

MAKING HOUSING DELIVERY MODELS WORK FOR LONDON

RESEARCH BRIEFING 1 • JULY 2017

Q. Do new housing delivery models work?

A. So far, 22 of the models underway in London are set to deliver c. 55,000 homes, with an average of 53% affordable housing.

Until recently, local authorities tended to sell surplus housing land to the highest bidder as the quickest and easiest way to realise asset value. Now, responding to tightening budgets and the implications of fiscal devolution, boroughs and other public-sector bodies are starting to leverage and/or keep their assets.

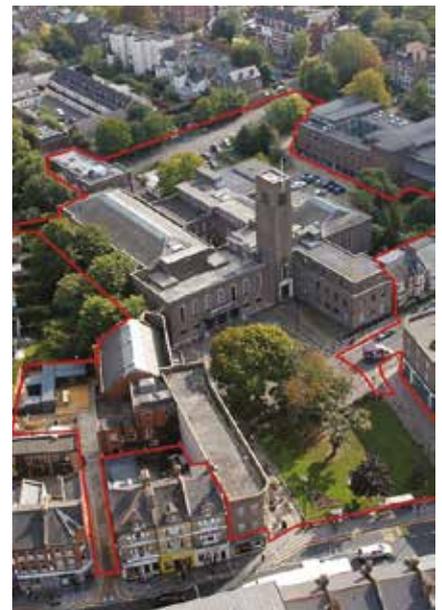
Models with more public-sector control are shown to deliver a higher proportion of affordable housing

When set up and run well, emerging development models can be far more effective than straight sale at delivering local objectives such as housing numbers, capital and/or revenue income, influencing the quality of development or broad regeneration goals. These models – from council-owned companies

to joint ventures – all provide more public-sector control in the development process and of the ultimate output.

However, there's been a scattershot approach to date, with organisations sometimes making choices that aren't the right fit. There has been research on council-owned companies, but there's not yet been a London-wide quantitative/qualitative analysis of the scale, suitability and evolution of the models being used for housing delivery, or of public-sector direction in this area.

Future of London and GVA, supported by BLP Insurance and Lewis Silkin, are researching which models the London public sector is using and why, how they're performing, and where we're headed. Organisations covered will include boroughs, the GLA, TfL, housing associations and more, and models will include vehicles



Hornsey Town Hall, LB Haringey

such as direct delivery, development agreements and joint ventures, as well as alternatives like land trusts.

The final briefing, combining data and case studies with insight from senior roundtables, will highlight trends and issues, to help public-sector organisations choose their best option, help partners provide what's specifically needed, and help the sector chart a clearer path to effective housing delivery.

Scope

To start, GVA is mining publicly available industry news and databases for information relating to models used, then grouping the models into six categories based on the level of public-sector involvement:

- **Wholly-owned public vehicle** – Separate, council-owned company that can deliver off-balance-sheet development of public land.
- **Direct public sector delivery** – On-balance-sheet development of public land using internal resources.
- **Public/private contractual joint venture** – Risk-sharing approach in which both parties are committed by legal agreement.
- **Public/private corporate joint venture** – Creation of a new company in which both parties are shareholders, spreading risk and return through ownership.
- **Development Agreement, using Master/Strategic Development Partner** – Legal agreement with a strategic partner to enable sites (e.g. through planning & infrastructure) and then sell most/all parcels on to housing developers.
- **Development Agreement, using Direct Development Partner** – Legal agreement with a developer to develop housing and ancillary uses directly.



Packington Regeneration, Islington

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Initial findings (July 2017): As an initial sample, GVA has gathered data from nine representative boroughs, as follows:

Category of housing delivery model	Gross number of models across the nine boroughs	Where housing-unit data is published			
		Number of models with housing-unit data*	Estimated total homes by category*	Avg. homes per model*	Avg. affordable housing (%)
Wholly Owned Public Vehicle	5	4	7,600	1,900	63%
Direct public sector delivery	2	2	2,600	1,300	44%
Public/Private Corporate Joint Venture	7	4	15,100	3,775	39%
Public/Private Contractual Joint Venture	2	1	100	100	insufficient data*
Development Agreement - Master/Strategic Partner	6	5	24,700	4,940	38%
Development Agreement - Direct Partner	9	6	5,100	850	32%
Total/Average	31	22	55,200	2,144	53%*

The nine boroughs to date are: Barking & Dagenham, Barnet, Bexley, Brent, Bromley, Camden, Croydon, Hackney and Newham. A model may comprise multiple projects or schemes; the aim here is to capture data at model level, while assessing scheme-specific performance where possible. *These figures are subject to further review.

Initial observations

- 31 housing delivery models have been adopted across the nine sample boroughs. Of these, 22 have publicly-available housing-unit data; the remaining nine may still be at feasibility stage.
- **Those 22 models are set to deliver c. 55,200 homes, at an average of 2,144 homes per model and an average affordable housing percentage of 53%.** As context, affordable completions for the year 2015/16 across London comprised just 20% of total homes delivered, according to the GLA.
- Within the nine local authorities covered, a variety of models are being used. The most prevalent is the **Direct Development Agreement (29% of the total)**, but **Master/Strategic Development Agreements will deliver the most homes (45% of the total)**. Corporate Joint Ventures are also delivering a significant quantum of homes (27% of the total).
- **Models with more public-sector control are shown to deliver a higher proportion of affordable housing.** The Direct Development Agreement delivers the lowest (32%) and the Wholly-owned Public Vehicle is the highest (63%).

Note: GVA is relying at this stage on public data, which makes it difficult to guarantee accuracy or 100% coverage. As the research continues, accuracy and scope will improve.

Next steps

Sharing insight: Three roundtables will bring experienced practitioners together for a frank view of what's happening on the ground: what's working, where the obstacles are and how to overcome them, and what the most promising direction(s) may be. The roundtables will also open new avenues for investigation.

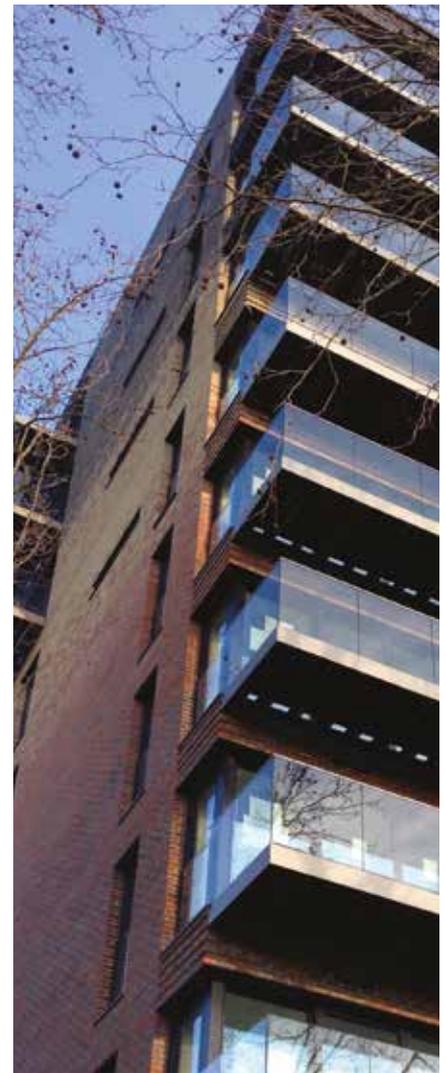
Sept 12: Investment: Sources, caveats, parameters

Sept 26: Delivery: Approaches, structures, considerations

Oct 10: Direction: Lessons, trends, skills development

Ongoing research: While GVA continues quantitative research on the vehicles listed here, Future of London will explore smaller-scale and emerging alternatives, from community land trusts to co-housing to live-work trials, and both will pursue relevant case studies. Further research, guided by the roundtables, may cover:

- More detail on affordable housing delivery
- The role and/or prevalence of public funding
- Other influences, e.g. house price differentials, size, location or political colour of boroughs
- Key objectives (e.g. affordable housing, local employment, capital/revenue return etc.)
- The nature &/or scale of public-sector resource in various models



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