A review of housing delivery models and some lessons from the USA

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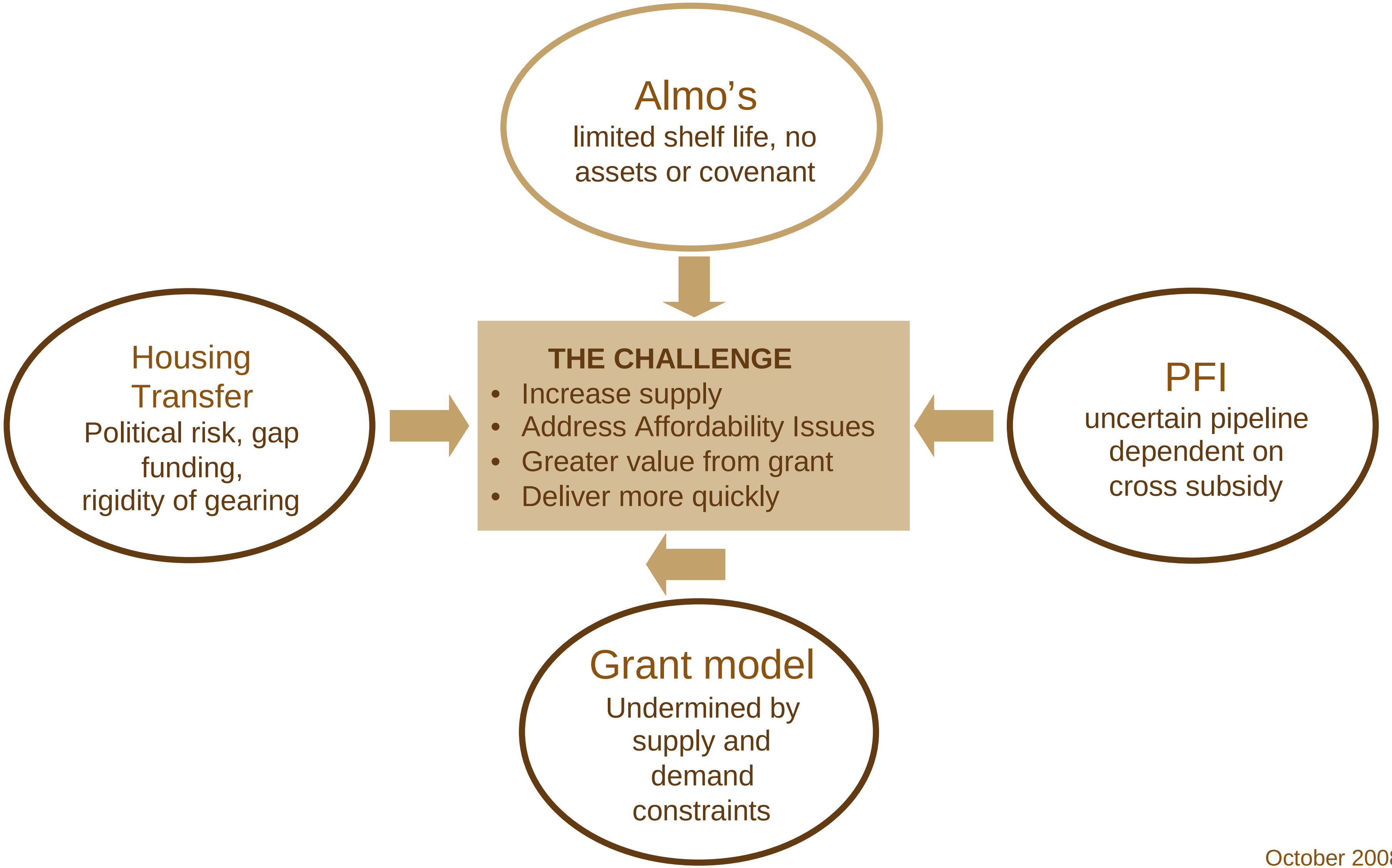
Current Delivery models



A New Approach – What we are doing at Bolton

The challenge

- Development of 6,000 units of housing
- Mix of private for sale (50%) and affordable (50%)
- Identify best form of delivery vehicle
- Minimise grant required/maximise leverage from grant
- Generate surpluses to reduce capital cost of affordable housing and…
- Fund Great Estates programme

Delivery Vehicles – ground rules

- The delivery vehicle is means by which investment and other objectives are delivered
- They can take a number of forms-we were open minded about the form and structure
- We started by assessing and then defining the relationship between the contracting parties, their roles, responsibilities and obligations…and appetite for risk

Risk Allocation

"Risks should be allocated to the party best able to manage them"

Principles — **Strategic** — **Delivery**

Principles

- Vehicle off Balance sheet
- Value for money

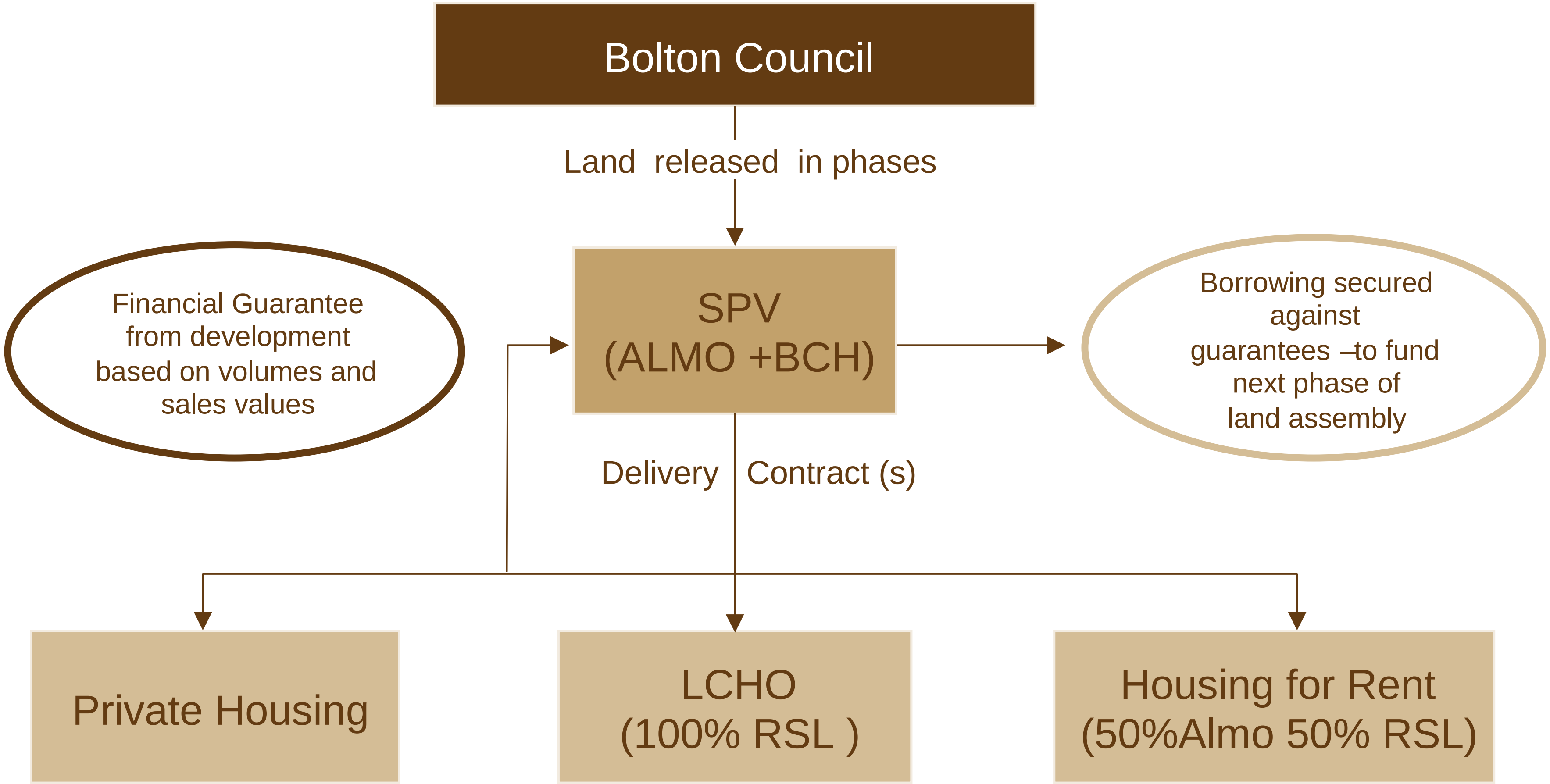
Strategic

- Outline Planning
- Commissioning
- Land assembly
- Access to Housing Grant

Delivery

- Detailed planning permission
- Design
- Construction
- Finance
- HP Inflation
- Volume risk (demand)

A New Delivery Model?



The Structure - in outline

Council:

- Commits land on a phased basis to SPV
- Contract with SPV protects Council from losses or delivery failure
- Council does not influence or control the SPV (but agrees and supports its purpose)

SPV:

- Has strategic role – outline planning, land assembly, recycling funding
- It oversees development through contracts with developers/RSLs
- It is not a delivery body and does not take development risk
- It de risks development and helps re capitalise Housebuilders

Developer/RSL:

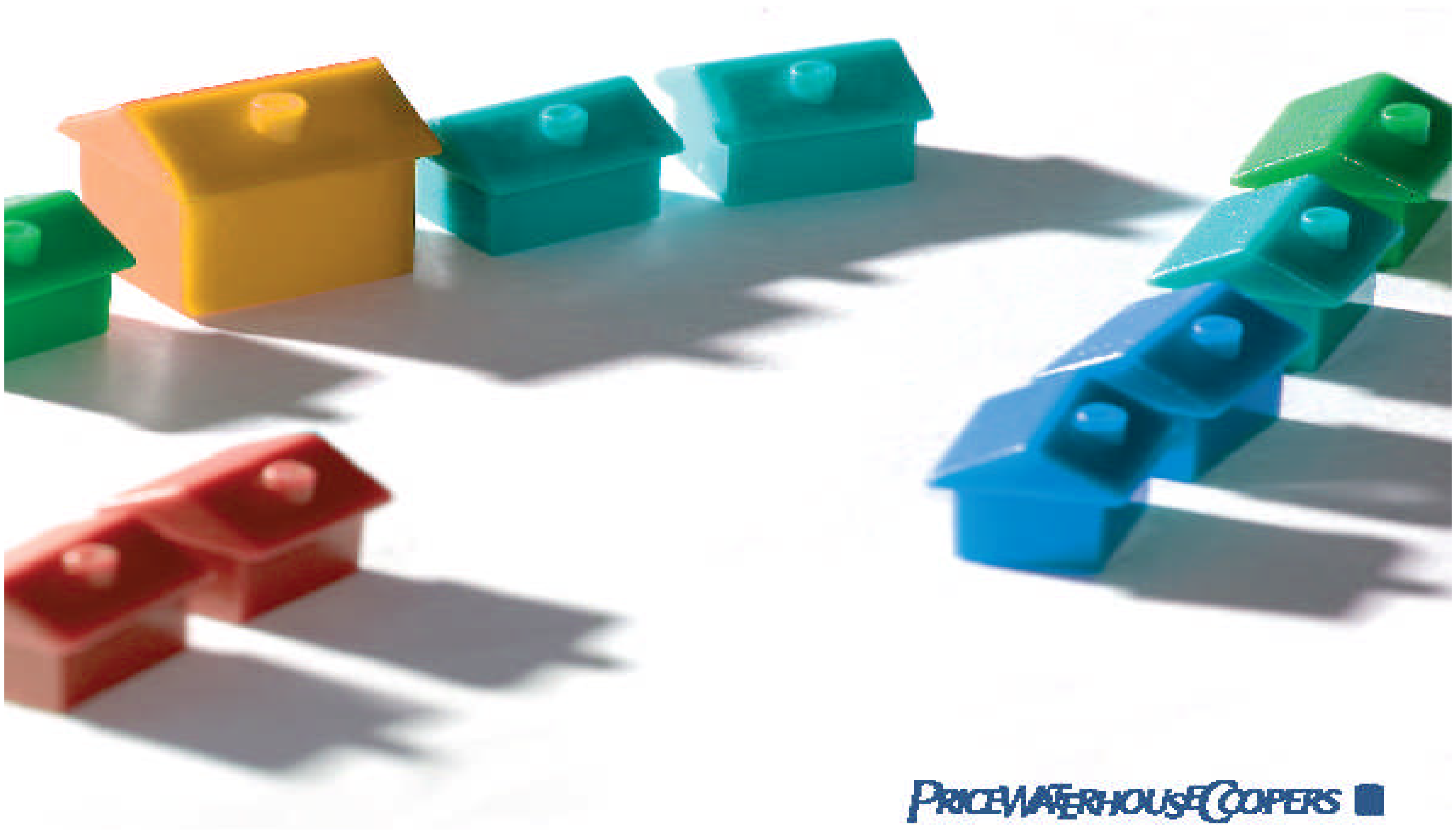
- Take Development risk
- No upfront land payment or equity contribution – but guarantees future payments to SPV
- Requires SPV to CPO and assemble sites

Where next?

- Good case for moving focus from the ‘home to the place’
- A need for new models – of Ownership and Delivery (beyond grant, Transfer, PFI and ALMO)
- Local Authorities have the strategic influence and asset base but are short of capital and have little appetite for risk
- Private Sector can secure finance and shoulder commercial risk
- Collaboration is key . Some are doing it already but need greater incentives, leadership and a new policy narrative– real opportunity with HCA

Investing in HOPE

Lessons from the USA on Mixed Communities



PRICEWATERHOUSECOOPERS

Why Mixed Communities?

- Strong link between the condition of the housing market - price, quality, tenure, mobility - and the long term viability of places
- Approach Informed by Area ‘effects’ studies in the US - poor people living in a poor neighborhood experience worst outcomes than someone in same situation living elsewhere (HOPE VI)
- 3 key policy justifications: reduce deprivation, improve delivery of key policy goals (education, health, worklessness) and create more sustainable communities
- No silver bullet but need ‘step change’ to succeed

So what is HOPE VI ?

- $5bn dollar programme to address most severely distressed public housing in the US.
- 466 grants awarded to 166 cities
- 80,000 units to be demolished , 96,000 replacements, only 49,000 for public housing. Other for private sale , market rent or intermediate rent
- Aim to create mixed and sustainable communities
- Current budgets ($100m) 20% of that in 1990’s

What did HOPE VI achieve?

Catalyst for using innovative funding approaches to jump start wide scale redevelopment

….. and rooted in market principles

Success

Centennial Place Atlanta –adults in labour force up from 36% to 69%

In Louisvilles Park DuValle – crime dropped 82%

Manchester Pittsburgh –Median incomes rose 23%

Issues

Only 46% of residents return. Development takes time plus screening

Many do not qualify due to screening (by health and work)

What about the hard to house?

One strike and Out

Before…

…and after