Carter Jonas

MATTER 4: BUILD OUT RATES

North Essex Authorities Shared Strategic (Section 1) Plan – Further Hearing Sessions

SUBMITTED ON BEHALF OF L&Q, CIRRUS LAND LIMITED, AND GATEWAY 120

December 2019

Contents

1 INTRODUCTION

1.1 This statement has been prepared on behalf of L&Q, Cirrus Land Limited, and Gateway 120, who together form the West Tey Partners behind the majority landholdings within the Colchester Braintree Borders Garden Community (CBBGC).

1.2 This Statement covers those questions posed within Matter 4 – Build out Rates.

2 BUILD OUT RATES

2.1 L&Q is a regulated charitable housing association and one of the UK's most successful independent social businesses, housing around 250,000 people in more than 92,000 homes.

2.2 L&Q is committed to tackling the housing crisis and have an ambition to deliver 100,000 new homes in thriving and sustainable communities. L&Q builds balanced communities delivering homes across a range of tenures including sub market rent, private rent, shared ownership and market sale.

2.3 To achieve this, L&Q has one of the largest new home development programmes in the sector with a long-term ambition to create 100,000 new homes across the country over the next ten years. Last year L&Q completed 2,874 new homes and started on site on an additional 6,428 homes. L&Q has a successful record of working with local partners in delivering new communities and associated infrastructure[1].

2.4 L&Q reinvest the money they make into building quality homes, creating successful communities and providing excellent services for residents. This goes beyond homes and housing services, as L&Q are a long-term partner in the neighbourhoods where it works. L&Q builds aspiration, opportunity and confidence among residents through their £250m community foundation and skills academy.

Notes on Build out rates from Strategic Sites – HCA July 2013

2.5 The Delivery Partners support in principle the conclusions of the HCA in its notes on build out rates.

2.6 In particular we highlight the conclusion (at bullet point three on page 1) on the ability of established strategic sites to be capable of operating as high as 10-15 outlets (500-600+ dwellings) at any one time, with national house builders more than capable of running multiple outlets themselves from a single site.

2.7 It is true that you cannot just provide a high number of outlets and for sales to increase methodically, there needs to be a market to supply to. Appendix 6 to our submitted viability evidence[2] demonstrates that there already exists a capacity in the market for an additional 500 dwellings per annum when assessed against comparable markets and the average stock rises in recent years.

---

[1] L&Q Financial Statements
[2] EXD/061

2.8 We support the conclusion of the HCA (at bullet point eight on page 1) that the largest sites would be capable of delivering an average rate of 300-500 dpa. The basis for this conclusion is clearly set out in the preceding paragraphs and with reference to the examples cited.

Driving housing delivery from large sites: What factors affect the build out rates of large scale housing sites? – Lichfields October 2018

2.9 We note the blog's referencing to the clear factors that impact site absorption and determine different rates at which sites build out, including size of the site, number of outlets in operation, level of affordable housing, greenfield vs brownfield, and public sector intervention.

2.10 Taking these each in turn, the garden communities (GCs) benefit from each of these characteristics:

- The scale of the developments are up there with the largest planned in the UK and significantly (up to 9,000, 24,000, and 10,000 homes respectively) higher than the 2,000 baseline Lichfields set for its highest tier;
- The size of the sites, the ambition of policy and the nature, financing and experience of the delivery partners all lead to an environment that can accommodate a higher number of sales outlets;
- The plans have been shown to be viable at the affordable housing level set. L&Q see this level as a minimum and has consistently delivered higher proportions of affordable housing than this, typically aiming for an increased provision of affordable product;
- The three sites are all predominantly greenfield with no significant barriers to the early delivery of key infrastructure and/or housing;
- The NEAs have confirmed their intent to play a significant role in assisting the delivery of the communities, particularly around pump-priming infrastructure delivery. Central Government has continually reiterated its support for GCs. Should NEAs be successful in setting up a development corporation, the potential to utilise public sector funding would increase further.

2.11 The Lichfields analysis provides one of the most comprehensive that has been done within the development industry but still represents a limited study when trying to directly apply to the scale of the GC proposals. In particular, the grouping of all developments over 2,000 dwellings combines the characteristics of traditional single site strategic urban extensions, with that of comprehensive new communities. The 'Start to Finish' report contained just one site that is around the scale of the proposed GCs, with that, Ebbsfleet, being a brownfield site with well documented deliverability problems in its early years linked to a fragmented approach to how infrastructure, housing and community facilities were planned and delivered. The next largest site, The Hamptons, is at 6,320 dwellings and is similarly a brownfield site delivered as an urban extension to Peterborough. It is unclear from the blog exactly what sites or at what scale the updated evidence has taken account of.

2.12 The significance of this is the study fails to properly represent either the scale or delivery mechanism of GCs throughout their delivery cycle. As we detail below, what is being proposed through the GCs movement will share characteristics more akin to the that of the new towns movement, than it would with the urban extensions assessed in the Start to Finish report. As such its conclusions are not directly comparable to the GCs.

2.13 As can be seen from the site map within the analysis, a number of sites overlap or are directly on top of each other, indicating that they are adjacent or as a minimum, a part of the same settlement and therefore having a significant impact on the rate that delivery. The absorption rate these sites experience extend to not just within the site the wider locality where people will be experiencing similar choice of new build product[3].

2.14 GCs are designed to be largely standalone in marketing terms, being a bespoke offer that is less impacted by additional delivery within the wider Housing Market Area. The sites are designed to effectively be a series of connected, walkable, local centres, alongside a focal centre, each with their own, but complementary characters. This allows the opportunity to have multiple phases being development at any one time, with multiple outlets on each phase. In effect, the GCs comprise two or three major "sites" being developed out in unison.

2.15 Furthermore, it is common ground between the NEAs and the site promoters that the GCs would be best delivered under the oversight of a master developer body, whether this takes the form of a development corporation, a capable private sector body such as L&Q, or a combination of the two. This approach provides a dedicated focus to the delivery of both strategic and localised infrastructure, providing serviced parcels to house builders[4] to focus on what they do best, build houses. This bypasses an often experienced barrier to delivery of how site infrastructure is funded and delivered amongst the numerous parties delivering a strategic site. The comprehensive, long term planning to infrastructure delivery means that once delivery has commenced, a sustained rate can be maintained throughout. With the proposed diversity of types, designs and tenures alongside the expedited delivery of affordable housing set in the context of a planning framework to sets high design aspirations there is clear scope to substantially accelerate build out rates to those reported within this study.

[3] The Letwin Review details how absorption rates are the most important factor impacting delivery pace of a strategic site.
[4] Appreciating that these can be volume house builders, SME builders, housing associations, the NEAs, self/custom build, and/or specialist accommodation providers.

2.16 In essence, whilst there is a wide-spread and growing GCs movement across the UK, we have not experienced this type of comprehensive new settlement delivery since the third wave of new towns began in the late 1960s and early 1970s. As detailed in the NEAs evidence of build out rates[5], the historical new towns were able to achieve significantly higher delivery rates than is being modelled for here. From 1971-1992 Milton Keynes delivered 2,286 dpa and even following the dissolution of the Milton Keynes Development Corporation was able to achieve 1,490 dpa from 1992 to 2018. Similarly, during the initial build out of Telford an average delivery rate of 812 dpa was achieved over 1969 to 1983, at which point it had reached a population of 107,000 (incorporating existing population), a size nearly double that of even CBBGC at its highest planned scale.

2.17 Accordingly, whilst the Lichfields work provides some value to the industry as a whole, it has its limitations when considered in the context of what is being proposed for North Essex. The individual factors that allow for a quicker pace of delivery have been shown to be applicable to the GCs. Looking to the past new town movements, we can see that what was achieved dwarfs that which is being suggested for the GCs here, despite there being the opportunity to apply similar models of delivery. Accordingly, there can be sufficient confidence to base modelling on an average of either 300 dpa as done by the NEAs, or 354 dpa as promoted by L&Q.

Factors Affecting Housing Build-out Rates – University of Glasgow February 2008

2.18 The Delivery Partners support some of the in-principle findings of the study.

2.19 An average return of about 59 units per annum for greenfield sites is about where we would expect delivery rates for individual outlets to be, and is slightly higher than the one per week typically assumed. We also agree with the principle of multiple outlets and developers allowing greater sales rates through a diversification of supply, this is supported by the findings of the Letwin Review. This can further be achieved through providing the platform for specialist housing providers, as well as SME builders to have access to site plots.

2.20 We support the principle that developers will first seek to adapt to market conditions, by rethinking their product specifications or pricing rather than reducing output. GCs further provide the opportunity to utilise the master developer model to differentiate from the traditional house builder approach, providing scope for a greater number of developers on a site, each targeting different sectors of the market, whether in providing different tenures or in size, tenure, or style of product.

2.21 The master developer model allows for the sale of serviced parcels at a manageable size. A house builder will purchase a plot and can begin on site, delivering 100-150 dwellings over a 2-3 year

[5] EB/082

period. This avoids the need for longer term modelling and significantly reduces the risk of changing market demands over this period. A house builder is given confidence on what will be achieved and can focus on delivery of the site and the sale of plots without having to change their programmes.

2.22 Furthermore, by having an organisation such as L&Q in position of master developer, it provides commitment to the delivery of affordable housing, which allows delivery rates to be maintained outside of the realm of the private market. Should market conditions result in the decrease in private sales and therefore less interest from house builders for the purchase of serviced parcels, affordable housing delivery can fill this void.

2.23 L&Q has an established track record of delivering large schemes in various roles including joint venture partnerships, a strategic master developer and a standalone developer with an in-house construction arm. L&Q delivers new homes across a range of tenures including affordable and social rent and shared ownership, whilst also building homes for private rent and outright sale. As a result L&Q has the ability to increase delivery without impacting on open market absorption rates. L&Q is a strategic partners with Homes England, which allows it to deliver additional affordable homes where the need is most acute.

2.24 As a consequence of the above, it is clear that **none** of the restraining factors identified in the Glasgow paper apply to the proposed GCs.

How many outlets would be needed at each of the proposed GCs in order to deliver (i) 250dpa (ii) 300dpa (iii) 500dpa?

2.25 As has been detailed above, the provision of additional outlets on a site correlates with the ability to achieve a higher delivery rate. The GCs are well placed to deliver multiple phases at once, each utilising numerous outlets across a range of tenures.

2.26 The Delivery Partners agree with an approximated average of one sale per week per outlet on a strategic site. This reflects the majority of examples experienced in the Letwin Review[6]. However, L&Q has experience of active examples where this level of delivery has been exceeded.

Milton Keynes Western Expansion Area

2.27 The Milton Keynes Western Expansion Area is a significant masterplan area consisting of 6,000 new homes and associated infrastructure.

2.28 L&Q Estate acts as the master developer, securing the strategic planning parameters for the entire 350 hectare site and facilitating the early construction of physical and social infrastructure. Serviced

[6] Independent Review of Build Out Rates Annexes

individual parcels are released by L&Q and delivered by a range of developers following a set high quality design and place making code.

2.29 In 2017 and 2018, there have been completions of over 450 dpa in the Western Expansion area across 6 flags at an average of 75 homes per outlet. This has been achieved at a development of a significantly smaller scale to the GC at Colchester Braintree Borders.

Greater Beaulieu Park

2.30 Located on the outskirts of Chelmsford in Essex, Greater Beaulieu Park is a 50/50 joint venture partnership between L&Q and Countryside Properties.

2.31 Last year (2018/2019) 226 homes were delivered under one flag, delivering two core styles under different brands and with different house types within this for a wide market offering. This demonstrates the ability of a single house builder to deliver flexibility under a single outlet in order to increase delivery rates.

2.32 The rate of delivery is set to increase as L&Q has recently purchased a parcel that will be delivered as 100% affordable housing, delivering additional shared ownership to reflect the high demand for this product. This will increase the delivery rate for 2021/22 and 2022/23 by an additional 120 homes per year, with the site forecast to deliver 301 homes in 2021/22 and 312 in 2022/23. It is important to note again here that the Beaulieu Park development is of a significantly smaller scale to the GC at Colchester Braintree Borders.

2.33 Accordingly, applying an average rate of 52 completions per outlet, the GCs would require the following number of outlets:

i. 250 dpa – 5
ii. 300 dpa – 6
iii. 500 dpa – 10
iv. 354 dpa – 7

2.34 It is also significant that the evidence in paragraph 2.16 above provides the closest comparable to the GCs proposals. There are clear differences, but the comparison against the new town delivery models is no less valid than comparison against the (comparatively) small scale urban extensions cited in the papers highlighted.

2.35 If one were to consider the build out rates from Major Development Areas (MDAs) north of Aylesbury (referred to as Berryfields and Weedon Hill) as more comparable to the GCs, then it is possible to apply the rates achieved. While the scale of the MDAs is again below the GCs, there are similarities in relation to the planning policy approach and the delivery of major infrastructure. Over the course of 8 years (Berryfields starting in 2010 and Weedon Hill in 2007) 3,647 dwellings were delivered (2,283 and 1,364 respectively) at an annual average of 455 dpa. This was achieved during and immediately following the global financial crisis.

Is there evidence to show that the required numbers of outlets could successfully operate at each GC?

2.36 As stated at 2.15, there is consensus between the NEAs and the site promoters that the GCs would be best delivered under the oversight of a master developer body.

2.37 This model allows for the master developer flexibility to diversify parcels so that they best meet whoever is best positioned to meet the needs of the market at that time and to deliver a range of types and tenures of development alongside each other. This includes the potential for specialist accommodation providers and SME businesses to play a greater role in the delivery of the site, not relying entirely on volume house builders who may have otherwise not continued to deliver at pace.

2.38 Furthermore, GCs are designed to be largely standalone in terms of marketing, being a bespoke offer that is less impacted by additional delivery within the wider Housing Market Area. The sites are designed to effectively be a series of connected, walkable, local centres, alongside a focal centre, each with their own, but complementary characters. This allows the opportunity to have multiple phases being development at any one time. In effect, the GCs will be two or three “sites” being developed out in unison.

2.39 The research by University of Glasgow[7] indicates that house builders are not by nature combative, if a particular local market can accommodate sufficient delivery of housing, different developers can work together to see high delivery rates maintained. This is made out in the assessment above and in the evidence presented by the NEAs.

2.40 Appendix 6 to our submitted viability evidence demonstrates that there already exists a capacity in the market for an additional 500 dwellings per annum, on top of existing average delivery levels when assessed against comparable markets and the average stock rises in recent years.

2.41 Accordingly, there appears no reason why a sufficient number of outlets, producing sufficient delivery rates cannot be achieved at the GCs. This is particularly the case where there is:

- A clear planning framework for the delivery of GCs that encourage the delivery of a high degree of diversity and good design;
- A commitment to the delivery of a range of types and tenures of development commensurate with the delivery of a GC led by a housing association master developer;

[7] EXD/057.

- Commitment on the part of the NEAs to support delivery of the GCs through the development corporation model with the use of statutory powers;

- A variety of housing provision within distinctive settings and varying (hard and soft) landscaped areas that can be accessed by a wider cohort;

- A commitment to the delivery of high quality and timely infrastructure to complement the existing infrastructure of Marks Tey; and

- No barriers or other constraints that limit capacity to deliver.

2.42 The proposed build out rates for the GCs is therefore sound and deliverable.