

MIDDLESBROUGH'S AFFORDABLE HOUSING PLAN 2017-2021

Strategic Context

1. Middlesbrough's recently adopted Housing Strategy supports the Mayor's 2025 Vision of quality housing for all means, whether they are to buy or rent, and recognises the role that housing can play in delivering both physical and social regeneration. The strategy points to the need for more affordable, middle and upper-market homes in order to meet the needs of our residents, and to support our economic growth ambitions.
2. Middlesbrough's Housing Strategy aims to deliver investment in new and existing homes and neighbourhoods, in order to meet the diverse needs and aspirations of our communities, help people live healthier and happier lives, drive and support economic growth and mitigate public service challenges and costs.
3. The provision of good quality affordable homes is central to each of the Housing Strategy's three key objectives:
 - meet the housing needs and aspirations of a growing population;
 - improve the life opportunities of residents in areas of poor quality housing and deprivation; and,
 - address the pressures of an ageing population and support vulnerable people to live independent lives for as long as possible
4. The strategy prioritises the delivery of a housing offer which will help older, disabled and other vulnerable people to lead healthy and independent lives, and underscores the central role of housing in supporting residents to succeed, tackling social and economic exclusion, poor public health outcomes and poverty, so ensuring all people are able to play their part in Middlesbrough's future.

Definition of Affordable Housing

5. For the purposes of this plan, "Affordable Housing" is defined by the National Planning Policy Framework and comprises **Social rented, affordable rented and intermediate housing**, provided to eligible households whose needs are not met by the market.
6. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.
7. A fuller definition is provided at Appendix 1. It should also be noted that Government is consulting on a wider definition (also at Appendix 1).

Need for Affordable Housing

8. There is a substantial need for additional affordable homes in Middlesbrough. The latest Strategic Housing Market Assessment (SHMA, 2016) identifies a requirement for 200 affordable homes per year to accommodate the growth in households over the

18 year period 2016-34. This represents 47% of the overall housing requirement of 422 homes per year. This is a similar level of need identified in the previous SHMA (2012), which was used to underpin the current Local Plan, with a requirement of 189 affordable homes per year, and a similar proportion (46%) of the overall housing requirement of 410 dwellings per year.

DELIVERING AFFORDABLE HOUSING

Objective

9. In line with the Housing Strategy objectives described above, this plan looks to deliver modern, high quality affordable homes alongside middle and upper-market properties, and in weaker market areas, where new homes are not economically viable without support. The aim is to meet Middlesbrough's diverse housing needs by providing as much affordable housing as possible, in a variety of locations, without compromising overall housing delivery. The following paragraphs consider how this might be achieved and suggest that a multifaceted approach is essential as no single approach can deliver sufficient affordable homes provision across Middlesbrough.

The Local Plan and Open market housebuilders contributions

10. The current Local Plan concluded that, whilst the SHMA identified the need for 189 affordable homes per year (46% of the overall housing requirement), it would not be economically viable to seek to deliver this level of affordable housing as part of open market schemes. The Whole Plan Viability (WPV) study indicated that a 15% affordable housing target could realistically be set for sites in the south of Middlesbrough. Within the northern areas of Middlesbrough the WPV study indicates that it is not economically viable for open market housebuilders to provide an affordable housing contribution.
11. In order to ensure that a range of affordable homes are available throughout Middlesbrough, the current Local Plan seeks a third of this 15% affordable housing target on the southern sites to be delivered on site, with the remaining two thirds provided as a financial contribution to fund off-site provision within the regeneration areas. In addition, it identifies some sites in the north which will be delivered by Registered Providers for predominantly affordable housing.
12. This policy reflects low developer demand and the economic viability of housing delivery in certain areas; the Council's aspiration to encourage more owner-occupation, and higher quality homes in Middlesbrough; and the need to stimulate private sector investment.
13. The Local Plan is currently under review and will include a revised affordable housing policy. It is reasonable to assume that, given the evidence in the 2016 SHMA, the revised policy will not be radically different from that described above. The revised Local Plan will be subject to approval through a statutory process.

Off-site Affordable Housing Projects

14. The current Local Plan policy, which is largely predicated on securing contributions from open market housebuilders for delivery off-site, has already generated significant funds of which approximately £4,047,058 remains uncommitted. If it is assumed that the revised Local Plan policy proposals will not be radically different, then it is essential to demonstrate that the policy is effective. Failure to do so represents a serious risk for the new Local Plan policy. Proposals for a number of off-site projects will be drawn up as a matter of urgency, and taken forward for approval via the Executive Sub-Committee for Property.
15. Whilst the Local Plan policy described above can help to deliver some of the additional affordable housing requirement, it is suggested that it cannot generate sufficient numbers. It is recognised that the maximum proportion of affordable housing that would be viable without compromising overall delivery of open market schemes is 15%, some way below the most recently assessed level of identified need (47%). It is essential, therefore, that the Council acts to stimulate wider investment in affordable housing. The following paragraphs consider some of the options.

Government's Affordable Homes Programme and Registered Providers

16. The Autumn Budget 2017 confirmed a further £2 billion of funding for affordable homes, taking the total budget for the Government's Affordable Homes Programme (AHP) to £9.1 billion to 2020-21. Registered Providers, including Thirteen and Northstar, have already secured significant funds. Substantial sums remain available for which Registered Providers, private housebuilders and the Council could bid. Thirteen has also entered into a Collaboration Agreement with the Council to develop 500 new homes in Middlesbrough within the next 5 years.
17. Whilst Thirteen has a (limited) supply of land the key issue for all Registered Providers looking to exploit this funding opportunity to develop new affordable homes in Middlesbrough, is that of land availability. When potential affordable housing sites do become available, Registered Providers looking to deliver affordable homes cannot usually compete with private housebuilders on land value. The Council could, however, intervene to secure land for affordable homes, and this is considered in the following paragraphs.

Disposal of Council-owned land for affordable housing provision

18. The revised Local Plan could look to allocate land for affordable housing (in addition to the contributions required in stronger market areas). However, this could result in land being devalued – both private and local authority- and would be subject to approval through the statutory Local Plan process.
19. Alternatively, the Council could dispose of land in its ownership, via the Asset Disposal Policy. Although this could result in disposals at less than best value, in weaker market/lower land value areas this could act as a catalyst for affordable homes investment with a relatively small absolute reduction in land value compared with

higher value sites. Each site could be marketed with a development brief setting out the Council's expectations in terms of affordable housing provision.

20. As indicated above, the Council could also bid for Affordable Homes Programme funding to deliver homes directly on its own land, adding value to a retained asset and generating income for the Council.
21. As mentioned, the Council must act to enable delivery against Off-site contributions. Whilst these projects do not always require land (such as projects to bring long-term empties back into use) it could be beneficial to release land to enable the option to use these funds to deliver new homes. Off-site funds from developers could be used to develop new homes directly and/or add value/innovate/create exemplar schemes being brought forward by others. For example, in regeneration areas, new homes built to "Passive House" standards to tackle fuel poverty, or homes which exceed minimum Building Regulations standards and are more accessible for older people and those with a disability.
22. The following general locations are areas where affordable housing could be prioritised:
 - Gresham
 - Grove Hill
 - Middlehaven
 - Acklam Green
 - Newham Hall

Conversion of Vacant Properties to Affordable Housing/Urban Living

23. There are several prominently located, high-rise town centre office buildings, built during the 1960s and 1970s, which are either redundant or partially occupied, including Dundas House, Church House, Gurney House, Melrose House and Centre North East (formally Corporation House).
24. The office lettings market is highly competitive, with businesses favouring modern lower-rise developments within clusters of office buildings that provide on-site car parking for their staff and visitors. In light of this, owners of redundant town centre buildings are exploring multiple conversion uses including student accommodation, hotels, restaurants and other leisure uses. The Council is working with a number of owners to support efforts to breathe new life into these buildings.
25. Other cities and towns, including Leeds, Durham and Newcastle, have gradually developed over a number of years a market for urban living, which is focussed primarily upon students and young professionals. Urban living has proven to be a catalyst for town centre regeneration and the development of the evening economy. In addition, there is a latent demand for high-quality and affordable apartments driven by the rising number of single person households, an ageing population and welfare reform.
26. Comparatively, Middlesbrough has an underdeveloped market for urban living. However, there has been some recent success in converting redundant buildings into

apartments, including Rede House, which now provides high-quality student accommodation.

27. The unit costs of converting commercial office buildings into residential apartments can often be relatively low compared to new builds, due to the limited level of construction activity. The lower cost base, coupled with the scale of the office buildings, presents the opportunity to deliver a considerable number of additional units to the housing stock.
28. To support the development of the urban living market, the Council could facilitate the conversion of office buildings into residential developments by guaranteeing to purchase a proportion of the units for affordable housing to effectively underwrite and de-risk redevelopment.

Tees Valley Combined Authority/ Homes and Communities Agency Investment Agreement

29. The Tees Valley Combined Authority (TVCA) has developed a Housing Investment Agreement with government which will draw in additional investment to unlock stalled housing sites, accelerate housing delivery and significantly increase the provision of affordable homes. Agreement in principle has now been reached that will secure the capacity, resources, funding and flexibilities needed to unlock these opportunities.
30. The agreement with the Homes and Communities Agency (HCA) will provide significant support in the delivery of local housing priorities, with a total commitment of up to £90 million of additional HCA investment over a three year period, ring-fenced to the Tees Valley, to unlock sites, accelerate delivery and significantly increase the supply of good quality affordable homes.
31. Extensive work has already been undertaken to identify site priorities which require intervention and support to deliver. The next step will be to translate those priorities into a joint Action Plan. The joint Action Plan will identify for each site the steps that need to be taken to unlock, accelerate and increase affordable homes provision. The Action Plan will be jointly owned by the Local Authorities, HCA and the TVCA and will seek to utilise the opportunities presented through the housing agreement to implement it.

AFFORDABLE HOUSING DELIVERY PROGRAMME

32. In order for the Council to maintain a supply of deliverable affordable housing to meet the needs of the population that sites are brought forward in accordance with the timetable shown in Table 1. The potential dwelling yields are expressed as number of affordable dwellings. Sites and areas can be grouped according to both the amount of affordable housing that should be sought and ownership. These categories can be defined as:

i. Upto 100% affordable housing

Those sites/locations where the Council will seek to secure the maximum amount of affordable housing, and where possible 100%. Lower proportions will only be accepted where there is a specific requirement for another housing type.

ii. Upto 50% affordable housing

Those sites/locations where the Council will seek to secure the identified level of housing need and where a mix of general market and affordable housing is desirable.

iii. 15% affordable housing

Those sites/locations where the Local Plan affordable housing requirement level will be sought (mix of on and off site contribution).

iv. 0% affordable housing

Those sites/locations where the Council is seeking high value housing types or those private sites where the Local Plan sets a 0% contribution and there are viability issues for delivery.

In terms of ownership sites can be categorised as either Council or non-Council. Non-Council sites will include all privately owned sites and those owned by Registered Social Landlords and other public bodies.

Year	Ownership	Proportion of affordable housing					
		Up to 100%		Up to 50%		Up to 15%	
2017/18	Council						
	Non-Council	• Bishopton Road (Thirteen)	92				92
2018/19	Council	• North of the Gables, Hemlington Grange • Urban Pioneers – Middlehaven •	42 110 ¹			• Marton Avenue • Brackenhoe	3 15
	Non-Council	• Roworth Road (Thirteen)	92				92
2019/20	Council	• Middlesbrough Warehousing • Acklam Green (subject to planning permission)	85 55	• North Stainsby	60		
	Non-Council	• Pinewood Avenue (Thirteen)	35			• Stainsby	75 ²
2020/21 onwards	Council	• Gresham • Beechwood • Dipton Green	70 28 10	• Middlehaven	TBC ³	• St Davids	6

	Non-Council	• Deepdale Avenue	10				
--	-------------	-------------------	----	--	--	--	--

TABLE 1: Affordable Housing delivery programme

Notes

1. Figures for urban pioneers are estimates, subject to further detailed work.
2. The figures quoted for Stainsby are for the whole life of the development and not just 2019/20. 2019/20 is when development is anticipated to commence.
3. At present No specific housing sites have been identified in Middlehaven. It is anticipated that there will be a mix of housing types of both market and affordable.
4. Newham Hall is not included in the above table. This site is currently being masterplanned, the outcomes of this process will identify how the site will be phased and how affordable housing will be delivered. Once completed this will then be incorporated into this strategy (Could potentially accommodate between 50 and 150 affordable units)
5. The figures given are the total number of affordable units to be provided as part of a scheme and the year in which the scheme is anticipated to commence. It is not how many units will be delivered per year on a scheme.

Assessment of sites

33. Whilst every effort has been made to identify which sites will come forward for a particular level of affordable housing in any given year owing to unforeseen circumstances this schedule is liable to change. The following criteria will be used to assess the suitability of advancing a site for affordable housing.

a. The level of affordable housing delivered to date.

This will be assessed against a five year affordable housing land supply/target. Where levels drop below a five year supply priority will be given to increasing the level of affordable housing delivered on Council owned sites and/or prioritising the delivery of identified affordable housing sites by bringing them forward earlier than projected.

b. The suitability of the site for affordable housing

- i. Fit with Housing Strategy/Vision
- ii. Fit with affordable housing strategy
- iii. Fit with Local Plan
- iv. The vision identified for a particular site/location
- v. Fit with Investment Prospectus

c. Contribution to delivering social and physical regeneration

An assessment as to whether a scheme would have a positive benefit of meeting the Councils regeneration agenda

d. Cost of delivery/infrastructure

Some sites will have significant infrastructure costs that prevent or delay delivery or make the site marginal in terms of viability. In these circumstances S106 off site affordable housing contributions may be used to unlock a site provided that site delivers affordable housing. Sites will be prioritised according to a cost per unit ratio.

e. *Availability of external funding*

From time to time the HCA and other government bodies introduce new funding streams to assist with the delivery of affordable housing. Sites that meet the criteria for delivering against these funding streams should be prioritised.

f. *Contribution to MTFP*

Some sites will have a greater value in terms of what they can contribute to the MTFP in terms of ongoing Council Tax revenues and future financial stability for the Council. Where the future use of a site would risk achievement of MTFP targets, this should be factored into the consideration for disposal for affordable housing.

ACTIONS

34. In order to deliver the Affordable Housing Plan the following actions are proposed:

- Review the Local Plan, allocating additional land for housing growth to meet the need for market and affordable homes, and confirming the affordable homes policy.
- For Council owned sites consider whether to develop directly or dispose of in line with the Council's Asset Disposal Policy.
- Work to implement the TVCA/HCA Agreement – Listed sites & Actions.
- Seek approval via Executive Sub-Committee for Property to deliver off-site projects.
- Work with Thirteen to implement the collaboration agreement through the Housing Delivery Plan.
- Explore the potential to deliver affordable housing through the conversion of vacant properties.
- Work with RPs to secure Affordable Homes Funding for Council and other sites secured by RPs.
- Explore the potential for the Council to secure Affordable Homes Programme funding to deliver new homes directly.

APPENDIX 1

National Planning Policy Framework: Affordable Housing Definition

- **Affordable housing: Social rented, affordable rented and intermediate housing**, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.
- **Social rented housing** is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.
- **Affordable rented housing** is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).
- **Intermediate housing** is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.
- Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.

Proposed wider definition of affordable housing (Housing White Paper)

- **Affordable housing:** housing that is provided for sale or rent to those whose needs are not met by the market (this can include housing that provides a subsidised route to home ownership), and which meets the criteria for one of the models set out below.
- **Social rented and affordable rented housing:** eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.
- **Social rented housing** is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the Government’s rent policy. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.
- **Affordable rented housing** is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).
- **Starter homes** is housing as defined in Sections 2 and 3 of the Housing and Planning Act 2016 and any subsequent secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute at the time of

plan-preparation or decision-taking. Local planning authorities should also include income restrictions which limit a person's eligibility to purchase a starter home to those who have maximum household incomes of £80,000 a year or less (or £90,000 a year or less in Greater London).

- **Discounted market sales housing** is housing that is sold at a discount of at least 20 per cent below local market value. Eligibility is determined with regard to local incomes and local house prices. It should include provisions to remain at a discount for future eligible households.
- **Affordable private rent housing** is housing that is made available for rent at a level which is at least 20 per cent below local market rent. Eligibility is determined with regard to local incomes and local house prices. Provision should be made to ensure that affordable private rent housing remains available for rent at a discount for future eligible households or for alternative affordable housing provision to be made if the discount is withdrawn. Affordable private rented housing is particularly suited to the provision of affordable housing as part of Build to Rent Schemes.
- **Intermediate housing** is discount market sales and affordable private rent housing and other housing that meets the following criteria: housing that is provided for sale and rent at a cost above social rent, but below market levels. Eligibility is determined with regard to local incomes and local house prices. It should also include provisions to remain at an affordable price for future eligible households or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement. These can include Shared Ownership, equity loans, other low cost homes for sale and intermediate rent (including Rent to Buy housing).