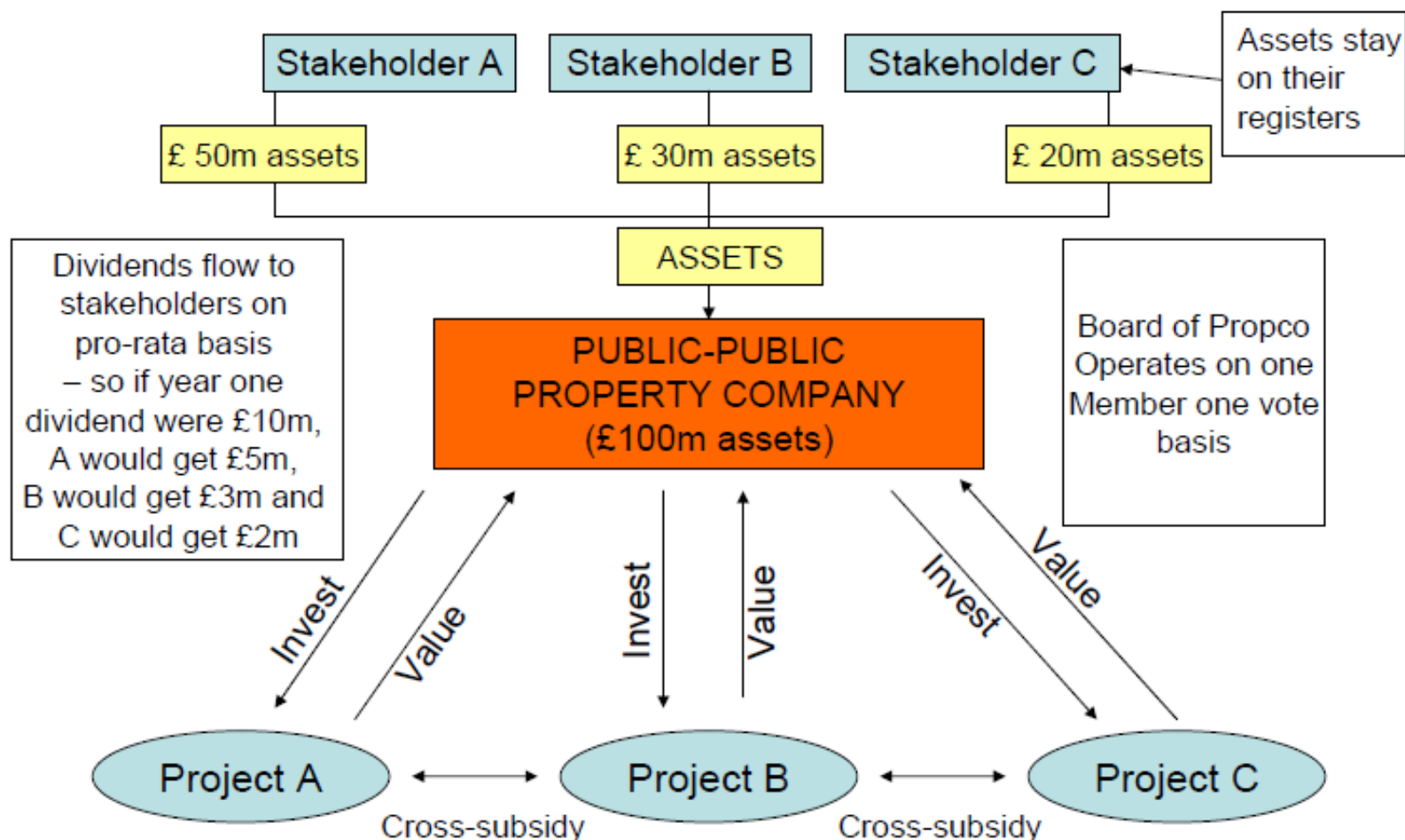
Capital Asset Pathfinders

- 11 pathfinders produced Long Term Strategies that, combined, expect to deliver savings of hundreds of millions of pounds (with support from a range of bodies including LGA and HCA)
- The work has shown by utilising information about users of their services there is the potential for significant local growth, 20% savings

Emerging findings:

- Getting from opportunity to outcome requires CEX/leader commitment/ leadership
- Partnership working is difficult
- There is variable capacity for this work locally
- “Outsourcing” large scale developments to private sector is sub-optimal unless public sector is an intelligent client

CAPs: Cambridgeshire approach



Capital Asset Pathfinders

– next steps



- Extended to another 15 areas in second wave in 2011, with support from assistance from LGA/Local Partnerships
- LGA are seeking to extend principles of capital asset planning to city authorities in their Growth and Capital programme
- Link to City Deals

Public sector land: support

- Mapping
- Build Now Pay Later
- Private renting
- Advisory Team for Large Applications
- Private sector insights
- HCA tools & techniques
 - New Delivery Partner Panel 2013
 - On-line tools and specialist services



Next steps

- Delivery
- Transparency
- Scrutiny
- Next progress report – October / November

Practical Examples of how public land can be used to deliver new housing

The Birmingham experience



What can we do public sector land?

- Sell it - to private developers and RPs
- Build on it – new Council homes financed by the HRA Business Plan
- Use it as equity investment



Sell it to RPs - the Traditional Model

- RP secures HCA grant
- LA/RP identify sites
- LA sells site to RP at a discount for general needs housing
- LA gives site to RP for nothing for specialist/supported housing
- LAs are under a legal duty to secure best consideration for the sale of land but can offer discounts to RPs under the General Consents
- LA receives nominations



Sell it to RPs – or not?

- ARP is far less generous than former NAHP – circa £50k grant reduced to average £20k (West Midlands figures)
- ARP relies on higher rent levels – up to 80% of market – potentially not supported by LAs
- ARP relies on rent conversions up to 80% - rent increases in one LA area may cross subsidise new development in another – again LAs may not be keen on this in practice
- Free/discounted land is even more important to RPs to make projects stack up under the ARP regime
- LAs are more cash strapped than ever – how much longer will they give discounts to RPs which may no longer be charging “social rents”?



How can RPs incentivise LA to use their land to support ARP - (1)

RPs can offer –

- Proven expertise in delivery and management;
- Potential economies of scale in procurement
- Alternative models for paying for land – possibly include –

Deferred capital receipt;

Ongoing revenue payment rather than capital

Increased nomination rights which can be given a financial value

Developing new homes in joint ventures with LAs

Agreeing as part of the deal to take on services which the LA is having to devolve as outlined under the Localism Act



How can RPs incentivise LA to use their land to support ARP – (2)

Filling the gaps left by diminishing LA resources and meeting the objectives of the Localism Act. For example –

Meeting gaps in local services or facilities

- Providing physical places where statutory and voluntary agencies can deliver services, information and advice within local communities.
- Direct delivery by RPs of non housing services.

Capacity building work, for communities and individuals

- Supporting individuals through skills and employment programmes.
- Joining up with other community groups to provide a focal point for community engagement on local public services provision and strengthening community voice in Neighbourhood Planning.



How can RPs incentivise LA to use their land to support ARP – (3)

Local management of budgets/resources, where this is appropriate

- Coordinating community participation in budget setting and monitoring how money is spent on public services locally.
- Supporting community organisations who take on responsibility for managing for example, the maintenance of public spaces or other physical facilities within a local neighbourhood;
- Supporting local people and service providers can work together to ensure that the delivery of local services is effective and efficient.



Build on it /derisk it - (1)

- Stock retaining LAs can now register as RPs and bid for HCA grant
- Development of new build council housing was made far more viable for LAs as a result of changes to the HRA subsidy system
- Changes to Right to Buy mean that LAs can retain 100% of receipts if they are reinvested in new build affordable housing
- Changes to HRA self-financing introduced through the Localism Act mean that in the medium/long term LAs will generate significant surpluses for reinvestment in new build
- All means that it may be now more attractive for LAs to build new homes themselves than to provide new homes through other RPs
- LAs are now building more homes than in the last 30 years and some are taking ALMOs back in house



Build on it / derisk it

Birmingham's new Council house building programme totals over 3,500 new homes over 10 years, around 50/50% rent and sale;

- 290 new rented homes completed since the programme started in 2009;
- Council is a Registered Provider and has drawn down over £25 million HCA funding, including £6.7 million under ARP (2012-15).



Build on it / derisk it - (3)

Derisk it -

- Council has devised an innovative model to derisk development for the private sector – Council designs homes for rent and sale and secures planning approval
- Council employs contractors to both build the rented properties and to build **and** sell the market sale properties The developer offers a 'minimum plot value' in the tender
- The developer is responsible for selling the homes for outright sale



Build on it / derisk it - (4)

- No land purchase up front
- Good sites for sale housing included within the package
- Planning already secured by the Council
- Design risk and costs already met by the Council
- Developer uses the Council house types
- Developer has guaranteed work flow in the form of homes for rent
- Increased specification within a controlled agreement allows contractor to modify the specification for the sale houses
- Proven to work – 100 homes sold in last 12 months



Use it as equity - (1)

The Private Rented Sector Initiative

Demand for housing is growing, failing to meet supply;

- Availability of mortgage finance is limited;
- Potential market for earners who can't get a mortgage;
- The private rented sector is growing but failing to attract institutional investors

What the partners can bring to the table

- Council has land;
- Investors have money;
- RPs have housing management expertise and an appetite to diversify;
- Developers have expertise in building new homes



Use it as equity - (2)

How could it work?

Council's land used as an equity stake;

- Developer builds the new market rented homes, financed by borrowing;
- RP manages new market rented homes to a performance standard;
- Project refinanced by institutional investor once built out and market established;
- Council receives ongoing income from percentage share of equity stake in the form of land.

Outputs –

- New high quality market rented sector homes;
- Accredited landlord service via an RP;
- Increased housing supply meets LA strategic objectives
- Ongoing income stream has value at least equal to open market sale



Summary

- The old models for development are broken; its not 2007 any more;
- Land is the raw material that fuels development;
- LA s are under financial pressure and need to maximise resources and receipts;
- There are more options for how to use land than just sell it for a cash receipt up front;
- Partners need to be more innovative in the way that they work with LAs to ensure that the best use is made of land – a valuable and diminishing public resource.
- RPs have expertise in providing supported/specialist housing and may be best placed to deliver intermediate/market rent products to “Generation Rent” customers.
- *“Buy land, they're not making it anymore” – Mark Twain.*

