EXAMINATION OF THE CITY OF YORK LOCAL PLAN

2017-2033

PHASE 2 HEARINGS

MATTER 2: HOUSING NEED AND REQUIREMENT

CITY OF YORK COUNCIL STATEMENT

Matter 2 – Housing Need and Requirement

The Objectively Assessed Housing Need (the 'OAHN')

2.1 The introduction above sets out our understanding of the Council's position. Is it correct?

2.1.1.   Yes, the plan's housing requirement is 822 dwellings per annum over the plan period, 2017/18-2032/33.

2.2 In the Housing Need Update (2020) what methodological approach has been used to establish the OAHN and does it follow the advice set out in the Planning Policy Guidance (under the heading 'Methodology: assessing housing need')? In particular: a) Has the 2018-based household projection provided the starting point estimate of overall housing need? In this specific regard, has the Council's approach to identifying the OAHN been consistent with national guidance? If not, what is the justification for that?

2.2.1.   No, the 2018-based household projections did not provide the starting point for assessing housing need. These were published on 29th June 2020 while the Local Plan was submitted in 2018.

2.2.2.   In line with national guidance, the Council have tested whether the OAHN should be changed in light of the publication of the 2018-based projections, and this was set out in the Housing Needs Update (HNU) of September 2020 [EX/CYC/43a]. Specifically, the PPG (ID 2a-016-20150227) states:

> *"Wherever possible, local needs assessments should be informed by the latest available information. The National Planning Policy Framework is clear that Local Plans should be kept up-to-date. 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should be considered in this context, but this does not automatically mean that housing assessments are rendered outdated every time new projections are issued."*

2.2.3.   The Housing Needs Update report [EX/CYC/43a] concluded (Section 5) that whilst demographic growth had clearly been falling, a continuation of the economic aspirations for the City meant that the economic-led housing need of 779 dpa was not a meaningful change from the OAHN of 790 dpa calculated in the City of York – Housing Needs Update 2019 [EX/CYC/9]. As a result, the figure of 790 dpa remains sound.

2.2.4.   To conclude, the housing requirement pre-dates the latest (2018-based) household projections but in accordance with the PPG a sense check carried out in 2020 confirmed that their publication had no material impact on overall housing need. As a result, the council have maintained the previously assessed need which was based on the approach set out in guidance and used robust nationally available datasets to conclude a need for 790 dpa.

b) What bearing, if any, does the 'standard method' have on this Plan's OAHN or on any other aspect of the Plan's approach to housing?

2.2.5.   The standard method has no bearing on the Plan's OAHN or any other aspect of the Plan's approach to housing.

2.2.6.   This plan was submitted for examination on the 25th of May 2018 and, under the transitional arrangements, is subject to the 2012 NPPF which does not require the use of the standard method to assess housing need.

**c) Have market signals been taken into account and, if so, what effect have they had on calculating the OAHN?**

2.2.7.   Paragraph 5.7 of the 2020 HNU report [EX/CYC/43a, page 17)], states that updated market signals evidence was not included. This was because the uplift from the demographic starting point based on the extent of the economic need was so significant that it encapsulates reasonable market signals and consequently a further uplift would not be merited. However, it is recognised that there are affordability issues in the City and a response to these issues is merited.

2.2.8.   As per Planning Practice Guidance (PPG) (ID 2a-019-20140306) "The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals".

2.2.9.   Adding (at ID 2a-020-20140306) "A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections".

2.2.10.   Within the 2020 HNU report the latest household projections (2018-based principal projection) were examined and showed a need for 293 dpa, which increases to 302 dpa when a 3% vacancy rate is included while the concluded need was up to 788 dpa. Therefore, there is a considerable uplift from the starting point.

2.2.11.   The OAHN figure of 790 dpa is an uplift of 497 dpa from the starting point of 293 dpa (from the 2018-based projections as set out in table 3 of the HNU report) which equates to around 170% of the baseline demographic growth. The omission of a market signals review is justified as under no circumstances would they merit an uplift of this magnitude. Typically, adjustments, in even the least affordable locations did not exceed 40%. In conclusion, where market signals were taken account of, it would not lead to a different conclusion.

2.2.12.   To illustrate this further, if a 40% uplift on the latest projections were to be applied to the starting point of 293 dpa then the resultant need would be 410 dpa. There would still be a considerable shortfall to the 788 dpa economic-led housing need although the economic-led uplift to that number would be smaller. Both uplifts are, in effect, doing the same thing.

2.2.13.   For clarity, the 2020 HNU report [EX/CYC/43a] was published in September 2020 and therefore was not able to factor in any pandemic influences on the housing market as no data was available (there is effectively an annual lag for published data). Furthermore, the 2018-based projections which were examined predate the pandemic as they are based on data from 2018. Finally, we also did not seek to

factor in any long term effects as there were too many unknown variables to do so robustly and this is still the case.

2.2.14. However, some data has been published in the interim period. The table below illustrates median workplace based affordability which is arguably the key market signal given that it is now used in the standard method for assessing housing need. It can be seen that affordability has improved between 2018 and 2021 (From 8.87 to 8,41) albeit the ratio is not going in an upwards direction. In isolation, this measure supports a reduced demand for housing in the City in comparison to previous assessments in 2018 as it indicates an easing of affordability in the period.

Table 1: Workplace Based Affordability Ratio (1997-2021)
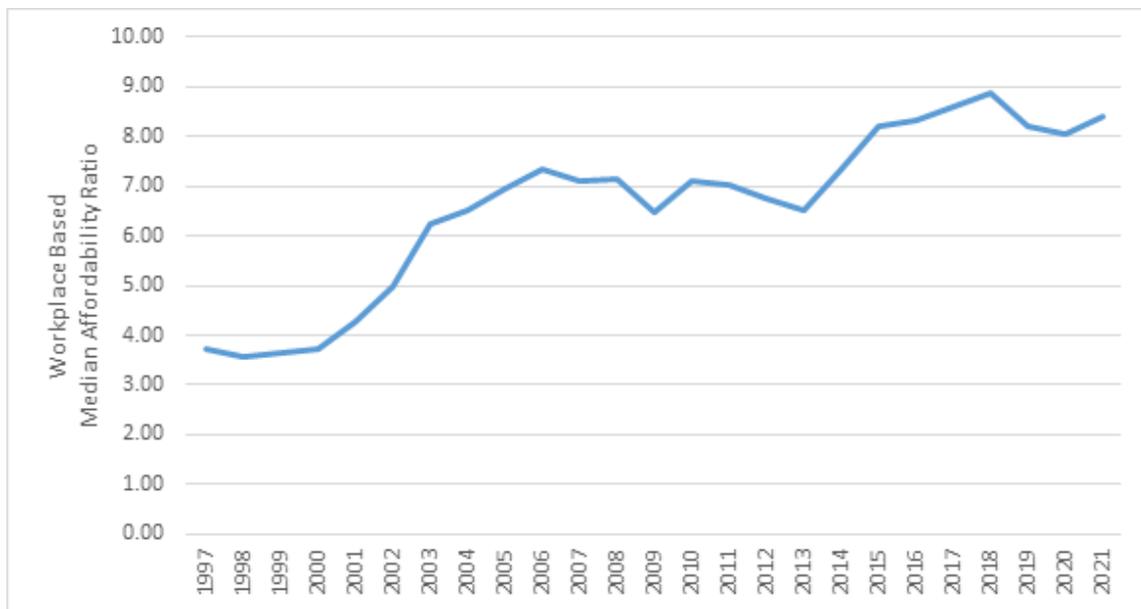
2.2.15. In accordance with guidance, any response to market signals would be made against the start point. It was concluded that need had not materially changed and that maintaining a housing need of 790 dpa was reasonable.

d) How have employment trends been taken into account in determining the OAHN? How robust are the assumptions that have been made regarding those trends and what impact have they had on the final OAHN?

2.2.16.   The Final OAHN is an economic-led housing need, therefore economic growth is the single biggest contributing factor to the calculation. However, the approach taken does not specifically take account of past trends but economic forecasts and aligned those to economic evidence resulting in a growth of 650 jobs per annum and specified in Policy SS1. This is consistent with PPG (ID 2a-018-20140306) which states that "Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area".

2.2.17.   Chapter 3 of the 2020 HNU report reviews economic-led housing need. This was based on linking homes to the delivery of 650 jobs per annum. It is this level of jobs growth, and the housing need associated with it, which ultimately the final OAHN is derived from. The 650 jobs per annum figure exceeds updated forecasts discussed in Matter 3. The Council is satisfied that the level of jobs growth planned for is appropriate and does not underplay the economic potential of the City.

2.2.18.   The data sources and the assumptions translating this level of jobs growth into a housing need used published data sets used by or produced by the government and are therefore considered robust. The assumptions used are consistent to those used in evidence supporting other Plans which have been found sound. These assumptions specifically relate to:

- Double Jobbing – based on a long-term average from the annual population survey. This step reduces the housing need as it assumes some of the jobs will be taken up those with more than one job; The annual population survey is the latest evidence produced by ONS;
- Commuting – These are drawn from the 2011 census which is still the most robust and nationally consistent dataset for examining commuting. As a sensitivity test, an examination of the impact of the

City providing more homes for its workforce than the 2011 census commuting ratio has also taken place. The 2011 commuting assumption reduces the housing need in the City as it assumes that the workforce continues to be drawn in from neighbouring authorities. The 1:1 commuting assumption balances commuting patterns and therefore has no impact on overall need; and

- Economic Activity Rates – These are drawn from the Office of Budget Responsibility's Fiscal Sustainability Report (the latest figures are from July 2018 and have not since been updated). The Activity Rates have been adjusted to a local base by using 2011 Census data; this does not have any impact on forecast changes in the future. As economic activity rates are expected to increase in future this reduces housing need from a position where current rates are held constant. This is because it assumes a greater percentage of woman and older people will be economically active. This reflects longer term trends.

e) Does the economic-led OAHN assessment now still reflect an appropriate OAHN to be addressed and delivered through the Plan during the Plan period?

2.2.19. Yes, the economic-led housing need still reflects the most appropriate approach to housing need as it aligns with the scale of economic growth being planned. As set out above this approach draws on robust data sources and makes realistic assumptions about future housing growth.

2.2.20. The economic-led housing need is also the highest of the potential approaches to housing need. For example by planning for this level of jobs growth (650 jobs per annum), and the housing need associated with it the economic led need exceeds any realistic scenario drawing on demographic growth even where this was adjusted considerably to address market signals and affordable housing need.

2.2.21. Without this level of housing growth the City would be reliant on greater levels of in-commuting or would not be able to support its economic potential. Therefore the approach to commuting patterns is currently the most appropriate to use

2.2.22.   The Council is satisfied that the approach to translating this level of jobs growth to housing need is robust, based on nationally published data sources and one that has successfully been tested at examination across the country.

f) Overall, has the OAHN figure been arrived at on the basis of a robust methodology and is it justified?

2.2.23.   Yes, the approach taken to identify a housing need of 790 dpa is robust and justified on the basis that it is consistent with the 2012 NPPF and follows the appropriate guidance. It also draws on a range of published data sources. These are largely drawn from ONS data sources which are robustly tested before publication.

2.2.24   Specifically, the approach has taken and tested the latest demographic evidence (as published by ONS and set out in the PPG (ID 2a-015-20140306) and used these as a starting point. The demographic growth has then been adjusted upwards in response to the city's economic growth aspirations (based on the level of jobs growth being planned for by the City Council) and constrained household formation as shown in the latest ONS household forecasts (to allow for more households to form), which simultaneously responds to market signals and affordable housing need.

2.2.25.   The Council's approach is based on published datasets, robust and reasonable assumptions and a tested methodology.

2.3 Has there been a meaningful change in the housing situation in York since the Plan was submitted and, if so, how should this be addressed in the Plan?

2.3.1. No, York has not experienced a meaningful change in its housing situation since the Local Plan was submitted to the extent that the overall housing need should be adjusted.

2.3.2. While it could be argued that the pandemic has impacted the housing market, data availability at the time of the HNU Report was limited and its long term impact remains unclear.

2.3.3. Falling demographic growth (both locally and nationally as demonstrated by Mid-Year Population Estimates and 2020-based National Projections) has been observed, alongside improvements to affordability (as shown by DLUHC Affordability Ratios) and a slowing of baseline economic growth (as shown by Oxford Economics). All of these factors would exert or indicate downward pressure on housing need in the City.

2.3.4. However, as the Council is maintaining its economic aspiration to deliver 650 jobs per annum which results in a housing need of up to 788dpa, as opposed to the need of 790 dpa which feeds into the housing requirement, we do not consider this to be a meaningful change in the overall need.

The Housing Requirement

2.4 Is the shortfall figure (for 2012-2017) of 32 dpa which is incorporated into the 822 dpa housing requirement still a robust and justified figure?

2.4.1. Yes, the shortfall figure of 32dpa is still robust and justified for 2012-2017 as this addresses the shortfall in delivery since the start of the Plan Period to submission. The shortfall during this timeframe has not changed.

2.4.2. The approach to shortfall is discussed in paragraphs 4.4.5 to 4.4.15 in the SHLAA (2018) [SD049a] with housing completions identified in Table 5. Paragraph 4.4.12 of the Following the Housing Need Update (January 2019) [EX/CYC/9] and the revision of the housing requirement, the shortfall figure was adjusted to reflect the lower requirement as follows:

1. Housing completions (2012/13 to 2016/17) = 3,432 dwellings
2. 790 dpa (OAHN requirement) x 5 years (2012/13 – 2016/17) = 3,950 dwellings (5-year requirement)
3. 3,950 dwellings (5-year requirement) – 3,432 dwellings (housing completions) = 518 dwellings (5-year shortfall)
4. 518 dwellings (5-year shortfall) / 16 years (2017/18 – 2032/33) = 32 dpa (rounded)

2.5 Does the 822 dpa housing requirement take into account any backlog or under delivery of housing in previous years? If so, how?

2.5.1. The 822 dpa housing requirement figure takes account shortfall between 2012 and 2017. Shortfall post 2017and the plan's submission is not included in the 822 dpa housing requirement figure. Shortfall post 2017 is addressed in response to the questions regarding five-year housing land supply in Matter 5.

2.5.2. In addition, historic undersupply is also addressed as a market signal (specifically the rate of development) within the OAN. As stated in response to other questions the 790 OAHN addresses this through the adjustments to the demographic baseline to address economic need which simultaneously addresses market signals. Although the adjustment does not make a mathematical uplift to specifically address historic under-delivery the approach is sufficient and reflects the PPG which states that "Market signals are affected by a number of economic factors, and plan makers should not attempt to estimate the precise impact of an increase in housing supply".

2.6 Overall, is the housing requirement figure now proposed underpinned by robust evidence and adequately justified?

2.6.1. Yes, the housing requirement reflects the OAHN which, as established in the SHMA [SD051 and SD052] and Housing Need Updates [EX/CYC/9 and EX/CYC/43a] is based on robust evidence and reflects the appropriate guidance. It is based on robust data sources, interpreted sensibly to arrive at an economic led housing need which exceeds that for demographic growth even when adjusted for market signals.

2.6.2. Specifically, in arriving at the housing requirement, a range of published data from government sources including ONS and OBR has been drawn upon. Reasonable assumptions in interpreting the data are considered sound and have successfully undergone examination elsewhere. The overall approach is adequately justified in accordance with transitional arrangements in the NPPF.

2.6.3. The housing requirement figure is considered an appropriate strategy based on the housing needs evidence and has been assessed against reasonable alternatives in the Sustainability Appraisal (SA).

2.6.4. The housing requirement figure of 822 dpa (proposed under PM50) and reasonable alternatives to that figure have been appraised through a robust process of SA with the reporting of this detailed below. Public consultation on each of these documents has taken place and builds upon previous consultation on the SA at each step of the plan-making process (as identified in 1.6 of CD008).

- SA Publication Draft Regulation 19 Consultation [CD008].
- SA Addendum Proposed Modifications, June 2019 [EX/CYC/24 a-c].
- Sustainability Appraisal of Composite Proposed Modifications Consultation, May 2021 [EX/CYC/62].

2.6.5. Within Appendix B of the latest SA [EX/CYC/62] the housing requirement figure of 822 dpa is appraised against the SA objectives alongside appraisal of the other reasonable alternative figures (namely the Publication Draft Figure of 867 dpa, Reasonable

Alternative figure in 2017 SHMA of 953 dpa and the Government's indicative Local Housing Need figure 2020 consultation housing need figure of 1,026 dpa). Section 4.3 of [EX/CYC/62] summarises the findings.

2.6.6. Paragraph 4.3.6 of [EX/CYC/62] states that the appraisal identifies "the same effects as the figure of 790 dpa appraised in the June 2019 SA Report Addendum". The effects of the 790 dpa figure and reasonable alternatives[1] were appraised against each of the SA objectives in the Sustainability Appraisal Proposed Modifications (June 2019) [Appendix B of EX/CYC/24b]. The assessment against SA01 (Housing) stated that the 790 dpa figure has "been assessed as resulting in minor positive effects in the short and medium term and long-term reflecting that the preferred housing figure would positively contribute to the delivery of a range of housing types and tenures in locations across the City to meet identified need in the evidence base." When considered against all SA objectives, the summary of the appraisal states the "preferred figure of 790 dpa has been found to have positive effects across a number of objectives relating to housing, education, employment" (page 11 (xi) in EX/CYC/24c). Paragraphs 5.3.4 to 5.3.28 of the SA Report Addendum 2019 [EX/CYC/24a] summarises the full findings of the appraisal. This reaffirms the conclusion in the SA Report [CD008] that the 2017 SHMA Update figure is considered to perform marginally better in sustainability terms than the preferred option. Paragraph 4.3.6 of the 2021 Addendum [EX/CYC/62] confirms no changes to this commentary.

2.6.7. The housing requirement of 822 dpa has been taken forward by the Council for the reasons given in paragraphs 5.3.29 to 5.3.43 of EX/CYC/24a and confirmed by EX/CYC/62 (section 4.3 and Appendix B), principally that:

- the proposed figure of 822 dpa would meet the objectively assessed housing needs in the plan period (and incorporate the annualised historic shortfall of 32 dpa). This figure sufficiently responds to the latest demographic evidence,

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[1] The same reasonable alternatives were appraised as above. However, the 2017 standard methodology consultation figure of 1,070 dpa was used in the 2019 addendum instead of the 2020 indicative LHN of 1,026 (which was only confirmed by the government following consultation).

market signals including affordability adjustments, and makes a significant contribution to meeting affordable housing needs; and

- it also reflects the economic led housing need figure in the Housing Needs Update, January 2019, prepared for City of York Council by GL Hearn and also the latest evidence on economic growth for the City.