

## Bath & North East Somerset Council

MEETING/ DECISION MAKER:	<b>Planning, Housing and Economic Development Policy Development &amp; Scrutiny Panel</b>	
MEETING/ DECISION DATE:	<b>14 March 2018</b>	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	<b>Affordable Housing Delivery in the Bath Enterprise Zone</b>	
WARD:	Westmoreland, Kingsmead, Abbey (has implications for all Bath wards)	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b> Appendix 1: The Bath Enterprise Zone		

### 1 THE ISSUE

- 1.1 The Enterprise Zone (EZ) in Bath has been designated as an area for economic delivery and employment growth to 2035, comprising the delivery of around 11,000 new jobs and includes the development of some 3,500 new homes.
- 1.2 The job creation work in the EZ will be creating a new housing market. The proposed delivery of 3,500 homes within the EZ is an opportunity to target delivery to address this emerging housing demand, creating an appropriate housing offer to enable people to live and work in the City.

### 2 RECOMMENDATION

- 2.1 The Panel is asked to note the current housing situation in the EZ and the steps being made to help address housing need to support the delivery of a vibrant and economically sustainable City, whilst continuing to meet general affordable housing need in Bath.

### 3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The Enterprise Zone designation allows for the Council to retain 100% of Business Rates
- 3.2 The Council is actively working as land owner and lead developer within the EZ to ensure control over delivery of key mixed use sites at Bath Quays North, Bath Quays South and Bath Riverside and has land interests in other major sites in the City.

- 3.3 The Council is aiming to maximise Government funding opportunities to help unlock and accelerate delivery of new homes in the City.
- 3.4 Exceptionally high market values for homes in the City mean that the levels of subsidy required to deliver traditional forms of affordable housing far exceed the nationally accepted levels of funding dictated by Homes England (formerly Homes and Communities Agency), which creates a significant problem when applying Value for Money justifications on bids by our housing association partners. Completion for land within the EZ for competing land uses further compounds this.

#### **4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL**

- 4.1 Housing delivery in the EZ and the wider city needs to both address the affordable housing needs of the current community, which will include the needs of vulnerable, single people, older people and families with children, as well as addressing the emerging, future housing need generated by the new employment offer in the City.
- 4.2 The adopted Core Strategy Affordable Housing policy, CP9, requires residential developments to deliver 40% affordable housing in line with the Planning obligations SPD. Delivery is subject to the requirement for AH not rendering the development unviable.
- 4.3 The Councils adopted Placemaking Plan defines land use options and identifies the sites prioritised for economic uses. 2000 homes, the largest number in the EZ are consented at BWR. The remaining comprises smaller allocations within mixed use schemes where the policy driver is economic growth.

#### **5 THE REPORT**

- 5.1 In 2016, the Council commissioned Cushman and Wakefield to undertake a review of housing demand in the EZ based on the profile of the emerging employment offer and the likely incomes generated against housing costs. This review is helping to shape the nature of delivery proposed on Council-led developments. It suggested that:
- a) Two thirds of the jobs being created in the EZ will be Higher Level Occupations (ONS classification) an employment base of people who would usually be looking to buy their own home.
  - b) Over 4,500 homes will be needed to meet the housing demand from the 11,000 new jobs.
  - c) The greatest likely rented demand will be for 2bed properties (35%) and 1bed properties (25%) but the likely market sale demand will be for 3bed properties (36%)
  - d) 45% of jobs in the EZ will generate an income under £25,000, another 23% between £25 and 35k
  - e) For *dual* income households, 69% of households working in the EZ can afford to buy an average priced 1 bed property, 47% an average 2 bed property and only 16% a 3 bed.

- f) For rental properties, 96% dual income households can afford to rent a 1 bed home, 44% a 2 bed and 24% a 3 bed.
- g) For single person households, both renting and owner occupation are unaffordable for all but those earning in excess of £42,000.

(2) The Council's Homesearch Register can show us details of households who have expressed a particular need or desire to live within the City<sup>1</sup>

	Priority Banding	1 bed	2 bed	3 bed	Total
General needs	Group A	20	7	6	33
	Group B	39	9		48
	Group C	243	66	12	321
Sheltered	Group A	1			1
	Group B	3			3
	Group C	10	1		11
Grand Total		316	83	18	417

5.2 Affordability in the City is a significant challenge. The cost of buying or renting a home is one of the highest in the Country outside of London and is the highest in the West of England.

5.3 Delivering a wide range of affordable housing options is vital to securing the success of the Enterprise Zone as potential employers looking to locate in the City will be considering the housing options and the scale of the local employment base as a key factor in their decision making. This means that as well as delivering homes to meet a traditional affordable housing need, the Council needs to look at ways of delivering affordable housing products targeted at individuals, couples and families working or looking to work in the City. This supply will also support current major employers, such as the RUH and even the Council, for whom local house prices can be a major impediment to the recruitment and retention of staff.

Data from Hometrack<sup>2</sup> for house sales between July and December 2017 shows average house prices as:

	Kingsmead Ward	Westmoreland Ward	Abbey Ward
1 bed Prices (Flat)	1,048,000	212,667	349,375
2 bed Prices (Flat)	301,969	480,000	479,375
2 bed Prices (House)	359,200	292,053	Not Available
3 bed Prices (House)	455,375	372,969	491,667

<sup>1</sup> The banding on Homesearch relates to whether someone needs to move home or if they are choosing to do so. Bands A & B are priority groups where an applicant's current housing situation is considered unsatisfactory and they need to move home to meet their household's specific needs or where they are under-occupying existing social housing stock.

<sup>2</sup> Hometrack is an independent, online housing market data resource

	Affordability based on households disposable incomes	Lower quartile house price to income ratio	Cost of Renting an average 2 bed property
Kingsmead	10:01	14:01	265
Westmoreland	11:01	16:01	229
Abbey	11:01	15:01	265

This table demonstrates the income to price ratio for the average house price in the wards and the average 2 bed rent.

5.4 Delivering affordable housing through Planning Policy CP9 within the Enterprise Zone and the wider city area can be a challenge due to viability, but there are currently developments with a total AH provision of 107 units with planning, or under construction, in 5 locations:

- (1) Roseberry Place – 51, 1 and 2 bed apartments for intermediate rent being delivered between 60% and 80% of market rent levels and will be targeted towards younger working households in the City, as well as offering the opportunity for the 2 bed units to be let as shared housing for 2 individuals.
- (2) 5 Discounted sale ‘micro homes’ at the site of the former Banglo Pub on Lower Bristol Road (25% discount from OMV)
- (3) 13 Discount sale market flats for sale at the Omega Centre site on Upper Bristol Road Road (35% discount from OMV)
- (4) 4 flats for social rent as part of a mixed student and PRS flats at Midland Road, behind Argos on Upper Bristol Road.
- (5) 25 units for social rent and 9 for shared ownership equating to a 14% AH provision at Bath Press, following independent scrutiny of development viability.

5.5 Phase 1 at Bath Riverside delivered 205 rented and shared ownership homes, which met the 25% affordable housing provision of the policy at the time of consent (2010), which completed by March 2016. These homes were delivered with significant levels of public subsidy due to the severe viability constraints on the site. The Council and the HCA each invested over £6.5m to secure delivery, with an average grant rate of £100,000 for a rented home and £50,000 for a shared ownership home. These rates of subsidy are no longer available to our housing association partners to secure delivery on high value sites.

5.6 All sites within the EZ can be classified as regeneration projects with significant infrastructure and existing uses impacting value and delivery. Viability remains a major impediment to the delivery and this typically impacts provision of affordable housing. Quays North and South sites fall into this category where the value of the residential elements is ensuring the delivery of the employment uses and meeting costs of infrastructure. On Bath Riverside, land assembly, gas holder decommissioning, decontamination, relocation of the waste transfer station and recycling centre are all significant costs that impact upon scheme viability. The levels of historic direct subsidy for affordable housing delivery are no longer sustainable, so the Council is working to secure capital finance through a number of possible grant/funding mechanisms;

- (1) Bath Quays £7.5m Homes England Accelerated Delivery Fund
- (2) Bath Riverside £12.6m Homes England Housing Infrastructure Fund: Marginal Viability
- (3) Bath Riverside £7.5m Accelerated Delivery Fund specific to relocation and remediation of recycling centre
- (4) Growth Deal - £10M initial land purchase funding within the EZ

5.7 These significant capital funding streams will help to meet the costs that otherwise render the sites unviable for affordable housing delivery, and work has now started to explore mechanisms to ensure that these sites can now be used to address the housing needs of the EZ.

5.8 As other sites come forward in the City, planning policy CP9 will continue to be robustly applied to maximise delivery of affordable housing. Emerging proposals to prevent office to residential development under Permitted Development Rights will require any future applications to deliver affordable housing and through the JSP, new approaches to viability testing and the use of subsidy for unviable sites, will be introduced to support delivery wherever possible.

## 6 RATIONALE

6.1 No recommendations made

## 7 OTHER OPTIONS CONSIDERED

7.1 None

## 8 CONSULTATION

8.1 This report comes about through joint working within Community Regeneration and with colleagues in Property Services

## 9 RISK MANAGEMENT

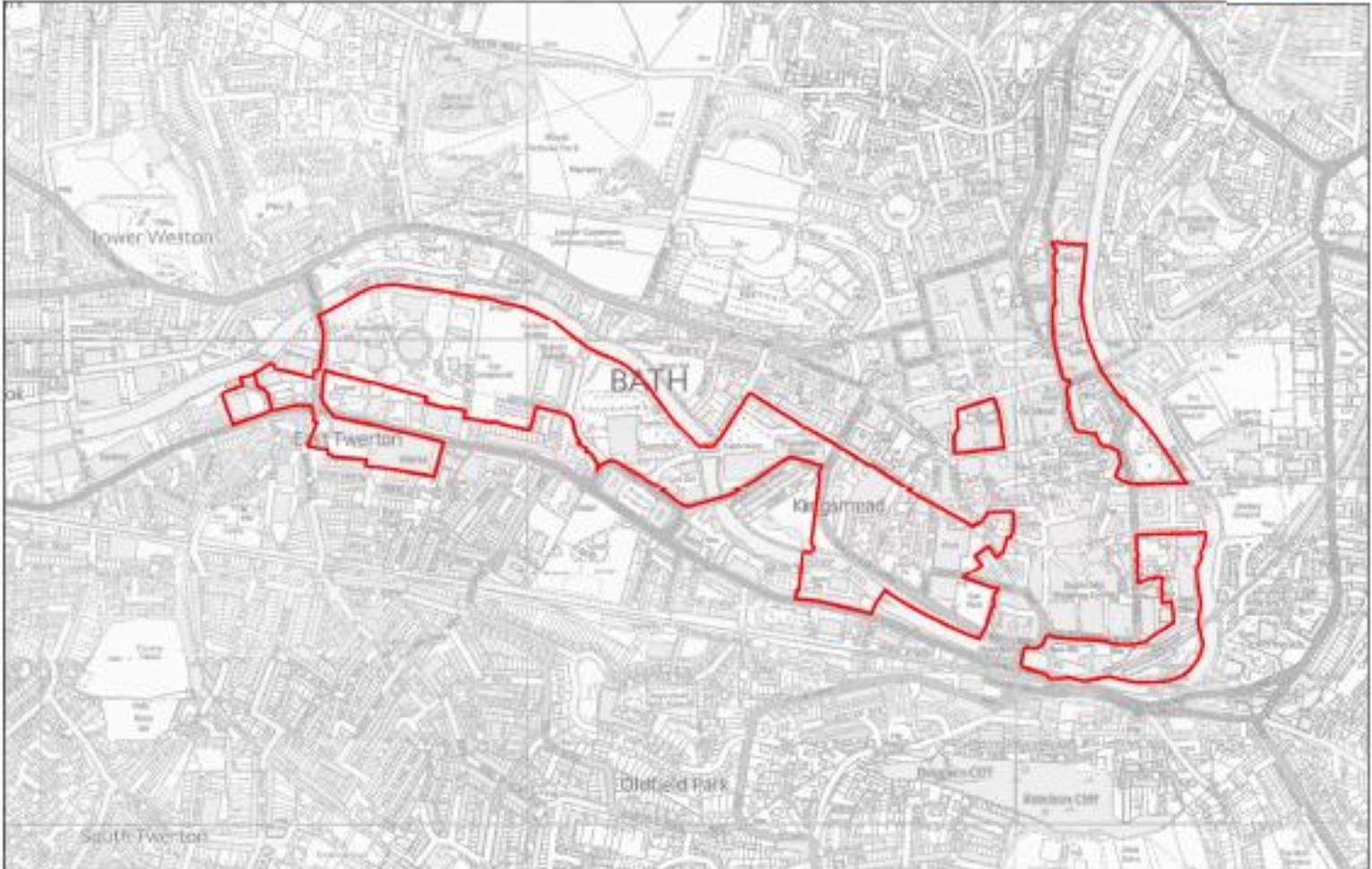
9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

<b>Contact person</b>	<i>Louise Davidson, Team Manager (Enabling and Development) ext 4768 Simon Martin, Programme Director – Bath Enterprise Area ext 7407</i>
<b>Background papers</b>	<i>List here any background papers not included with this report, and where/how they are available for inspection.</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

# Appendix 1: Bath Enterprise Zone

## Bath and Somer Valley Enterprise Zone: Bath City Centre & Riverside

Author: Planning Policy  
 Date: 22/07/2015  
 Scale: 1:10,000



Reproduced from the Ordnance Survey mapping with the permission of the Controller of Her Majesty's Stationery Office © Crown Copyright. Unauthorised reproduction infringes Crown copyright and may lead to prosecution or civil proceedings. Licence number 100022124



- Bath City Riverside Illustrative Masterplan**
- Enterprise Zone**
  - 1 Roseberry Place:** Mixed use development including 60,000 sq ft of new A grade office space
  - 2 Bath Riverside:** 20,000 sq ft of commercial space
  - 3 Bath Quays South:** 46,000 sq ft of new A grade office space, 40,000 sq ft of refurbished managed workspace at Newark Works
  - 4 Bath Quays North:** mixed use development including 200,000 sq ft of new A grade office space
  - 5 Manvers Street:** mixed use space
  - 6 Cornmarket:** 8,000 sq ft listed building available for refurbishment  
**Cattlemarket:** development site available for mixed use space, up to 150,000 sq ft