

City of York Local Plan 2017-2033

Hearing Statement prepared on behalf of Level Developments Limited (Reference ID:260 (CD014A))

Matter 2 – The housing strategy: the objectively assessed need for housing, the housing requirement and the spatial distribution of housing

1. Introduction and Context

- 1.1 This Hearing Statement has been produced by Pegasus Group on behalf of our client, Level Developments Limited.
- 1.2 In accordance with the transitional arrangements set out in Annex 1 of the revised National Planning Policy Framework (February 2019), it is understood that the plan is being examined against the previous 2012 version of the Framework. All references within this hearing statement to the National Planning Policy Framework (NPPF) therefore relate to the 2012 version, unless otherwise stated.
- 1.3 Our client wishes to ensure that the City of York Local Plan (CYLP) is prepared in a robust manner that passes the tests of soundness contained in paragraph 182 of the NPPF, namely that the plan is:
 - Positively Prepared;
 - Justified;
 - Effective; and
 - Consistent with national policy.
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- 1.4 The CYLP also needs to be legally compliant and adhere to the Duty to Cooperate.
- 1.5 Our client submitted representations to the various stages of plan production including the Publication Draft and Proposed Modifications. These representations identified several elements where we believe the CYLP is unsound and not legally compliant.

2. Response to the Inspector's Matter 2 Issues and Questions

2.1 We welcome the opportunity to comment on the Inspector's Matters, Issues and Questions and provide the following responses to selected questions in so far as they relate to our previous representations.

The Housing Market Area (HMA)

Question 2.1) We understand that the Council considers York to be within an HMA which includes the City of York and the area of Selby District Council, but that the two Councils are identifying housing need within their administrative areas separately.

a) Is that correct? If so:

2.2 The 2016 Strategic Housing Market Assessment (2016 SHMA) (SD051) identifies that the City of York interacts with all neighbouring authorities but concludes that it is within a housing market area which also covers Selby (paragraphs 2.103 and 2.106). Subsequent iterations of the SHMA and Duty to Cooperate statements have not sought to demur from this position.

b) Is the identification of the HMA formed on a robust evidential basis?

2.3 The 2016 SHMA is considered to provide a robust analysis of the HMA in this regard.

c) What is the justification for assessing housing needs separately?

2.4 Within our response to matter 1 question 1.2 we note that the NPPF requires local authorities;

"...to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries..." (paragraph 159).

The assessment of housing need within York pays no regard to the wider HMA and as such it cannot clearly demonstrate that;

"...their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area,..." (NPPF, paragraph 47).

The assessment is therefore fundamentally flawed and not justified.

The Objectively Assessed Housing Need

Question 2.2) Policy SS1 and Paragraph 3.3 of the Plan say that the objectively assessed housing need ('the OAHN') is 867 dwellings per annum (dpa) in the Plan Area for the plan period to (2017 to 2033) (16 years). However, since the submission of the Plan for examination, the Council has put forward further evidence to indicate that the OAHN is now considered to be 790 dpa in the Plan Area for 2017 to 2033.

a) We understand that this calculation initially was derived from the conclusions of Technical Work carried out by GL Hearn in the Strategic Housing Market Assessment Update (2017) [SD050] which updated the demographic baseline for York based on the July 2016 household projections. However, the revised OAHN is now based on further work undertaken by GL Hearn presented within the City of York – Housing Needs Update (January 2019) [EX/CYC/9]. Is this correct? Is this a robust evidential basis?

2.5 This is primarily an issue for the Council to address. It is our understanding that the OAHN has been derived as identified in the Inspectors question. We do not consider the update to provide a robust evidential basis for the reasons set out against the following questions.

b) Does the 13,152 total housing figure identified at the year '2032/33' in the SHLAA Figure 6: Detailed Housing Trajectory Updated (790dpa OAHN) [EX/CYC/16] include meeting housing need arising in parts of adjoining districts (e.g. Hambleton, Harrogate, East Riding, Ryedale and Selby) which fall within the York Housing Market Area, as set out in the City of York Strategic Housing Market Assessment 2016 [SD051]?

2.6 No, it is our understanding that the total housing figure is designed solely to meet the needs within the City of York. This is supported by the 2016 SHMA states (paragraph 2.106) that;

"While we propose a HMA which links to Selby and York we are not considering housing need across the HMA. Selby has recently produced its own SHMA and this assessment does not seek to replicate it."

2.7 Furthermore, the various duty to cooperate statements provide no reference to this, to the contrary numerous local authorities refer to the need for York to meet its own housing needs (table 1, EX/CYC/23).

c) Do the adjoining local planning authorities accept the initial OAHN of 867 dwellings per annum, as Policy SS1 indicates in the submission Local Plan? Do the adjoining local planning authorities accept the revised OAHN of 790 dpa, and if so, are they basing their housing need in the context of that OAHN figure?

2.8 Whilst there is no objection raised from neighbouring authorities the majority are passive in their response (table 1, EX/CYC/23).

Question 2.3) What methodological approach has been used to establish the OAHN, and does it follow the advice set out in the Planning Practice Guidance (under the heading 'Methodology: assessing housing need')? In particular:

a) The OAHN identified is founded on the 2016-based population projections as its starting point. What is the justification for using these projections? What is the justification for the household formation rates used to 'convert' the population projections into household projections? Overall, is the general approach taken here justified and consistent with the Planning Practice Guidance?

2.9 We take each element of this question in turn below.

2016 Sub-national Population and Household Projections (2016 SNPP and SNHP)

2.10 The PPG (ID: 2a-016-) identifies that in relation to population and household projections the most recent should wherever possible be considered. It is, however, important that in doing so they are not blindly followed without due consideration of the consequences and relevance to a specific local authority and housing market area. The PPG goes on to note that;

"A meaningful change in the housing situation should be considered in this context, but this does not automatically mean that housing assessments are rendered outdated every time new projections are issued." (ID 2a-016-20150227)

2.11 The 2016-based household projections suggest a reduction in the level of household growth across the Country. This is a result of changes in the subnational population projections upon which the household projections are based, and adjustments in the approach taken in the household projections to considering household formation rates.

- 2.12 Following the release of the 2016SNHP and a consideration of their implications on the standard method to assess local housing need. The government launched a consultation (October 2018) on how to assess local housing need¹. In summary, it suggested that there are flaws to the standard method, which will cumulatively result in delivering homes at a level inconsistent with the national target to deliver 300,000 homes per annum. The consultation closed, prior to the publication of the City of York – Housing Needs Update (January 2019) (EX/CYC/16), in the first week of December 2018 and made three proposals:
- 1) For the short-term, to specify that the 2014-based data will provide the demographic baseline for assessment of local housing need.
 - 2) To make clear in national planning practice guidance that lower numbers through the 2016-based projections do not qualify as an exceptional circumstance that justifies a departure from the standard methodology.
 - 3) In the longer term, to review the formula.

- 2.13 The government published its response to the consultation in February 2019 stating that the 2014SNHP should be used as the baseline for the standard method to calculate local housing need. It also continues to think that the 2016SNHP should not be used as a reason to justify lower housing. In line with these statements the PPG was also updated accordingly in February 2019. This states;

“The 2014-based household projections are used within the standard method to provide stability for planning authorities and communities, ensure that historic under-delivery and declining affordability are reflected, and to be consistent with the Government’s objective of significantly boosting the supply of homes.”(PPG, ID: 2a-005-20190220)

PPG goes on to state that:

“Any method which relies on using the 2016-based household projections will not be considered to be following the standard method as set out in paragraph 60 of the National Planning Policy Framework...it is not considered that these

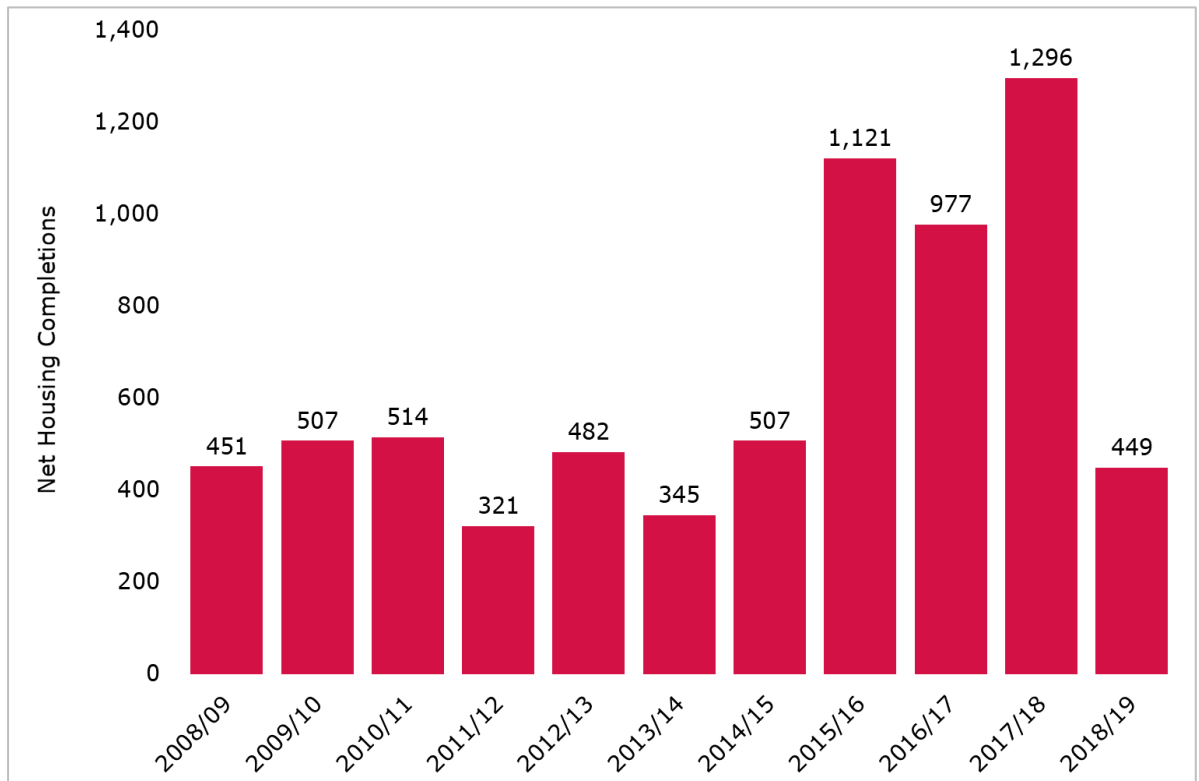
¹ Ministry of Housing, Communities & Local Government. *Technical consultation on updates to national planning policy and guidance*. October 2018.

projections provide an appropriate basis for use in the standard method.”
(PPG, ID: 2a-005-20190220)

- 2.14 It should be noted that all these changes were made well in advance of the release of the CYLP ‘Proposed Modifications’ consultation in June 2019. Whilst it is recognised that the CYLP is being assessed against the 2012 NPPF, under the transitional arrangements, the Council was well aware of the government’s proposed direction of travel in relation to the 2016 SNPP and SNHP. This is considered a material consideration in the determination of housing need. The use of the 2014-based projections would not be contrary to the former PPG for the reasons highlighted in paragraph 2.10 of this hearing statement.
- 2.15 In addition in determining whether it is appropriate to apply the 2016 projections to York they must be fully understood and placed in the context of the over-arching requirement of both the 2012 and 2019 versions of the NPPF to ‘boost significantly’ the supply of housing (paragraph 47). Setting the housing requirement below recent levels of delivery would appear contrary to this principle.
- 2.16 Within our comments upon the ‘Proposed Modifications’ to the local plan we outline the key implications of applying the 2016 based subnational population and household projections within York (section 3). In aid of brevity they are not repeated in detail here, but the strict application would suggest a contraction of the younger age population and expansion of the older age cohorts. This has inevitable consequences for the working-age population and economic aspirations of the plan, a point discussed further in relation to part d) of this question. It also suggests without intervention York would have an unbalanced population structure.
- 2.17 It is also worth re-iterating that the population and household projections are both built upon short-term trends. These are inevitably influenced by macro-economic factors as well as the ability to stay or move into the area, through available dwelling stock. The following table identifies that in the period immediately preceding the 2016 based projections housing completions were

in the range of 300 to 500. Except for 2018/19 dwelling completions have since risen significantly.

Figure 1: York's Net Housing Completions, 2008/09-2018/19



2.18 The consequence is that low levels of housing completions in the years immediately preceding 2016 have influenced the future growth trends. This has inevitably led to a suppression in projected population and housing need in the 2016-based projections. This has manifested itself in increasing affordability issues within York, see our response to part b below. The use of the 2016SNHP and population projections is therefore akin to planning for continued housing under-delivery, a point noted nationally by the government. This is not considered to be positive planning and as such is considered unsound.

Household formation rates

2.19 The Council's preferred housing figure (790dpa) identified in the 2019 Housing Need Update (ref: EX/CYC/9) applies the household formation rates identified within the

2014SNHP to the 2016SNPP and amends these by applying a part-return to previous trends for the 25-34 and 35-44 age cohorts (table 10 and paragraph 2.24, EX/CYC/9). The 2019 Housing Need Update lacks clarity upon which or to what extent the scenario seeks to return to previous trends. It is, however, noted that the 2017 SHMA update (SD050) refers to trends in 2001 (paragraph 2.19).

- 2.20 Household formation rates have been suppressed in the recent past due to issues of affordability and mortgage availability. This had the greatest effect upon the younger age cohorts. To counteract the recent trends caused by the housing crisis. It is therefore considered appropriate to seek to improve household formation rates for younger age cohorts.

b) Have market signals been taken into account?

- 2.21 The City of York – Housing Needs Update (January 2019) (EX/CYC/16) indicates a continued deterioration in housing affordability coupled with increasing house prices. The study suggests that an uplift in the region of 15% would seem reasonable for York (paragraph 4.34). However, the uplift is only applied to the demographic baseline, and not the adjusted demographic growth and the economic growth scenarios. Due to the fact these sit over 15% greater than the demographic baseline no further uplift is applied. Therefore, no market signals uplift is applied to the preferred scenario.
- 2.22 The principle of an uplift is supported. However, the 15% uplift applied solely to the demographic starting point is not positive nor justified by the available evidence. Within our comments upon the CYLP Proposed Modifications we highlighted that affordability within York is significantly worse than the regional and national averages. Indeed, York is one of the least affordable authority areas in Yorkshire and Humber.
- 2.23 The fact that York’s ratio has been increasing since 2013 means that affordability still remains a major issue for the area. Going back further, the affordability ratio in the District has not been below four since 2000. A ratio of four is important because the maximum amount that can typically be borrowed for a mortgage is four times a person’s earnings.

Figure 2: Median workplace based affordability ratio



Source: ONS

- 2.24 When comparing Yorkshire & the Humber to other regions, the most affordable region to live is the North East, with an affordability ratio of 5.32. Unsurprisingly, London is the least affordable and has a ratio of 12.25. Yorkshire & the Humber’s ratio has stayed broadly the same over the last decade, indicating that housing in the region has not become more affordable. The average price of a home is therefore likely to remain unaffordable for many, especially for local employees on median incomes.
- 2.25 Furthermore, whilst it is recognised the City of York Plan is not being assessed against the current method for assessing local housing need it is useful context to compare the 15% uplift applied compared to uplift required under the standard method for calculating local housing need, as described by the updated PPG (ID). In this case an affordability ratio of 8.86 would require an uplift of just over 30%. The implications of this uplift are set out in table 1 below.

- 2.26 The market signals uplift is applied solely to the demographic starting point as identified by the 2016 household projections. As noted above, we are of the opinion that the 2014 household projections should be used in preference to the 2016 projections. Within section 2 of the 2019 Housing Need Update GL Hearn provide convincing arguments for a range of demographic growth scenarios (table 6, EX/CYC/16). Given the need to test these scenarios it is unclear why market signals have not been applied across the full range of demographic scenarios. The PPG is clear alternative demographic scenarios are appropriate considerations (ID 2a-017-20140306).
- 2.27 Furthermore, the PPG notes that the market signals uplift relates to improving affordability and does not stipulate that market signals should be applied solely to the demographic starting point;
- “The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, **as well as** other market indicators of the balance between the demand for and supply of dwellings...”* (Pegasus emphasis, PPG ID 2a-019-20140306).
- 2.28 Given that the forecast jobs growth within the area will create demand for additional dwellings, as migrants move to the area to take-up work, it is extremely unlikely the proposed uplift for economic growth would facilitate improvements in affordability. On this basis it is considered that the market signals uplift should be applied to all scenarios.
- 2.29 As demonstrated by Table 1 below the application of a 30% market signals uplift to the preferred growth scenario would produce a housing requirement of 1,027dpa. This would also more closely relate to recent levels of housing delivery.

Table 1: Application of 15% and 30% market signals uplift

Scenario	Dwellings per annum	15% market signals uplift	30% market signals uplift
Demographic scenarios			
2016-SNHP HRRs	484	557	629
2014-SNHP HRRs	629	723	818
Part-return to trend	679	781	883
Job growth scenarios			
2016-SNHP HRRs	590	679	767
2014-SNHP HRRs	735	845	956
Part-return to trend	790	909	1,027

c) Have employment trends been taken into account? If so, how, and what conclusions are drawn in this regard?

2.30 Section 4 of our comments upon the 'Proposed Modifications' to the CYLP provide a detailed analysis of past trends in economic growth. This is not repeated in detail here. In summary our analysis notes that employment in York grew strongly over the ten-year period up to 2008, before suffering a decline from 2009-15. This is likely to have been the legacy effects of the economic downturn and recession in 2008/09. However, since then the District's labour market has been on a positive trajectory, with its labour market outperforming LEP, regional and national benchmarks. For York to continue making an important contribution to the regional and LEP economies, it is imperative that its strong recent employment growth continues in the long-term. If the CYLP is not ambitious enough with its housing offer, there is a risk that people attracted to work in the area from elsewhere will not be able to find a property to live in.

d) Does the OAHN provide enough new homes to cater for those taking up the new jobs expected over the plan period?

2.31 Section 5 of our comments upon the 'Proposed Modifications' to the CYLP provide a detailed analysis of the economic growth aspirations contained within the York Economic Strategy, the Leeds City Region Strategic Economic Plan (SEP) and the York, North Yorkshire and East Riding SEP. All three economic development strategies highlight the importance of delivering more homes if the economies of

York and the wider LEP areas are to grow in the long-term. Addressing challenges such as unaffordable house prices, retaining young skilled people and attracting entrepreneurs are all critical issues. The Local Plan therefore needs to reflect these strategic aims and as noted above the proposed housing target of 790dpa fails to do this.

e) Overall, has the OAHN figure been arrived at on the basis of a robust methodology?

2.32 No, I refer to the responses provided above.

f) Does the revised OAHN figure (790 dpa) take account of all housing needs, including the need for affordable housing and any need that may be the consequence of any shortfall in housing delivery before the plan period?

2.33 The Housing Need Update (Jan 2019) has not reassessed the need for affordable housing and relies on the evidence in the previous SHMA. This identified a net affordable housing need of 573 dwellings per annum. It is evident that the housing requirement will not ensure that the need for affordable housing will be met. Policy H10 of the CYLP suggests a geographically variable affordable housing contribution with a maximum contribution up to 30%. It is recommended that a further uplift in the housing requirement would be appropriate to support the provision of further affordable homes. The net affordable need represents almost 73% of the proposed OAHN figure.

2.34 The PPG is clear that an uplift to the total housing figures should be considered if affordable housing need is unlikely to be met. This is a separate step to the market signals uplift.

“The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.” (ID 2a-029-20140306)

2.36 Whilst it is recognised that affordable housing may also be delivered via alternative mechanisms to market housing there is a significant gap between the identified affordable housing need and potential delivery by the market with an OAHN of just 790dpa. The Council has not provided any robust evidence to indicate how this gap will be filled.

Question 2.4) Policy SS1 aims to ensure that around 650 new jobs are provided annually. Does either the OAHN identified or the housing requirement set out in Policy SS1 cater for the homes needed to meet this level of economic growth? What is the relationship between the number of new jobs anticipated and the OAHN and/or the housing requirement?

2.37 Policy SS1 clearly seeks to ensure that approximately 650 jobs per annum are supported through the plan. To consider the level of housing provision required to support the level of jobs growth requires several assumptions on differing issues need to be considered. The assumptions within the 2019 Housing Needs Update these are outlined below.

Table 2: GL Hearn Jobs-led scenario assumptions

Issue	Assumption	Commentary
Unemployment	No change post 2017	The annual population survey identifies that unemployment has been significantly greater than in 2017, up to 3.9% higher in 2010/11. Retaining the current figure is therefore ambitious.
Net commuting	Held constant at 2011 census levels	Agreed
Economic Activity Rates	2018 OBR rates used	The use of OBR rates are considered an appropriate starting point. Local characteristics, must, however be taken into consideration.

2.38 In terms of economic inactivity, the annual population survey highlights that the majority of those inactive within York are students, this is considerably higher than regional and national averages. There is also a high proportion of early retirees and those not wanting a job compared to national and regional averages. It is,

therefore, questionable whether the national OBR rates are relevant for York, indeed it is our view they may be overly ambitious.

Table 3: Economic inactivity (16 to 64 year olds) York (Jul 2018 – Jun 2019)

Reason	York (%)	Yorkshire & Humber (%)	Great Britain (%)
Student	41.9	27.8	26.9
Retired	17.3	13.2	12.9
Does not want a job	85.4	79.9	79.3
Wants a job	14.6	20.1	20.7

Source: Annual Population Survey

The Housing Strategy: The Housing Requirement

Question 2.5) Policy SS1 aims to ensure that "a minimum annual provision of 867 new dwellings [are delivered] over the plan period to 2032/33 and post plan period to 2037/38".

a) Is this 867 figure an annual average, or is it a commitment to providing at least that number during every year of the plan period and post plan period? Is it intended to be a net figure?

2.39 Policy SS1 as submitted and the proposed modifications (PM4, EX/CYC/20) indicate it is a net minimum per annum. This is considered appropriate.

b) For the avoidance of any doubt, what period of time is the plan period?

2.40 It is our understanding that the plan period is proposed to end in 2032/33. Given that the plan is unlikely to be adopted until 2020 at the earliest it will only have a maximum 13-year time horizon. This is not consistent with NPPF paragraph 157 which suggests a 15-year time horizon. It is important that the plan provides clarity in this respect.

c) Is the "plan period" the period of time for which the Plan and its policies will be in force as part of the development plan? Related to this, is it legitimate, or possible, for a development plan to include policies which purport to dictate or direct development beyond the "plan period", as Policy SS1 appears to?

2.41 It is considered that this is an issue for the Council to address. Whilst policies are not automatically out of date after the expiration of the plan period it is not considered appropriate for the plan to attempt to direct development after this period.

d) At 867 dpa, the housing requirement is higher than the OAHN of 790 dpa. Why?

2.42 It is not clear that the housing requirement is 867dpa, Policy SS1 as amended in the Proposed Modifications document (PM4, EX/CYC/20) indicates that the 867 is deleted and replaced by 790.

e) Does setting a housing requirement that is higher than the OAHN undermine the Council's arguments in relation to the justification for releasing land from the Green Belt for housing purposes – that is to say, does it reduce the degree to which "exceptional circumstances" exist, in principle, for amending the Green Belt boundaries for housing delivery purposes?

2.43 No, the Council has demonstrated exceptional circumstances for the release of Green Belt. It remains our position that the housing requirement should be greater than currently proposed on this basis we consider additional Green Belt releases are required.

Question 2.6) Will the housing requirement ensure that the need for affordable housing will be met?

2.44 No, I refer the Inspectors to our response to question 2.3f above.

Question 2.7) Overall, is the housing requirement set out in the plan underpinned by robust evidence and is the Plan sound in this regard?

2.45 No, I refer the Inspectors to our responses provided above.

The Housing Strategy: Spatial Distribution

Question 2.8) The Plan's development strategy is set out in Policy SS1. This provides five spatial principles to guide the location of development through the plan. In broad terms, is this the most appropriate spatial strategy?

Question 2.9) Policy SS1 says that the location of development will be guided by the five spatial principles. However, the Plan strategy does not quantify the spatial distribution of new housing across the Plan area.

a) What is the overall distribution of new housing proposed through the Plan? Should it be clearer in this regard? Does the Key Diagram provide sufficient illustration of the broad distribution of new housing across the Plan Area?

2.46 A clear robustly evidenced distribution including indicative requirements for individual settlements would assist in identifying the housing need and delivery across the CYLP area. The plan as currently prepared is severely lacking in this respect and effectively ignores the development needs of some of settlements such as Strensall.

b) What level of new housing is directed towards the city centre and other parts of the Plan Area?

2.47 This is an issue for the Council to address. It is, however, notable that some settlements such as Strensall do not benefit from any allocations. This is despite the proposed provision of additional employment land within this settlement (E18). This is not considered sustainable. Within the submitted plan Strensall was identified as having two allocations which would have provided circa 545 dwellings. Indicating that the settlement was considered sustainable and suitable for growth at this time.

2.48 Whilst we did not agree with the proposed allocations due to their sustainability credentials the need for additional sites within Strensall has not diminished. Development within settlements such as Strensall in sites, such as our clients, would be in conformity with the criteria within Policy SS1. Details of our clients site is included within our comments upon the submitted plan. The site is on Land to the South of Strensall is made up of a parcel of land which covers an area of approximately 29 hectares. The site is located outside the development limits of Strensall however is bounded by residential development to the west, the railway line to the north, residential properties to the east and adjoining Flaxton Road to the south. Whilst currently outside the development limits of the village, is relatively central in relation to Strensall village centre and has good access to village facilities and service. This makes it a sustainable site. The site is located within Flood Zone 1 and accommodates no other site-specific constraints.

c) How has this distribution been arrived at and what is the justification for it?

2.49 This is unclear and lacking in justification. There does not appear to have been any assessment of the needs of individual settlements.

d) Is the distribution consistent with the overall approach set out in Policy SS1?

2.50 No, I refer to our previous comments.

e) Is the distribution of housing supported by the SA and will it lead to the most sustainable pattern of housing growth?

2.51 No, the proposed distribution will not provide growth opportunities for sustainable settlements such as Strensall.

f) Has the Green Belt and/or any other constraints influenced the distribution of housing and, if so, how?

2.52 This is considered a matter for the Council to address.

Question 2.10) Overall, is the spatial distribution of housing justified and is the Plan sound in this regard?

2.53 No, I refer the Inspectors to our responses to questions 2.8 and 2.9 above.