METREX Expert Group

Affordable Housing

Preliminary working arrangements
and background material
METREX Expert Group
Affordable Housing

Proposed approach

Having regard to the initial ideas in the Wroclaw MC Minutes, follow up e-mails from the Secretary General, Expressions of Interest and further exchanges between potential Expert Group colleagues (see below), the following initial approach is proposed.

1 Position Statements (see revised Appendix 1) by Friday 18 December (Glasgow to follow in January)

2 Provisional Scoping Meeting in Glasgow on Friday 29 January 2010. GCVSPDA provides a meeting room for METREX.

3 Alternatively, a video conferencing session on Friday 29 January 2010

Introduction

Extract from the Minutes of the METREX Wroclaw MC meeting on Saturday 19 September 2009

5G Possible Expert Group on Affordable Housing

In countries with a high proportion of home ownership, where the current financial crisis is resulting in a reduction in dwelling completions, there is a growing shortage of affordable housing. Indeed, rising home ownership coupled with public sector "right to buy" policies have created affordable housing shortages even in countries with a high proportion of public or private rented stock. There are also varying approaches to housing need across Europe. The issue is of particular concern to the Glasgow and the Clyde Valley Strategic Planning and Development Authority (GCVSPDA), which has commissioned a special study into the issue.

Appendix 2 gives further information on the GCVSPDA study and Expressions of Interest are now invited from METREX Members in participating in an Expert Group on the issue of Affordable Housing. Such interest should be confirmed to the Secretary General, by e-mail, before the end of October 2009

Expressions of Interest

Expressions of Interest have been received from Glasgow, Frankfurt, Stockholm, SCM (Bournemouth), Emilia-Romagna and Ile-de France (IAU-Idf). Some of these are subject to clarification of the prospective work of the Group and the approach to be taken to the issue.

The Secretary General has made the following suggestion with regard to the approach.

1 All interested colleagues provide a short 5 page Position Statement on the issue of Affordable Housing in their metropolitan area. It could concentrate on the key issues and the approach being taken to these. Perhaps completed and circulated before the end of the year?

2 Scoping meeting in Glasgow in the New Year some time. Initial findings and conclusions and consideration of common issues/approaches. Outline of a Practice Benchmark?

3 Practice Benchmark meeting to consider and approve a first draft (10-15 pages?). Presentation to the Vilnius/Riga Meeting in May?
Might Glasgow be able to take the lead with this? The idea would be to make the work not too much of a burden but productive and informative for METREX. Once a Benchmark is in circulation it might attract further interest from colleagues in the Network.

Interested colleagues have expressed support for this approach and the Secretary General has made a further suggestion about the form and content of Position Statements in Appendix 1.

**Observations by potential Expert Group colleagues**

**Glasgow** – Grahame Buchan

Our Consultants, a Group called ‘Tribal Consulting*’ led by Professor Peter Wood (highly rated in the UK and by me personally) are working on the issue now but it is designed around addressing our situation. That work will not be complete until early December and therefore at this time, I do not know what will emerge – how generic (or abstracted, to use your language) and therefore relevant the results may be to other metropolitan areas, or how fine-tuned to the Scottish context they will be.

So it is just a little early as yet to offer anything or to offer leadership on this issue. If we feel the results have wider application, I’ll be happy to suggest a programme of work for an Expert Group, but at present, I have little with which to work or to offer real constructive comment. However, I do believe that the work we have commissioned is innovative in its strategic orientation, contrasting with the kind of more detailed individual policy ideas developed for local circumstances. But we will see when the Consultants produce their report.

* www.tribalgroup.co.uk

**Ile-de-Farnace IAU-Idf** – Christine Corbille

We had prepared a short text to explain our interest to participate in the Affordable housing expert group. We have received this morning, from Genevieve Danchin, the outline of AH position statements. We will answer later.

Affordable housing is a real issue in France, especially in Ile-de-France Region where housing costs are particularly high, even if the income level is higher than the national average. At the present time, households spend 25 % of their income for housing (charges included). Moreover, its housing cost has increased faster than household earnings. Access to housing has become more and more difficult for low-income households, but also now for middle class people.

There are 3 housing tenures in Ile-de-France - 48% owner-occupied, 25% social rental housing and 23% private rental housing. But, on a long period, we can see the pauperization of social tenants (whose earnings are deviating from the average households income) and of a part of private tenants who live in bad conditions. And more and more households are asking for a social rented dwelling, coming from the social housing sector (to have one room more or to change housing environment for instance) or from the private rented sector (to reduce their housing cost or improve their housing conditions).

Public policies are reducing gradually the offer of a degraded private housing stock, without reconstituting an equal low cost housing offer. On the other hand, low middle class households are now staying in the social housing, that they cannot any more get access to property. In all the rental sector, the mobility of households has then decreased.

In this context, the growing shortage of affordable housing is a central issue in the regional housing system.

In IAU Ile-de-France, we are gathering a lot of statistical data that allowed us to make some focus on that subject. With the National Housing Survey (each 4 years) or the General
Population Census (now each 5 years) we have rich data on household and housing stock, family size and composition, household social category and income, housing quality or household mobility from a housing sector to an other in the Ile-de-France Region. In addition to that, with other specific sources, we also have available data on private housing market prices or credit terms made for the households buying their own dwelling.

3 Stockholm - Hans Hede

A good idea may be to provide only essential information at the beginning. It is important to get a good overview to start with. Better with 5 pages than 10. Once the group starts discussing I am sure some issues prove to be more interesting than others and additional information can easily be collected from the group's members. Once the issue of chairing the group has been resolved it would be good to have a deadline for the first input assuming that there will be some sort of start meeting early next year.

4 Frankfurt - Reinhard Henke

We could address the issue from various perspectives here, and which one to chose depends on the outcome the promoter of this expert group is aiming at. And this is not yet clear enough for me because the information provided is very much focused on the GCVSPDA project, and I'd like to see some thoughts more abstracted from the Glasgow region case. After all, we might decide not to take part at all. Can I suggest the Glasgow colleagues send a brief response to this?

Note – Appendix 1 was produced in response to these observations.

5 SCM – Bournemouth – Phil Robinson

I would support this approach and would be prepared to produce a paper on the nature of the problem in the wider area of the County of Dorset rather than just Bournemouth to give it a METREX scale. We are also working across authority boundaries to provide a solution to the problem and I can report on that work as well.

6 Emilia-Romagna – Claudio Tolomelli, Silvia Grassi and Delia Cunto

I agree with Hans proposal and with Roger outline. I suggest only to add one more point regarding some information about the existence of best practices and experiences at metropolitan level, particularly in the field of public/private partnership in the affordable housing policies. Emilia-Romagna Region is very interested in knowing what the other partner are doing and, overall, if there are some relevant and interesting experiences. I added Silvia Grassi and Delia Cunto in the address list, who are strictly involved in the activity of this expert group.
Appendix 1

Outline of Affordable Housing Position Statements (broad indicators). 5 pages

1 Socio-economic considerations
   Demographic change
   Migration change
   Household change
   Disposable income levels
   Expenditure patterns (% on housing)

2 Housing stock considerations
   Housing types (size and form)
   Housing tenures (ownership, private rental, public rental)
   Housing location issues (housing choice across the metropolitan area (type and tenure)
   Housing fit issues (households to stock, tenure choice and locations)

3 Housing markets
   Housing market areas
   Forecast balances of metropolitan housing supply and demand in market areas
   Supply issues
   Tenure issues

4 Affordable housing
   Housing demand by tenure and housing market area
   Private housing demand and supply
   Private rental housing demand and supply
   Public rental demand and supply

5 Balancing housing demand and supply and affordability
   Issues arising in relation to affordable housing
   Measures being taken to improve access to affordable housing (supply and/or subsidy)

6 Summary of overall metropolitan position in relation to Affordable Housing
   Key issues for the future
   Measures envisaged to improve housing affordability in the future
   Information about the existence of best practices and experiences at metropolitan level, particularly in the field of public/private partnership in affordable housing policies
Appendix 2 (Wroclaw MC Minutes)

METREX Expert Group on Affordable Housing

Introduction

A key issue for social inclusion within European metropolitan areas is affordable housing. Affordability can mean the ability to buy housing or to rent it, or, in some cases part renting/part purchase with a view to eventual purchase (so called staircasing).

The Glasgow and the Clyde Valley Strategic Development Planning Authority (GCVSPDA) has recently commissioned a consultancy study into this issue. Other METREX Members may well have already carried out such studies.

At the Paris meeting of the Managing Committee it was considered worthwhile to explore the possibility of setting up a METREX Expert Group to exchange knowledge and information on affordable housing and to compare alternative approaches to the assessment of need and affordable housing provision.

The GCVSPDA has kindly made available the Tender document that was used to specify the form and content of their Affordable Housing study, as a basis for discussion.

The intention is to consider this, informally, at the Wroclaw Managing Committee meeting on Saturday 19 September 2009, and to then seek Expressions of Interest in forming an Expert Group on the subject.

Issues arising from the GCVSPDA Tender document

The Tender document identifies the following issues for consideration in the exploration of Affordable Housing need.

How many new and migrant households could/could not afford to meet their housing needs in the open market, by housing sub market area, now and in the future?

Of those households who could not afford open market housing, how many could afford to meet their housing needs through the use of ‘intermediate’ housing products (e.g. shared equity), by housing sub market area and Local Authority sub area, now and in the future?

It is anticipated that the GCVSPDA approach will include use of,

- open market house price data
- private rental price data
- household earnings/income data

as inputs into an Affordability Analysis, and to prepare medium and long term projections of prices, rents and incomes to 2016, 2020, 2025, by housing sub market area
Glasgow and the Clyde Valley and its 8 Local Authorities

Population 2006 - 1.75 million
Households 2011 – 830k
Employment 2011 – 880k
GVSPDA area

Glasgow and the Clyde Valley First Tier (Conurbation) and Second Tier (Central and Eastern Conurbation) Housing Market Areas and Sub Market Areas (11+2)

See the GCVSPDA Structure Plan 2006 at www.gcvcore.gov.uk
Aim

The overall aim of the research is to provide an Affordability Analysis relating to housing in the Glasgow and the Clyde Valley Strategic Development Planning Area (GCVSDPA). This is an important component of the Glasgow and the Clyde Valley HNDA (Housing Needs/Demand Assessment) methodology, in that it should provide the split of projected households by tenure.

Scope of the Research and Methodology

Consultants should clearly define their intended methodology for the research. They should confirm the,

- principal data sources they intend to use
- quality control procedures that will be used to verify the accuracy of data and information gathered in relation to the research
- level of assistance required from each Local Authority or the HNDA Project Steering Group

This methodology statement will be further developed as Stage 1 of the study.

The required geography to be used consists principally of the 13 Housing Sub Market Areas in the Glasgow and the Clyde Valley area. The analysis will then be required to be disaggregated down to Local Authority sub area level, to establish/quantify housing need and to assist local authorities to develop their Local Housing Strategies (LHS) and Strategic Housing Investment Plans (SHIP).

Affordability Analysis

There are two key research questions.

How many new and migrant households could/could not afford to meet their housing needs in the open market, by housing sub market area, now and in the future?

Of those households who could not afford open market housing, how many could afford to meet their housing needs through the use of ‘intermediate’ housing products (e.g. shared equity), by housing sub market area and Local Authority sub area, now and in the future?

It is anticipated that the approach adopted will include use of,

- open market house price data
- private rental price data
- household earnings/income data

as inputs into an Affordability Analysis, and to prepare medium and long term projections of prices, rents and incomes to 2016, 2020, 2025, by housing sub market area.

The difficulties in making such projections are recognised. The consultant will be expected to justify the evidence used to inform their views as robust and credible. Consultants should indicate how they will access private rented sector and household earnings/income data.

The approach adopted will also include testing a range of affordability thresholds, using,

- Various price thresholds for accessibility to the market, for example, lower quartile (25%), lower decile (10%)
• Various income/housing cost ratios, for example, 3.5 times gross household income for single earner households and 2.9 times for double income households, or up to 25% of gross household income for private rental.

Consultants will be asked to offer advice and guidance on what range of additional multipliers/thresholds should be used for testing above/below these indicative guidelines. This additional testing would be appropriate both to understand the implications of various alternative scenarios, and to test the sensitivity of assumptions.

An important issue in terms of the ‘affordability’ of property and access to a mortgage deposit, relates to capital/inherited equity/financial assistance offered by relatives. Consultants will be expected to offer advice and guidance on how best to deal with this matter in the Affordability Analysis, and its potential impact on affordability thresholds.

Consultants will be asked to offer methodological advice relating to ‘intermediate’ housing products, and to apply appropriate analysis in that regard. For the purposes of the HNDA, ‘intermediate housing products’ have been defined as including all housing developed with public subsidy, excluding social rented housing. This definition primarily includes low cost housing for sale built on subsidised land or with other subsidy, together with shared equity housing. Each Local Authority will provide as much information on housing of this type as it has available for its area.

In addition to the affordability analysis for the 13 housing sub market areas, the consultants are also expected to do an affordability analysis at the Eastern and Central Conurbation level, in order to check the effect of (dis)aggregation on affordability.

The results of the affordability analysis at 13 housing sub market areas are to be disaggregated to Local Authority sub area level for the quantification of housing need and to assist local authorities in developing the LHS and SHIP. This is likely to be done on a household pro-rata basis but consultants will be asked to submit their views on this.

Assessment of appropriate price and income thresholds (and, therefore, affordability) amongst the group of households assessed to be in Backlog Need. The Backlog Need assessment is being carried out as a separate exercise by local authorities, and this review is intended to ensure consistency.

Project Management

The HNDA Project Steering Group, comprising representative officers from participating Local Authorities within GCVSDPA, will work closely with the appointed consultants and will act as the Steering Group to oversee the progress and delivery of the commission. The HNDA Project Manager appointed by Glasgow and the Clyde Valley Strategic Development Planning Authority (GCVSDPA) will act as the main day-to-day client contact.

There will be two stages to this exercise and a report is required for each of them. The Stage 1 report will cover the methodology and data sources to be used. The Stage 2 report will give a commentary on the housing market and the results of the Affordability Analysis.

The HNDA Steering Group will meet the appointed consultant at the following key stages of the project.

• An inception meeting to discuss any outstanding points between the study Brief and the consultant’s tender submission, finalise the study timetable and agree arrangements for Stage 1 of the study
• A meeting to discuss the draft Stage 1 report
• Regular progress meetings, to discuss the findings of the affordability analysis and, when available, the draft Stage 2 report
• Final meeting to confirm completion of study and to agree a date for delivering the final Report
**Outputs**

The following outputs from the study will be required.

A report for Stage 1, which covers the methodology and data sources to be used for this project. This report (electronic and ten paper copies required) is to be distributed to GCVSDPA and its partner authorities.

A report for Stage 2, which covers a,

- commentary on the housing market in the Glasgow and the Clyde Valley area, and an assessment of likely changes in the future (possible scenarios)
- split of projected new and migrant households by affordability, based on income data, house prices and rental levels, for each of the 13 Housing Sub Market Areas in the Glasgow and the Clyde Valley area, and the
- disaggregation of households able/unable to purchase, to Local Authority sub area level

This report is to be distributed to GCVSDPA and its partner authorities.

An Executive Summary of the research for wider dissemination purposes.

A worksheet with details of the calculations (and relevant assumptions) for the affordability ratios provided. This is required to explain and substantiate the methodology within the HNDA. In addition, it will provide the HNDA Steering Group with the flexibility to have available, or to readily calculate, the ratios for years other than the ones currently specified (2016, 2020 and 2025). It will also provide the HNDA Steering Group with flexibility where it decides to revise, or update, the population and household projections.

The Consultant will be expected to attend progress meetings and to participate in a programme of up to three meetings or seminars to report the findings of the research.

**Timescale**

The study timescale is envisaged to be of the order of three months, commencing towards the end of August 2009 and finishing no later than the week ending 18th December 2009. GCVSDPA and its partner authorities will provide as much data as they can to minimise delays in data collection.

Consultants will be expected to provide a robust timetable with key milestones for completing the work. This should take the form of a project plan and should set out the following,

- Dates for a project inception meeting
- Progress reporting dates
- Date of submission of final Report