

New Housing Zones Announced

The Government has recently announced details of new Housing Zones to accelerate housing delivery in areas of England with high development potential. The aim is to create 20 or more Housing Zones across London and up to 28 Housing Zones outside of the capital to help deliver a total of over 95,000 new homes.

Introduction

The Department for Communities and Local Government (DCLG) has recently released details of a number of new Housing Zones across the country, building on proposals first announced in Summer 2014, to help address the acute shortage of new housing stock. From London to Poole and Gateshead, the aim is for the new Housing Zones to facilitate the creation of up to 95,000 new homes by developers, including registered providers.

What are Housing Zones?

Housing Zones are designated areas of land where the Government will provide funding to help break down some of the barriers currently holding back housing development – such as infrastructure, site acquisition, remediation, leaseholder buyouts, transport or community facilities. In return, the developer and local authority commit to providing a certain level of affordable and private housing and must meet these targets by a deadline as a condition of the funding.

The primary aim of a Housing Zone is the maximisation of new housing supply and all the policy tools are geared to that core purpose.

The Housing Zones will therefore unlock brownfield land that has the potential to deliver viable housing

schemes through a combination of long term investment funding, planning simplification (for example under planning performance agreements, outline planning permissions or local development orders), local authority leadership, dedicated brokerage support from central Government and expert planning/technical support from the Advisory Team for Large Applications (ATLAS) service run by the Homes and Communities Agency.

Schemes that make use of offsite construction and different forms of custom-build homes are particularly encouraged.

The Zones can span multiple sites and must include a minimum of 750 homes (1,000 in London). In addition, the majority of each Housing Zone must be on brownfield land.

London Programme

In London, the Greater London Authority (GLA) has committed £200 million of capital funding from its £1.25 billion affordable housing grant budget for Housing Zones. This has been matched by a further £200 million from central Government. Over a period of ten years these Zones should deliver up to 50,000 new homes.

The GLA will look to recover its investment where possible, either by

Key issues

- The Housing Zones initiative consists of:
 - a £400 million programme in London, jointly funded by the GLA and central Government, to create at least 20 Housing Zones to deliver up to 50,000 new homes.
 - a £200 million programme in England (outside of London), funded by central Government, to create potentially up to 28 Housing Zones to deliver circa 45,000 new homes.
- The funding is mostly recoverable investment funding.
- The majority of each Housing Zone must be on brownfield land.

direct recovery through loans (with a commercially calculated interest rate) or through overage or profit-share-type arrangements. Where this is not possible, the GLA will consider making investment available through grant. All investment needs to satisfy State aid rules and the GLA's own value-for-money requirements.

Bids that deliver significant amounts of intermediate and low cost market housing are given priority.

Programme outside of London

Central Government has made £200 million of recoverable investment funding available for Housing Zones in England outside of London, where those local authorities submitting successful proposals will have access to cheaper borrowing. This will be at the Public Works Loan Board's project rate for capital infrastructure expenditure for 2014-15 and 2015-16. No decisions have yet been taken on the access to cheaper borrowing in subsequent years.

Investment funding will usually be in the form of a loan, with an appropriate interest rate applied in accordance with the State aid matrix. Other forms of investment, including equity, may also be considered in order to maintain flexibility where needed, provided that the investment is ultimately State aid compliant.

Total public funding for each scheme must be below 50% of total project costs across the life of each scheme.

Announcements

In Summer 2014 the DCLG invited the submission of proposals for Housing Zones outside of London by 3 October 2014 and, separately, the GLA invited bids for areas across London to be lodged by 30 September 2014. Following the assessment of bids, a number of successful schemes have now been made public.

On 20 February 2015 the Mayor of London announced the first nine Housing Zones in London including Abbey Wood, Thamesmead, Barking Town Centre, Hounslow Town Centre, Southall and Tottenham. The GLA allocated just over £260 million of funding to these Zones, of which £154 million is repayable. Between them, the Zones will accelerate the building

of 28,000 new homes, 9,000 of which will be affordable.

On 16 March 2015 two new Housing Zones in Waltham Forest and Wembley were announced by the GLA. Both of these Zones were existing regeneration schemes, but the GLA expects that they will be delivered quicker and with more homes as a result of being designated as Housing Zones.

The GLA is reported to be considering extending its programme beyond the twenty Zones originally planned for London, and subsequent announcements may follow.

Outside of London, originally ten Housing Zones were planned but, in his Budget of 18 March 2015, the Chancellor George Osborne doubled this number - acknowledging that building homes is a 'key part of the long-term economic plan'. These twenty Zones will help deliver up to 34,000 homes (including areas in Poole, Thurrock and Hertsmere; Guildford and East Hampshire; Gedling; Derby; Wakefield; York; Preston and Gateshead). A further eight 'potential Zones' could provide up to an additional 11,000 new homes across England.

Conclusion

Only 160,000 new homes (including 42,710 affordable properties) were started in 2013-14 – well below the 200,000 to 300,000 that experts agree are needed each year to satisfy demand.

Against this background, Housing Zones have been generally welcomed by the sector as an example of the kind of solutions required to help tackle the current housing supply crisis. Further such solutions are needed to help meet demand and to counter the loss of affordable housing

through the Right to Buy scheme and the ability for some developers to pay a commuted sum as an alternative to providing affordable housing through traditional section 106 arrangements.

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