

Building England's Mixed Communities: Negotiating the 'Mix'

Draft Paper

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Abstract

In many European countries there has been increasing concern about the negative impact of single tenure estates and more generally about concentrations of poorer households in particular neighbourhoods. In this context planning policies have been developed to ensure that new communities should be both mixed income and mixed tenure.

This paper explores the factors that help shape the mix of housing that is sought on regeneration schemes and new developments in England. The paper concentrates on two mechanisms for creating mixed communities, looking at the Mixed Community Initiative Demonstration Projects and at Section 106 negotiations for the inclusion of affordable housing in market housing schemes.

Housing can be mixed in terms of tenure, size, location and design. The mix is decided upon through a process of negotiation. A number of stakeholders may be involved in negotiating the mix, including developers, local authorities and Housing Associations. Each party will seek to achieve a mix that best suits their interests. The paper discusses what influences the negotiating position of the different parties involved.

Introduction

Creating mixed communities is a UK policy goal and the provision of housing is one means to achieve this objective. Planning requirements in the context of both the regeneration of existing housing and the development of new housing are two mechanisms available for creating a mix. The mix of housing provided is decided upon through negotiation between different stakeholders.

However, mixed community objectives are only part of the broader policy and planning frameworks that shape both new housing development and provision of affordable housing within it and the regeneration of existing housing. The mix of housing is almost always decided upon through a process of negotiation. A number of stakeholders may be involved. These include developers, local authorities, Housing Associations and any regeneration partners. This article aims to contribute to our understanding of how mixed communities are created by looking at the principles involved, the instruments used and a range of research that throws light on negotiating behaviour and outcomes. If this process and the aims of the different negotiating parties are more clearly understood, we may understand better both how to deliver a suitable mix and understand the limitations of what can be achieved. This may enable the identification of good practice for practitioners.

The key question in this article is what influences the mix of housing each party seeks through these negotiations. It begins with a discussion of mixed community policy in the UK, outlining the rationale for having a mix and the expected outcomes. The most direct approach to achieving a mix through trying to ensure mixed tenure at neighbourhood level and the relation between this and mixed communities is discussed.

The paper then turns to two of the instruments through which a mix of housing is achieved in the UK. One is through the regeneration of existing housing, focusing here on the Mixed Community Initiative. The second is the delivery of affordable housing on new developments through Section 106 agreements.

A framework is outlined for understanding how a mix is agreed upon. It shows how different stakeholders are involved with different, and possibly conflicting, aims. Drawing on recent research, the paper explores what shapes the mix each group tries to achieve, and reflects upon some factors that determine who is successful in the negotiations and why. The paper then draws conclusions about the way in which the mix is negotiated and the implications for policy and practice in delivering the mixed communities policy goal.

Mixed Community Policy

There is a clear emphasis within both urban policy and neighbourhood renewal policies in the UK upon the creation of ‘mixed communities’ (Kearns and Mason, 2007). Housing has been the policy area most clearly influenced by the promotion of mixed communities (Tunstall and Fenton, 2006). The idea that new communities should accommodate a mix of tenures, incomes, ages and household types is one aspect of housing and planning policy in Britain today (Berube, 2005).

Contemporary interest in mixed tenure neighbourhoods stems from official recognition of the increasing segregation of social housing from the mid 1970s onwards (Allen *et al*, 2005). Subsequent changes to social housing policy exacerbated this problem of segregation – for example, homelessness legislation and the right to buy (*Ibid*). The processes of rapid decline and stigmatisation on council estates was later shown to be occurring, too, in large housing association developments, leading to calls for ‘more balanced’ communities (*Ibid*).

Policy Rationale

A review of research evidence and policy experience from the United States and the United Kingdom showed that:

Economic segregation has grown in Britain over the past few decades. Rising income inequality, residential sorting by economic status and housing policy have helped to create area concentrations of wealth and deprivation. Research studies from both the US and UK indicate that concentrated poverty limits opportunities for people above and beyond their own personal circumstances. Area deprivation reduces local private sector activity, limits local job networks and employment ambitions, exerts downward pressures on school quality, stimulates high levels of crime and disorder, and exacerbates health inequalities. The Government’s approach to building new communities embraces social and economic mix as an alternative to the negative effects of concentrated wealth and deprivation (Berube, 2005).

For further discussion of the problems associated with the spatial concentration of poverty see Cowans, 2006. For a discussion of social equity arguments around the issue of mix see Bailey *et al*, 2006, Galster 2007. Tunstall and Fenton (2006) provide a comprehensive overview of the different definitions of mixed communities that have been employed in the literature and of the range of policies that have been employed to achieve particular outcomes.

Expected Outcomes

It is hoped that a more consistent social/economic mix at the local level will avoid creating concentrations of deprivation, deliver higher quality public services, and promote sustainable places that offer residents a variety of housing options (Berube, 2005). This social and economic mix is to be achieved through ensuring neighbourhoods contain a mix of tenures.

Evidence of the success of these policies is mixed. Some have questioned the purported benefits of mixed tenure housing and the sustainability of mixed communities (for example see Meen *et al*, 2005; Kearns and Mason, 2007). Research has often not found clear evidence of the success of mixed community initiatives (Oreopoulos 2003, Kling *et al*, 2005, Musterd 2006, Cheshire, 2007). The possible benefits of mixed communities have been analysed (for example see Atkinson & Kintrea 2000, Kearns and Mason, 2005). For further discussions of

the benefits of tenure mixing see Pawson and Bramley, 2001; Turok *et al*, 1999; Buck, 2001 and Kearns and Parkinson, 2001.

The creation of mixed communities is an established government goal in the UK. Planning Policy Statement 3: Housing (PPS3) declares the strategic housing policy objective of creating “sustainable, inclusive, mixed communities in all areas, both urban and rural” (CLG, 2007). The emphasis in the UK has been upon forming communities with inhabitants who have a range of incomes. Because of the difficulties of getting detailed statistics on household income, mixed tenure is often used as a proxy for income since data on tenure is much more easily obtainable, for example from the Census (Bailey *et al*, 2006). Evidence on the links between the distribution of income and housing tenure suggests that the more affluent sections of the population occupy owner-occupied housing while the proportion of those who are unemployed or on low incomes tends to be higher in the socially rented sector (Bailey *et al*, 2006). Thus the aim to create mixed communities in the UK translates into tenure mixing policies.

The underlying rationale is that mixed tenure will lead to mixed income households at neighbourhood level, thus creating a mixed community that will avoid the problems of area deprivation caused by the spatial concentration of low income households.

Instruments for Creating a Mix

Mixed tenure communities can be created in different ways (for example see Berube, 2005; Tunstall, 2003). This paper focuses on two key instruments for creating mixed communities in the UK. One is regeneration of housing. The other is through the development of new housing where Section 106 is applied.

The Mixed Communities Initiative (MCI) is a regeneration strategy in the UK. It is a transformative approach to neighbourhood regeneration, in which altering the population mix is a key element (Lupton *et al*, forthcoming). Communities and Local Government (CLG) provide the policy lead on the initiative and the delivery is through a number demonstration projects (DPs). These housing and regeneration schemes are subject to dilution policies, whereby local authorities seek to reduce the concentration of social rented housing within an existing neighbourhood or locality by the development of market homes for sale (Kearns and Mason, 2007).

A second way in which mixed communities are to be created is on new housing developments that include affordable housing alongside the market housing. Over the last two decades England has been developing a system by which the majority of new affordable housing is produced with the help of the land-use planning system (Whitehead, 2007). The planning system supports the provision of affordable housing units through the implementation of planning obligations under Section 106 of the Town and Country Planning Act 1990 (S106). These are contractual agreements entered into between a local planning authority and a developer. Obligations have been identified by central government as a preferred approach to increasing the supply of affordable housing and the use of Section 106 agreements has increased over recent years in response to the shortage of affordable housing in certain locations (Crook *et al*, 2006). On proposed housing developments over a certain size, commonly fifteen units or more, local authorities can require developers to deliver a percentage of the total units as affordable homes.

On S106 sites the aim is usually to include affordable housing (intermediate and social rented) in schemes of owner-occupied units. In regeneration schemes such as the Mixed Communities Initiative Demonstration Projects (DPs) the aim is to transform the area by introducing significant proportions of owner-occupation into what are largely social rented housing estates.

Both cases almost always involve negotiation between the parties involved. This usually means developers negotiate with local authorities, and any Housing Association and other regeneration partners that may be involved. There will normally be a negotiation over what mix is to be delivered on a scheme. The details negotiated may include how many units will be provided, what tenure the units will be and what proportion there will be of each tenure, what size the units will be, what standards they will meet and what price the affordable units will be sold to a Housing Association for by the developer.

This paper explores what factors shape the mix that each party tries to achieve through these negotiations. It looks at what influences their choice of mix and the starting point they begin negotiations from. It will also highlight some factors that impact upon whether the negotiating parties get the mix they are looking for.

Methods

Based on the knowledge that the mix of housing in new developments and regeneration schemes is agreed upon through a process of negotiation, this paper explores what each stakeholder involved in the negotiations is looking for in this context.

The key stakeholders involved in the negotiations are local authorities and developers and sometimes Housing Associations. The housing mix they work to agree upon is the mix of tenures, types, sizes, designs, locations and sometimes prices of the housing.

This paper explores what the key drivers are for the different stakeholders involved. It questions if:

- For developers the key goal is to negotiate a mix that maximises profit,
- For local authorities the key goal is a mix that best meets local need, and
- For Housing Associations the aim is to achieve a mix that balances between what works for them financially and what meets the needs of potential clients.

To explore this further and understand more clearly what each of the negotiating parties are looking for and why, this paper draws on qualitative research.

The paper draws on several pieces of research conducted in 2007. One looked at negotiation processes in Mixed Community Initiative Demonstration Projects (DPs) as part of a wider evaluation of the Mixed Communities Demonstration Projects. This process study involved interviews with the developers, local authority officers and regeneration partners and Housing Association officers of three DPs in the West Midlands, North West and London. Quotes from these interviews are used to illustrate key points.

The paper also draws on research that explored how affordable housing is delivered through Section 106. This explored current policy and practice in securing affordable housing in local authorities. It involved a survey of all local authorities, telephone interviews with a sample of respondents and face to face interviews with five case study local authorities (Burgess *et al*,

2007a, 2007b). The paper is also informed by research into the starting points for Section 106 affordable housing negotiations carried out for Communities and Local Government. This involved financial modelling, focus groups and interviews with local authorities, Housing Associations, developers and other stakeholders (Whitehead *et al*, forthcoming).

Findings

The mix of housing on new developments and regeneration schemes will be mixed in terms of tenure, size and design. The mix is decided upon through a process of negotiation between developers and local authorities and their partners such as Housing Associations and regeneration bodies. Each party will seek to achieve a mix that best suits their interests. The paper will now discuss what shapes the mix each party tries to achieve.

Financial viability and profitability

The most important factor that shapes what mix developers try to negotiate, and the factor that most influences what is actually achieved on the ground, is financial viability. Developers have to make a profit and will seek the mix that they calculate will give them the highest return. The financial viability of a scheme is influenced upon by a number of factors.

The existing and alternative use-values of a site can make the whole scheme unviable for housing development. Viability also depends on the strength of the local housing market, developers' willingness to invest and the likely profit margin they are seeking to make. Achieving the mix desired by the local authority can be a challenge given local market conditions. For example interviewees said:

“This mix is also challenging for the proportion of family homes. How many four-bed houses can we really sell on the private market?” (London)

Affordable housing is only one planning obligation sought from developers by local authorities. There are many other provisions that have to be made in addition to affordable housing. These can include contributions to providing infrastructure, education, community services and open space. All these costs have to be met from the development. If they are too high and place too great a financial burden on the scheme, developers will try to negotiate a lower contribution. This may mean that a developer argues that they cannot provide the mix the local authority wants on a scheme as it is not financially viable. Where affordable housing is being provided through Section 106, the developer may try to negotiate providing a smaller proportion of affordable units. Sometimes the mix the local authority and Housing Association (HA) would prefer is not financially viable. For example, one HA said:

“Viability was an issue so we had to compromise and there are no bungalows in Phase One.” (West Midlands)

Other costs can impact upon the viability of a site and therefore how much affordable housing the scheme can support. These can include clearance, contamination, and exceptional ground conditions. Abnormal costs can increase the cost of the scheme to the developer and make it less viable. These costs refer to the additional, unforeseen costs required to bring forward a development, over and above those that could reasonably be anticipated when undertaking a site viability assessment. Such costs are often used by developers as reasons why affordable housing provision cannot be accommodated on a site, or why the requested mix cannot be achieved. Within their supplementary advice for affordable housing, local planning authorities should be clear as to what will be viewed as abnormal costs. For

example, it might be considered that infrastructure is normally required on any site and cannot be considered an abnormal.

The mix that can be achieved on a scheme is often influenced by the input of subsidy in the form of Social Housing Grant. If the mix a local authority is trying to achieve is not financially viable, grant may be acquired to subsidise the affordable units and enable the mix to be delivered. It can be used to achieve a tenure mix that is more suitable for local needs, for example by reducing the amount of shared ownership relative to the amount of social rented, or by funding more large family houses that otherwise would not be financially viable. On the Mixed Community Initiative DP schemes the input of grant would give the Housing Association (HA) a more desirable mix. As one HA representative described:

“There is no subsidy. We are going to try for Housing Corporation grant to get a different mix. At the moment we have to try to make the scheme stack up from the land value and make this clear to residents.” (West Midlands)

Financial viability and the need to protect profit margins are the strongest influencing factors on the mix the developer tries to negotiate. Their starting position for negotiations is also shaped by the local authority policy. Developers have to balance policy requirements against profitability and will seek the best mix to deliver this.

Local authority policy

The local authority's wider policy provides the backdrop to any particular negotiation of mix with developers and shapes what both sides bring to the table for negotiation. Policy shapes both what the local authority can legitimately ask a developer to provide and shapes what the developer expects to have to build, thus often acting as the starting point for negotiations. Without a clear policy, developers find it easier to challenge the local authority in what it seeks from them. There may be tension between what the local authority policy asks for and wider regional objectives, there is also often tension between what is required in policy and what developers want to provide.

Government guidance requires that policies such as Section 106 are embedded within the Local Plan/Local Development Framework and Supplementary Planning Guidance (CLG, 2006). The process of changing policy through this process is slow and many local authorities have out of date policies that were formulated before affordability pressures were so marked. This gives them less negotiating power with developers. SPGs can become out of date relatively quickly, for example as the housing market changes, and thus may need revision to be useful:

“The SPG is currently being revised. The reason for this is that the current SPG is felt to be too prescriptive, and also they become outdated because of architectural progress. So the SPG comes not to reflect the current approach and preferences for design and regeneration.” (London)

Without policies being in place, local authority requirements can be challenged:

“The SPG is an important tool because it provides a broad framework for a particular area and can be used as evidence to require planning applications to conform with the regeneration plans.” (London)

Wider research has shown that the development process can provide more certainty for developers if policy is clear and thorough (for example see Audit Commission, 2006). This can also make negotiations faster as developers know what is expected and can factor this in to land negotiations.

Policy has an impact on the mix that the local authority can legitimately seek and shapes the mix that the developer will offer at the start of negotiations. The stronger the policy, the better starting position the local authority is in for negotiating.

Local need

In determining what the tenure mix on new developments should be, account is taken of the local context. Local authorities, Housing Associations and developers will consider what is needed to satisfy local need. Developers will analyse the local market to determine what they will be able to sell in the area:

“In deciding the mix of the market units in Phase One we did a lot of market research to see what values we can achieve and to determine what the market needs. From this we developed a concept design and took the recommended mix to the client [the council, the New Deal for Communities and the Housing Association] to discuss it. Negotiation was minimal as the design is based on market need and what will sell.”
(Developer)

It is not only the developer who will consider the local market. Where Housing Associations are involved in negotiating the mix of housing, they will consider both units they can afford to purchase from the developer and what they believe they can let to tenants.

“We negotiated the mix around the numbers we needed and the square foot value. So it was based around need, our entitlement and what the management team thought they could let.” (North West)

Whilst developers are most concerned about saleability and profitability, local authorities are primarily concerned about meeting housing need. Housing Needs Assessments and Strategic Housing Market Assessments should enable local authorities to assess what the most appropriate mix ought to be in different areas. Needs assessments must be capable of withstanding detailed scrutiny at a Public Inquiry and Government guidance outlines appropriate methodologies for assessing housing need. Where possible, local needs assessments should be influential in determining the mix of affordable housing sought (CLG, 2006). The mix of units that the local authority wants to be provided will depend on the local context.

In areas where affordability pressures are very strong and the need for housing is high, the local authority may be seeking to secure as much affordable housing on a new development as possible. As mentioned, the policy is only a starting point for negotiating with developers. If the policy requires 40% affordable housing on new developments, this will be the starting point for negotiations with developers, who are likely to try and negotiate a lower proportion of affordable units.

In contrast, regeneration schemes are usually areas with high concentrations of social housing and the aim is usually to increase the proportion of social rented housing and low cost home ownership. In the Mixed Community Initiative Demonstration Projects (DPs) in this study the

aim was to change the mix in order to increase home ownership because the areas were predominantly social housing:

“15% of the stock as social housing was our guide. We got 10.89%. We did not want lots of social and low cost home ownership as we want to change the balance in the area. We are trying to change it to 50/50 so 90% of the units are for sale and the site is mainly market. The area was 80% social rented in 2000. We are looking for 50/50 between social renting and owner occupation by 2016 when the scheme is finished.” (North West)

The spatial scale at which a mix is to be achieved will influence what the local authority seeks.

“The Local Development Framework seeks 25% affordable housing except where it is mainly social rented in the area. The Supplementary Planning Guidance shows for each area the balance between social rented and other affordable housing types that the council want in the area. The aim is that where there is a lot of social rented to get more low cost home ownership and where there is no social rented to get more in order to achieve a balanced mix across the city.” (West Midlands)

The relative location and distribution of affordable and market homes, particularly on larger developments, is also crucial to getting the ‘right’ mix. It is generally accepted that segregating affordable and private housing is not sustainable, and, as a result, many councils seek to have affordable homes pepper-potted across a site and to ensure the units are designed to look the same. One interviewee said:

“Tenure mixing is definitely something that should happen within sites – and architectural quality is important as a means to make tenures on the same site indistinguishable – in contrast to Registered Social Landlord (RSL) or council housing which is usually easily identifiable as such.” (London)

It is usually the concern of the local authority that the social rented units will be distinguishable by being of poorer design and appearance than the market units, but as Housing Corporation standards have increased for units that are subsidised, the reverse can be true:

“The social homes have higher standards than the market units as grant has been used, so the social homes may look better.” (North West)

Either way, achieving a uniform appearance between market and affordable homes has become an important feature of development plans. The idea is to support the mixed community ideal by including a range of tenures, but to eliminate possible stigmatisation of social rented housing by making it blend in with and be dispersed amongst the market housing.

As part of attempts to create a better mix in regeneration developments, some local authorities have tried to restrict how much housing developers can sell to investors. Where they already have a large proportion of social rented housing and are trying to increase home ownership, local authorities do not want too many units to be sold to investors who will let the properties:

“We have restricted the developers to not sell to Buy to Lets, they complained and said this is 20% of the market. What we don’t want are private landlords renting units to people the council has thrown out of social housing. We have stipulated that one individual can buy no more than three units. If units are let, they have to be with one of two prescribed landlords. This is to stop people buying houses and leaving them empty and just waiting for their capital value to rise.” (North West)

Thus local housing need particularly shapes the starting position in negotiations of local authorities.

Consultation

In regeneration areas, consultation with existing residents by the local authority and regeneration partners can influence the type, location and style of units that the local authority wants the developer to provide on a scheme (see also Lupton *et al*, 2008).

Consultation can take different formats and involve a variety of groups. It is important for getting local support for the development, and for meeting local needs and aspirations:

“There has been wide consultation with communities. Residents have voting rights on the partnership boards which include the council leader and housing trust, but the residents have the majority vote. We ran two consultations about the scheme and received 80% support.” (North West)

However, consultation can be problematic, both when only a few local people have a ‘voice’ in the planning, or when a large number of people are involved and consensus has to be achieved:

“Residents designed the plans which could sometimes be a nightmare.” (North West)

Consultation mechanisms can be improved and lessons learnt from other areas. The input that is received from local residents during consultation has an impact upon the plans for a housing development and therefore the mix that results. However, the views of residents are most likely to influence mix of housing in terms of the design or location of units, rather than the tenure mix.

Affordability

Concerns over affordability of housing may also influence the mix that the local authority and partners try to achieve. ‘Affordability’ is a measure of whether housing may be afforded by certain groups of households (CLG, 2006). The affordability mix relates to the cost of occupying different units on a scheme, and therefore the mix of households that will be able to afford to live there. It is closely related to the tenure mix. In a S106 scheme there will usually be a mix of market and ‘affordable’ units.

In terms of user costs, the social rented and intermediate housing that constitute the affordable units are the most affordable as they are subsidised, although social rented housing is more heavily subsidised and so is less expensive than intermediate products. However, there are increasingly concerns about the affordability of intermediate housing. There were examples of regeneration schemes where the local authority and Housing Association

considered including shared ownership in the mix but found that the rent charged in addition to the mortgage repayments could make the units unaffordable:

“When planning the project we researched shared ownership but the rent would be problematic. Many of the decants are little old ladies who would not be able to afford the rent.” (North West)

Issues of affordability also have implications for what can be achieved in terms of creating a mixed community. It may be possible to increase home ownership in an area that has historically been predominantly social rented, but this is usually by more affluent people moving into the area rather than through any tenure change. On the regeneration schemes studied, even selling 50% shares in properties was unaffordable for most of the current residents:

“On the first phase no renters took up the low cost home ownership option. No one has changed tenure. There is an affordability problem, 50% of a £140k house is not affordable by most people here who have little money, sometimes no job, and often a poor credit history. I think we need 75/25. Even with the Right to Buy option, which is capped at [a discount of] £26k, they still cannot afford 50%. The scheme is good for moving people but not for home ownership or affordability.” (North West)

Whilst it is technically feasible to sell smaller shares such as 25% of the property, the rent and responsibility for repairs and maintenance can remove the benefits of this marginal home ownership. Thus concerns about affordability may shape the negotiating position of local authorities, but as the schemes have to stack up financially, they may be over-ridden by concerns for profitability and financial viability.

Need, numbers and developer contributions

The mix that is decided upon is not only shaped by financial viability but also by the particular priorities of the local authority. In some cases achieving the target proportion or number of affordable units is the over-riding priority. In other cases a lower proportion of affordable housing may be accepted on a scheme in order to achieve a house type that meets local needs, such as family-sized units, or to achieve the tenure that is most needed such as social rented. On new developments where Section 106 is applied there are sometimes wider considerations beyond affordable housing that have to be taken into account, such as regeneration, and these can lead to less affordable housing being sought in some instances.

This raises an issue that emerged from the research relating to the different opinions of local authority officers regarding the desired outcome from a scheme. The research found that some local authorities are concerned primarily with meeting their affordable housing targets, for example, the target may be that 30 per cent of new housing should be affordable. They are less concerned with what type of housing is provided. Other local authorities are more concerned about meeting local need rather than simply achieving the target number of units. Therefore some authorities are prepared to accept fewer affordable units overall on a site if they achieve the property types that are most needed e.g. to accept fewer large family homes as opposed to more small flats. Some housing officers find that planning officers are concerned with the numbers, rather than the type, size, or tenure of units that is most appropriate to meet local need and achieve the goal of creating a mixed community.

Related to this is the issue of financing the units and the contribution that the developer will make to deliver the affordable housing. For example, some local authorities expect the developer to meet the affordable housing requirement by providing only free land; others expect the developer to deliver completed units to be handed over to a Housing Association. Some local authorities reported that they are not concerned with how the affordable units are financed, only with achieving the target numbers. Others want to maximise the developer contribution and provide the 'right' housing to meet need in terms of size, type and tenure, rather than just achieving the target numbers. To do this they feel they have to be concerned with how the units are financed.

Therefore in some cases the local authority is very closely involved with the financial aspects of the affordable housing. They determine a set of prices for different sizes and types of dwellings that the Housing Association will pay to the developer, based on the likely income the Housing Association will receive from the units. At the other extreme, some authorities are not at all concerned with what financial contribution the developer makes. They believe that provided they get the units they seek; it is not their concern who pays for them. For example, in one local authority in a Growth Area in the East of England the number of affordable units is negotiated for the S106, but the type and mix of units is negotiated between the Housing Association and the developer, without any local authority involvement at all.

Whilst the two approaches clearly have different implications for the public purse, it is very difficult to assess whether they produce different outcomes in terms of the amount or type of affordable housing delivered, particularly as developers are very reluctant to reveal financial information about developments. The issue is also made more difficult to assess as a number of local authorities reported that despite fixing the price the developer should receive for the units, there is still a bidding process that takes place behind the scenes, with the units going to the Housing Association that can bid the highest amount. It is clear however that there is often a tension between meeting local need, delivering target numbers of units and developer contributions. There may be conflicting priorities in negotiations even between local authority officers.

Negotiation skills

The factors above shape the negotiating starting points for the parties involved in negotiating the mix of housing on new developments and regeneration. There are also other factors that influence what is achieved in practice, that shape the success of different parties in achieving the mix that they want.

The research suggests that the skill set of the local authority is important in negotiations around the mix of housing. Developers may put forward proposals that do not meet the expectations of the local authority, even if these are specified in policy:

“At the time of the tender for developers, we specified that tenure integration was important. But an amazing number of developers came forward with proposals that involved separate entrances and different designs for different tenures.” (London)

Local authority planning officers have to have the negotiating skills to counter arguments and proposals put forward by developers that do not meet their expectations. The ability to understand the economics of development puts local authority officers in a stronger position to address any viability issues raised by developers who argue that a certain mix is not viable.

The ability to negotiate Section 106 agreements with confidence has been aided by an understanding of development economics and the use of economic appraisal toolkits (Golland, 2007). However, not all planning officers actually have these skills in practice (Burgess *et al*, 2007). As a result, they are in a weaker negotiating position than developers when faced with arguments about the financial viability of the mix they are seeking to achieve.

The negotiating and drafting of Section 106 agreements can be difficult and time consuming for all parties concerned (Monk *et al*, 2006). This is an area where previous research has shown that many authorities feel that there is considerable scope for improvement both in terms of developing a speedier process, and developing better understanding and expertise (Tym, 2007).

Support for housing policy

The relationship between the housing department and planning department is also important in achieving the desired mix on the new developments. Rather than simply wanting to achieve the target number of units, planners must cooperate with their housing colleagues in getting the right mix of tenure, type and size of units if local need is to be met.

Achieving the housing policy goals, including getting the most appropriate affordability mix, also requires the political will and vision of elected members and corporate backing within the local authority. They must all be supportive of the housing goals, particularly when developers try to negotiate lesser requirements than the local authority would like to see implemented. For example interviewees reported:

“Our elected members are very supportive. Some want even more than the 25% affordable housing we currently seek.” (West Midlands)

Where support from elected council members is lacking, the local authority officers may struggle to secure the mix they would prefer.

Conclusions

The factors that determine the mix of housing that is sought on a site by the different parties involved do depend to a certain degree on whether it is a new development or a regeneration scheme. Nonetheless some common strands have emerged.

Viability is crucial to the final mix, in which the local market context is a contributing factor. Ultimately the market housing (and indeed any intermediate housing) has to sell and the extent to which a scheme can also provide the desired amount of social housing is dependent on the saleability and prices that the market units can achieve. If a scheme and the mix desired by the local authority do not stack up financially for a developer, it will not go ahead.

The clarity of local authority policy and the consistency with which it is applied are important in both regeneration and Section 106 contexts as this provides greater certainty for the developer, enabling affordable housing contributions to be factored in to the viability of the scheme at an early stage.

The skill set of the local authority is also a key factor in both new build and regeneration contexts. This includes a good understanding of the economics of development as well as the nature of the local housing market. A lack of these skills risks either losing the development

or failing to achieve the desired outcome in terms of mix because the developer effectively makes the final decision by quoting viability issues that the local authority is unable to challenge.

Related to this is the ability to use an economic appraisal toolkit as this enables the local authority to play around with different mixes of tenure, size, type and affordability of housing as well as where relevant different developer contributions and levels of public funding. All these can be tested against economic viability. This facility puts the local authority in a better position to negotiate with developers and achieve an outcome that satisfies all parties.

The relationship between housing and planning also affects the ability of the local authority to achieve the desired mix. And while these are the two most crucial partners who need to work closely together, the whole corporate approach within the authority, and support from elected councillors, are also important. Where these are lacking it is much easier for the developer to play one off against another and fail to deliver what is required.

On new developments, there can be tensions within the local authority between delivering the target number of affordable units as set out in the policy and actually meeting identified housing needs. The classic example is large numbers of one bed flats being delivered when local need is housing for families with children. The local authority's overall approach is clearly critical, as some see their role in S106 negotiations as maximising the developer contribution so that Housing Associations can purchase the agreed units at a price established in the contract. Others are not interested in the finances of the affordable housing and may not consult Housing Associations let alone include them in negotiations.

For regeneration schemes the factors determining the outcome in terms of housing mix are slightly different. In the first place the local housing market context is likely to be different, with relatively low levels of demand for owner occupation (in that locale) and hence low land and house prices. This puts a different slant on the viability issue and local authorities may feel that the developer should be allowed to determine the final mix provided the broad policy goals are achieved. These may include provision of replacement social rental units for those demolished to provide the land for the scheme, but there may be no further constraints on the mix because the area already has sufficient social housing. The developer can build what is likely to sell and the local authority may bow to market judgement and risk taking, while the final mix may meet the local authority's goal of breaking up a large social rented estate by inserting market (and perhaps intermediate) housing. Even so, the local authority still often negotiates the size, style and location of units.

Other factors affecting mix in the context of regeneration are the views and aspirations of existing residents. While the research showed that a scheme cannot satisfy everything residents have raised in consultation, nevertheless taking their views into account helps them to engage with the aims of the scheme and hence to encourage their support.

The negotiations around the mix of housing are undertaken by stakeholders with sometimes different priorities. The findings suggest that whilst developers seek to maximise profits, local authorities are trying to balance a number of goals. The research suggests that the negotiating position of local authorities will be stronger if they have a clear policy that specifies their requirements in detail, if they have a solid understanding of development economics particularly in order to counter arguments around viability, if housing and planning departments work in partnership in negotiations and if they have the support of

elected councillors. With a strong negotiating position and skill set, they are more likely to achieve the mix they believe is best for the neighbourhood and so meet the aspirations of the mixed community policy.

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