

Rebalancing communities

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Rebalancing communities

**Introducing mixed incomes into existing
rented housing estates**

Graham Martin and Judi Watkinson



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Foreword

'I do not want to establish communities bearing the stamp of charity ...'
(Joseph Rowntree, 1904)

There is much talk in the world of social housing of a need for 're-branding', to change public perceptions. The worry is that the homes provided by housing associations – even though standards may be high – are seen as enclaves for the poor and disadvantaged and the occupiers are branded as society's 'failures'. These negative images can lead to:

- opposition to any new homes being built to meet the needs of those unable to buy on the open market
- a stigma attaching to those living in the social housing which can make it more difficult to secure jobs, credit and respect
- a desire from those in social housing whose incomes rise to leave, making it more difficult for a strong community to establish itself
- and, in areas where demand is not so intense, properties remaining empty and values declining, undermining the long-term viability of social housing.

When Joseph Rowntree first let the properties he built to the north of York – now 1,000 houses in the 'village' of New Earswick – he made sure a wide range of incomes was represented. While many came from the slums of York, others were in good employment, reaching up to managerial jobs. To be a living community with plenty of role models for the next generation and a spread of people able to provide local leadership, he made sure there were properties attractive to those able to pay their way as well as those in need of subsidised housing. At that time, it did not require a mix of tenures to achieve a mix of incomes: renting was acceptable to all.

By the end of the 1980s housing markets had become much more polarised. Home ownership was more than fashionable; thanks to the subsidy of mortgage interest tax relief it was highly advantageous in financial terms. While the Right to Buy assisted Council tenants with sufficient resources to become home owners without moving (and, regrettably, failed to apply the proceeds from sales to replacing these homes) for tenants of the charitable housing associations like the Joseph Rowntree Housing Trust no such inducement was available. Instead, government introduced a Tenant Incentive Scheme which paid better-off tenants to leave.

While the better-off in New Earswick took advantage of this scheme, their homes were quickly filled by Council nominees on the very lowest incomes. Quite quickly,

the long-standing mix on our major estate was changing dramatically. It became clear that these processes would mean only those on the lowest incomes would gain entry to vacant properties, while those with more resources would keep moving out.

We wanted a way of bringing in new families – with children for the local school – who were not all on the lowest incomes (usually on Housing Benefit). And we wanted to ensure that in rebalancing the income range in these 1,000 properties we would not reduce the overall numbers of homes for rent which we provided. The answer has been our SAVE scheme – Sales of Alternate Vacants on Estates. We sell half of the homes that become vacant, re-letting the remainder in the usual way. Since we offer no discounts off market prices, and can recycle grants tied up in the properties we sell, we achieve sufficient from the property disposal to replace it elsewhere.

The first few sales were very sticky. Buyers were reluctant to purchase into a street in which they would be the only owners. The stigma of social housing was very apparent. (Our first two sales required special inducements through equity mortgages.) But once the idea caught on, and purchasers could see that tenants in social housing could be the very best of neighbours, it has proved increasingly easy to sell at rising prices. A different group of people have moved into our village and its popularity – of which house price is a harsh but real measure – has risen.

Of course in many parts of the country there are areas of very low demand, and estates of extreme unpopularity, where the opportunity for a SAVE programme may now be too late. But the SAVE approach would seem likely to have application wherever the danger exists of people becoming unfairly marginalised by the process of concentrating and segregating those on the lowest incomes in identifiably separate social housing.

We are very grateful to Graham Martin and Judi Watkinson for setting our work in its wider context, by rounding up important information from local authorities and housing associations on current practices, and by producing clear conclusions: these suggest that introducing a mix of incomes into social housing could have widespread benefit.

Richard Best
Director, Joseph Rowntree Foundation

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1 Introduction – rebalancing communities

Much has been written about ‘sink estates’, ‘benefit ghettos’ and the stigmatisation associated with living on a local authority or housing association estate.

In 1993 JRF published a report, *Building for Communities*, which concluded that policies which allocated houses only to seriously disadvantaged families on low incomes were creating unbalanced communities. Subsequently the link between the lack of social stability in an area and its physical decline and degeneration has been well documented – as has the high ultimate cost of regeneration. Whilst landlords cannot control behaviour or social values they can create the conditions which are conducive to the development of supportive communities.

It is the (understandable) pressures from nominating agencies and from applicants in housing need that lead to unbalanced allocations in terms of social, economic, age or household composition. A better approach would be to devise strategies that introduce a variety of household and economic mix similar to that in neighbouring communities.

The Joseph Rowntree Foundation – through its housing association, the Joseph Rowntree Housing Trust – has supported a policy of voluntary sales on its major estate of New Earswick by selling 50 per cent of properties which become vacant (SAVE – selling alternate vacants on estates) and reletting the other half, with sales proceeds used to replace the stock.

The SAVE programme has been in operation since 1997 with the intention of attracting a greater social and economic mix of residents, and so preventing the estate and the local school which depends on it becoming stigmatised and occupiers being labelled as ‘the poor’, ‘problem families’ or ‘losers’. An added benefit of this policy is an upturn in the local economy. A higher proportion of economically active residents living on an estate helps support the sustainability of local shops and services – which in turn can provide employment opportunities for other members of the community. Having more parents with jobs means more role models of working households.

The SAVE programme is but one way of rebalancing communities, and this briefing note seeks both to share the Foundation’s experience of using the SAVE approach and to provide a summary and overview of similar initiatives being undertaken elsewhere.

The Foundation hopes that this briefing note will be of use to those trying to enhance the quality of life on estates and prevent decline, and to those pursuing a neighbourhood renewal agenda.

2 The benefits of mixed-income communities for residents and landlords

Communities which have an excessive proportion of low-income, vulnerable or dependent households, or which have high child–adult ratios, are far more likely to experience problems and be perceived as less desirable places to live. The SAVE policy is one approach to rebalancing communities and arresting the process of social rented housing estates becoming stigmatised, undesirable places to live. Alternative approaches include market or sub-market renting and/or low cost home ownership (LCHO). By achieving a greater mix of economically active households, attitudes towards an estate are changed:

- The life choices of tenants are not disadvantaged because of their address.
- Self-esteem and the aspirations of tenants can be raised.
- The children attending the local school will come from households with a range of incomes.
- A variety of role models with plenty of people going out to work is introduced onto the estate.
- There is more income to spend in the local shops.
- It becomes easier to obtain affordable credit and the poverty entrapment associated with ‘loan sharks’ is reduced.
- There are more potential leaders to support community and civic activity in the neighbourhood.
- Problems within the estate and community are vocalised and can be addressed more quickly.

Communities that ‘fail’ affect not only the residents remaining within them but also the wider area – whatever the initial cause, the process of failure feeds upon itself. This has been evidenced in the studies into changing housing markets carried out by Birmingham University and acknowledged by the government with the introduction of a Housing Market Renewal Fund.

———— **The benefits of mixed-income communities for residents and landlords**

Sustainable communities can be defined as ‘attractive places where people want to live’. Whilst there are other influences affecting people’s choice of housing – in particular, good schools, health services and a ‘safe’ environment – it is also necessary to meet the aspirations of today’s society and provide housing of the right mix, size, type and tenure to meet the needs of the whole community.

3 The SAVE programme in practice: the Joseph Rowntree Housing Trust experience

The Joseph Rowntree Housing Trust have been pioneers in the provision of good quality housing since the Trust's formation in 1904. The village of New Earswick in York retains its international reputation as the forerunner of the Garden Village Movement and is the subject of study tours for organisations from a number of countries. The Foundation has always felt that New Earswick was a successful community – the village contains about 1,100 units of accommodation which are predominately rented tenure but since the 1980s new build in the village has incorporated other tenures – full sale, leasehold sale, shared ownership and Homebuy.

Contrary to popular belief New Earswick was not designed as a philanthropic exercise or for the employees of Rowntree's chocolate factory. Joseph Rowntree's ambition was simply to build a strong new community – a community which was 'largely self governing' and certainly not one which 'bore the stamp of charity'. The Trust Deed definition of possible tenants included 'all persons who earn their living wholly or partially by the work of their hands or their minds, or who earn a small income and further ... persons having small incomes derived from invested capital, pensions or other sources'. It was intentional that the definition was capable of wide interpretation as Joseph Rowntree had in his mind the picture of a *mixed community*.

By the 1990s Joseph Rowntree's vision of a sustainable community in New Earswick was in danger of becoming an unpopular housing estate. Owing to changes in society and housing policy, and as a result of increasing poverty and unemployment, recession and economic restructuring, the pool of affordable housing was being reduced nationally by more than a quarter and social rented housing lost many of its middle-income households to owner-occupation. Like many others of its kind, this estate was becoming 'labelled' and stigmatised.

Tenants of the Housing Trust did not have the statutory 'right to buy' but instead were eligible for a Tenants' Incentive Scheme (TIS) which paid the better-off tenants to move out and buy elsewhere. The Housing Trust had already offered existing tenants the opportunity of buying their property on a shared-ownership basis – its Existing Tenants Home Ownership Scheme (ETHOS) – but with no discount involved, take-up was negligible. The government introduced a special scheme with a market discount of £9,000 (for the York area) – the Voluntary Purchase Grant (VPG) scheme – and a handful of tenants have taken advantage of this to buy and stay on the estate.

However, rented properties still account for a very high proportion of the total stock.

In common with most other housing associations the Trust considered themselves to be competent and socially aware landlords. In the mid-1990s it was therefore something of a shock to discover that the perception of the village from outside – private suppliers, tradespersons, taxi drivers etc. – was increasingly negative. Additionally many long-term residents felt that the different lifestyles and social attitudes of newer tenants were serving to undermine the community spirit which had previously been so strong. Many of the new residents nominated by the Council were single-parent families, which was significantly affecting the mix and balance of the village, in particular the child density levels. There was an increasing nervousness associated with the behaviour of young people ‘hanging around the streets’ and a raised level of fear of crime – although not on the scale experienced in a number of large urban monotenure estates.

The local primary school considered that the Trust’s lettings policy was responsible for the dramatic increase in the school roll and a change in the balance and mix of the community. There was a sense among teachers that the behaviour of children had declined and a minority were tending to involve a wider group of children in their misbehaviour.

The majority (80 per cent) of lettings in the village are currently allocated on a points basis to those ‘most in need’. There is a ‘local lettings’ policy, which allows those with family connections or ‘key workers’ an opportunity to move to the village, but this accounts for only 20 per cent of lettings each year.

In consequence – and like many social housing estates of this size – there has been an increase in the number of vulnerable, disadvantaged, low-income households moving into the village, where many of the existing residents are over retirement age and themselves living on a fixed low income. This also affects the viability of local shops and services and further disadvantages those who depend on these resources the most.

JRF has long been a proponent of the view that the community and individuals within the community are disadvantaged when occupancy consists solely of those at the bottom of the socio-economic ladder. It is believed that more balanced and sustainable communities are created when there is a mixture of household types and income.

In order to combat and reverse the process of decline the SAVE programme was initiated in 1997. The scheme allows for 50 per cent of relets in the village to be

offered on the open market for full sale or shared ownership. Housing for older people with warden services and flats are excluded from the scheme.

When the scheme first started properties were selected following an analysis of location, type of property and current residency – if the area had a high child density level, high benefit dependency and was ‘less popular’ than some other areas then the property was considered high priority for selling on the open market. The density level has become less of a problem over the five years of the scheme and the concern is now not to have too many groupings of the same tenure.

As other organisations have found, there was scepticism, particularly among the staff, that if an area is not popular with those who have limited choices about where to live then why would anyone want to buy the property on the open market – except those wishing to ‘buy to let’? Fortunately such scepticism proved unfounded. Purchasers were not hard to find – the main concern after location for prospective purchasers was the price, condition and maintenance history of the property, as in any other area.

The ‘buy to let’ issue was considered at a very early stage – the last thing the Trust wanted was for the programme to be an exercise in mixing landlords rather than incomes. All the properties are sold with a number of restrictions, which include a ‘buy back’ clause and a ‘sub-letting’ clause – both of which are appended to this briefing note.

One early lesson was the realisation that estate agents are better at selling property than housing association staff. By using professionals – local estate agents specialising in this type of property – the time taken to complete each full sale (from the property becoming void to completion of the sale) was reduced from an average of 28 weeks to 17.5 weeks – with most sales now taking less than three months to complete.

At December 2002 35 sales had been completed under the scheme. The impact on the tenure mix can be seen in Table 1.

Table 1 New Earswick tenure profile

	1997		November 2002		Change %
	No.	%	No.	%	
Rented homes	862	86	791	79	-7
Shared ownership homes	90	9	96	9	=
Shared ownership ‘staircased’ to 100%	–	–	3	1	+1
Full sale properties	44	5	107*	11	+6

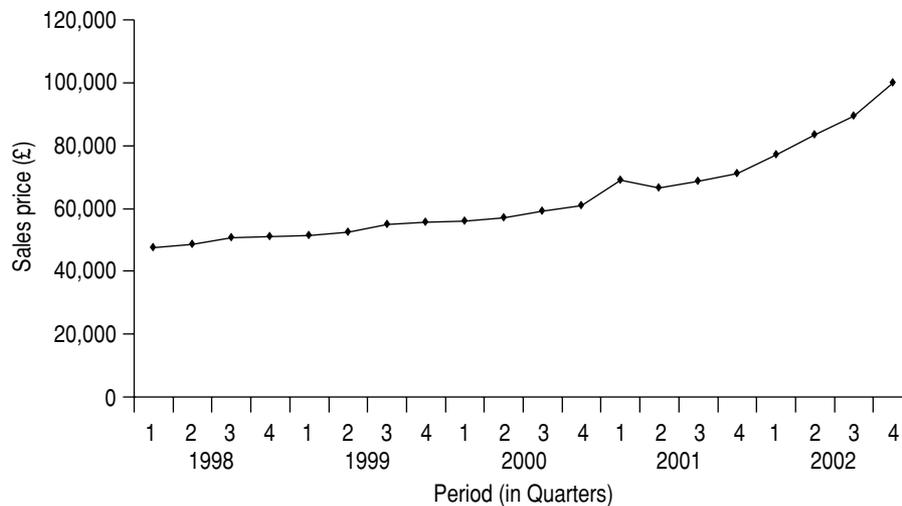
**This is made up of 44 original full ownership properties at 1997, 35 voluntary sales scheme (SAVE) sold to date and 28 Voluntary Purchase Grant scheme (VPG).*

The village now has 21 per cent of the stock either leasehold, low cost home ownership or fully owner-occupied. There has been a marked improvement in perceptions of the village, property values are increasing and more families are showing a keenness to invest in the area. The view from outside of the village now is that it is 'not a bad area' and you get good value for your money. On the whole purchasers tend to be first-time buyers with family connections in the village. There has also been a good response from couples moving into the York area for work. Family composition tends to be no more than two children. Responses to questionnaires reveal that buyers want to live in the village to be near to family and work and because of schools and local amenities

The increase in value is shown in the graph of sales prices in Figure 1.

As a broad rule of thumb the Housing Trust is attempting to achieve a mix of around two-thirds rented and one-third owner-occupied (whether low cost home ownership or outright sale). To reach a balance of 66 per cent rent and 33 per cent ownership in the village (664 and 332 homes) a further 126 properties need to move into owner-occupation.

Figure 1 JRHT sales value over time (terraced houses)



The prices received increased by 88 per cent from first quarter 1998 to third quarter 2002. This compares to increases recorded in the Halifax property price index of 60 per cent for England and 36 per cent for Yorkshire and Humberside during this period. While prices in parts of York rose faster, price rises in the immediate vicinity of New Earswick appear comparable, and performance should be read in the context of reversing a relative decline in value.

The Trust's SAVE project has highlighted a number of issues:

- It is important to give a full briefing to all staff involved in the scheme – exploring the reasons behind what is being done and ensuring everyone understands and has an input to the operating procedure – with one person taking an overall, co-ordinating role.
- Any scheme should be discussed with the local authority – even if there are no nomination rights. The Housing Corporation requires that local authorities are advised of disposal of stock. In the case of New Earswick the City of York Council has acknowledged that the Trust is seeking to create a mixed, balanced and sustainable community by using the SAVE programme alongside shared ownership and rented lettings. Because proceeds of sales (with no discounts, of course) will enable rented properties to be replaced elsewhere in York, there will be no overall loss of nominations.
- Identifying properties for sale prior to them becoming vacant – i.e. once notice has been received – allows time for floor plans, guarantees, property history, repair inspections and decisions about decoration or enhancements etc. to be made at once and cuts down the period of void time. This will be particularly important once sellers' packs are introduced.
- The needs, aspirations and expectations of private homeowners differ from those of applicants applying for rented or low-cost home ownership – an understanding of this market is important. It is strongly recommended that estate agents or other marketing professionals should be employed.

4 The national perspective

While there has been much talk about the need to create mixed communities, most of the reported initiatives have related to new developments, with very little reported on attempts to rebalance existing monotenure rented communities.

A scoping exercise was therefore carried out to try and assess the extent, if any, to which existing social landlords were actively seeking to achieve mixed-income communities both on existing rented estates and on new developments, through tenure-based initiatives.

The methodology adopted was to send a very simple questionnaire to a sample of 88 of the larger housing associations and a stratified sample of 100 local authorities. The questionnaires sought information on whether the social landlord:

- a has not considered a policy of introducing mixed tenure onto existing rented estates (other than has occurred through Right to Buy sales where tenants qualify for this)
- b has considered but not proceeded with a policy of introducing mixed tenure onto existing rented estates (other than has occurred through Right to Buy sales)
- c is seriously considering a programme of introducing mixed tenure through a programme of voluntary sales
- d has identified one or more pilot areas for a policy of voluntary sales to introduce mixed tenure
- e has an active programme of introducing mixed tenure through voluntary sales and also whether initiatives to mix tenure have been taken through introducing:
 - i low cost home ownership initiatives
 - ii 'build for sale' home ownership initiatives (full ownership)
 - iii 'market rent' or 'intermediate market rent' properties onto existing estates.

And for *new developments*, whether the landlord:

- i rarely or never promotes mixed tenure
- ii on occasions promotes mixed tenure
- iii usually or always promotes mixed tenure.

The survey achieved the high return rate of 78 per cent from councils and 82 per cent from housing associations.

Rebalancing communities

The most striking finding was the very high proportion of councils and housing associations committed to mixed tenure on new developments (see Table 2).

These figures capture a substantial shift in approach and attitude towards mixed tenure, and imply that over 50 per cent of new social housing developments will be on a mixed-tenure basis.

A surprisingly high proportion of social landlords have also carried out initiatives on at least some of their estates to introduce mixed tenure through LCHO initiatives, full sale initiatives or introducing market or intermediate renting. While the scoping exercise gave no indication of the total level of activity, nearly two-thirds of landlords reported initiatives of this nature (see Table 3).

The reporting of market/intermediate renting initiatives by over a quarter of housing associations and nearly a fifth of councils highlights the opportunity for renting to provide an alternative or complementary approach to ownership initiatives to achieve mixed-income communities. At least one major landlord is addressing the issue of mixed-income communities through insisting that 50 per cent of all new (social) relets on most estates are to employed households.

Market and intermediate renting represents a less radical and more established approach to the direct selling off of a proportion of existing properties to new owners. However a significant number of social landlords report activity in relation to sales (see Table 4).

Table 2 Proportion of landlords providing mixed tenure on new developments

New provision includes mixed tenure	Housing associations (%)	Local authorities (%)
Rarely or never	6	6
On occasion	42	29
Usually or always	48	58
N/a – not applicable/not answered	4	6

Totals do not always add up to 100% due to rounding errors.

Table 3 Proportion of landlords with initiatives to introduce a mix of tenures in existing developments (excluding sale of vacants)

Nature of mixed tenure initiative	Housing associations (%)	Local authorities (%)
LCHO	63	54
Build for sale – full ownership	27	18
Market/intermediate renting	27	18
None of the above	33	37

Totals exceed 100% due to many landlords adopting a range of initiatives.

Table 4 Proportion of landlords who have introduced (or are considering introducing) mixed tenure initiatives onto existing developments through sale of vacant properties

Current position	Housing associations (%)	Local authorities (%)
Not considered sale of vacants	41	59
Considered but not proceeded	4	12
Seriously considering	12	–
Identified 1+ pilot areas	23	18
Active programme*	20	12

** Includes one council (Gloucester) which has had a very long-term policy of mixed tenure estates. Totals may exceed 100% due to rounding errors.*

Landlords reporting an active programme or pilot areas were contacted to verify the return, and to obtain additional details where these could easily be made available.

A simple analysis was carried out for regional variations within the returns. A clear North–South divide was evident in the council returns, with a strong bias of authorities reporting an active programme or pilot areas being located outside of London and the South East. However there was no such regional bias apparent in the returns from the housing associations, who appear to have adopted the policy on a far wider and more inclusive basis.

A simple analysis was also carried out to test for relationships between a landlord's willingness to mix tenure through sales of existing stock and their commitment to other approaches to mixing tenure or incomes. Not surprisingly landlords who had not considered (or had rejected) sales of existing property were substantially more likely not to have adopted other approaches to mixing income or tenure. However only 29 per cent of council landlords and 27 per cent of housing association landlords had taken no measures towards mixing tenure or incomes on any of their existing estates.

5 Findings from survey work

There is a surprisingly high level of landlords – over 70 per cent – who report they have taken at least some action to mix tenure on their estates. While this does not of itself indicate a huge level of activity it does suggest that mixed tenure initiatives are more widely distributed and accepted than previously expected. The level of increased acceptance of the perceived benefits of mixed tenure are reinforced by the 90+ per cent of housing associations and councils reporting they will now usually, or on occasion, promote mixed tenure on their new developments.

While the increasing adoption of mixed tenure can be clearly reported, the reasons for its introduction often tend to be pragmatic and reactive rather than the outcome of a logical evaluation and decision-making process. Follow-up telephone interviews were conducted with officers from 11 councils and seven housing associations that had reported active programmes of introducing mixed tenure.

Some social landlords clearly have had a long-standing commitment to mixed tenure. At one extreme is Gloucester County Council with a long-established tradition of promoting mixed tenure.

Gloucester has promoted mixed tenure estates for decades – this has been a policy since the 1970s and all new developments from that time have been mixed tenure. The outcome has been that areas are not stigmatised or labelled – areas are not associated with one type of property or tenure and tenant satisfaction is very high. On many estates such as the Robinswood Estate ‘it is difficult to identify or differentiate one tenure from another’.

The authority has about 5,000 properties and there are no large monotenure estates. The White City Estate developed in the 1960s was redeveloped in the 1990s – about 200–300 demolitions and 250 new properties built for sale and rent in partnership with the private sector.

Although recognising the benefits of mixed tenure the authority feels there are a number of other features that go towards sustainable communities – such as environmental layout, good liaison with other services/agencies, good mix of house type and good mix of ages. Another key feature is a ‘sensitive’ allocations policy – with a form of choice-based lettings.

More typical perhaps is Sandwell which reports an active policy of introducing mixed tenure onto existing estates, but with the policy driver being regeneration and a desire to reduce the number of (surplus or unpopular) council houses.

Sandwell has an active policy of introducing mixed tenure on existing estates. Thirty-two per cent of housing is council-owned.

The reason the policy was introduced was a view that there was too much social housing in the borough. The stock of council housing has now reduced from 52,000 to 37,000 and the council feels it will be sensible to go down to 25,000.

The policy has included quite a lot of clearance and demolition work—particularly of 1960s system-built flats at the end of their useful life. Sites are assembled within council estates, encouraging the private sector to build houses for sale when the area is redeveloped.

While initially the policy was introduced to address an oversupply of social housing there is recognition that encouraging mixed incomes has made some areas more attractive and sustainable, a process which is continuing. Properties in the redeveloped, previously unpopular, areas are increasing in value – in one case rising from a range of £50,000–£60,000 to over £130,000. A recent report by the Halifax indicated that the Smethwick areas had had the third biggest increase in house prices over the past 12 months – in one particular area of Smethwick (Bearwood) values had risen by 64 per cent.

Property developers are keen to participate if sites are relatively large – a hectare or bigger.

Very few of the eleven interviewed councils who were actively engaged in mixing tenure said that the positive benefits of mixed tenure were the driving force behind the initiative. The more normal reasons were a response to an oversupply of rented housing (or falling demand), or to avoid the costs of repairing the more expensive void properties. ‘Needing a better housing mix’ and ‘mixing incomes to create greater sustainability’ appeared, if at all, as ‘add on’ reasons to support the original initiative.

Sedgefield Borough Council has an active programme of selling properties within monotenure estates where there is a problem reletting properties or there are a number of pre-1919 houses which are proving too costly for the local authority to maintain.

The authority sells around 40 properties a year under this policy on a variety of estates. There have been no real problems in finding buyers for properties – which they aim to operate through a ‘trickle through’ sales process rather than flooding the market – as the programme also includes significant renovation and environmental work within the estates and often includes the appointment of

(Continued overleaf)

Neighbourhood Wardens. Sales values are only slightly lower than the open market value in surrounding areas and differentials are decreasing.

It has been noted – particularly in Newton Aycliffe – that a positive unexpected outcome of this policy has been a more stabilised and less stigmatised community and for Sedgefield it is considered that mixed tenure ‘really does help’ in developing sustainable communities.

In some cases the initiatives involved large-scale refurbishment or redevelopment work, with a proportion of the properties being sold off to help fund the costs. In other cases properties are sold off cheaply, often at a discount, to individual purchasers who would commit to refurbishing the property in exchange for the discount. Sheffield City Council, for example, has a scheme where on six estates a proportion of properties were sold at 50 per cent of value but with a schedule of works and covenant agreement, and supported by an agreement from a local building society. Other initiatives have been linked to assisting owner-occupiers whose homes are being affected by clearance proposals, as, for example, in Rochdale.

The Newcastle ‘Going for Growth’ approach attempts to introduce radical solutions to urban regeneration and new build. New housing development will not only involve changing the traditional housing mix by incorporating private renting, more owner-occupation and more housing association and shared-equity homes – ‘achieving a vibrant mix of tenure and type for cosmopolitan urban living’ – but also incorporates joining up shopping, schools, transport and jobs.

A fairly consistent feature of the initiatives identified is that authorities have noted a distinct – and often unanticipated – improvement in the areas targeted. Improvements are being observed in relative property prices, tenant satisfaction, turnover rates and the areas’ reputations.

The interviewed housing associations reported a similar pattern to that of the local authorities, but with a positive perception of the potential benefits of mixed tenure being more often cited as an early reason for committing to the initiatives. Some associations, notably Bedfordshire Pilgrims and Moat, have a strong commitment to mixed tenure. Bedfordshire Pilgrims have had a shared-ownership sales programme to mix tenure for the last ten years, and Moat are moving from a commitment to mixed tenure on all new developments to considering a programme to mix tenures on existing estates. Home Group identified a range of mixed-tenure initiatives which they recognise as having been developed on an ad hoc or reactive basis. They are now working on a group-wide asset management strategy which it is anticipated will move to development of a proactive approach to establish sustainable communities.

As with local authorities, however, the introduction of mixed tenure has more often been 'problem driven'. Typically this has been to reduce the number of voids on low-demand estates, or due to budgetary difficulties in finding the money to refurbish either individual voids or existing estates. Some landlords have also adopted a policy of letting a proportion of their properties at market or 'intermediate' rents as a means of addressing high turnover and stigmatisation of their estates.

Again the feedback received from these initiatives has been positive in terms of property values, reduced turnover, increased demand, reduced stigmatisation, improved reputation of the area and improved household mix.

Ironically one of the biggest – and most illuminating – problems has been the difficulty experienced in persuading the landlords' staff of the benefits of the initiatives. A common attitude was (as with the JRHT's experience) that if no one really wanted to rent homes in the locality, why on earth would anyone want to buy (or pay market rents)?

6 Finance

The scoping nature of this study has not allowed a full examination of the relevant financial issues. However, a few observations can be made:

- For new developments, proceeds from outright sales are often a key ingredient in funding the building of rented properties.
- For new developments, proceeds from shared ownership are often seen as an effective subsidy towards the provision of rented property, with the added opportunity to recycle further funds on resale or 'staircasing'.
- For existing estates, sales (full or LCHO) are often carried out to generate funds to invest in the remainder of the stock (or to avoid high levels of void expenditure).
- For housing associations selling existing properties it is often (but not always) possible to provide new properties on a one-for-one basis (sometimes more). The Housing Corporation's procedures for allowing grant recycling do not provide serious impediments to the development of SAVE-type policies.
- However, councils selling existing properties are subject to government rules on the use of capital receipts. These rules are currently under scrutiny and hopefully any changes will allow councils to reinvest proceeds of house sales back into additional housing provision without penalty.

7 Debating issues

In a time of shortage, is it right that we should be selling off affordable homes?

Because of the high demand for social housing in certain areas – not only in London and the South East – it is important that the proceeds from the sale of existing stock are sufficient to ensure the provision of another home for rent elsewhere. The New Earswick experiment showed that, as confidence in the concept was translated into rising housing values, sales proceeds made possible a one-for-one replacement. In other areas – where oversupply and low demand mean it is not necessary to supply extra rented homes – selling vacant properties can have the double advantage of bringing life back into a community and saving the high social and monetary cost of demolition.

In some areas of high demand, sales of social housing may not achieve enough to cover the costs of replacement homes (although housing authorities with street properties in parts of London, for example, find themselves with incredibly high-value property). For local authorities restrictions on the use of capital receipts may have made replacement difficult to achieve, although Housing Minister Jeff Rooker's announcement in November 2002 that 'Local authorities will have up to one hundred per cent of the capital receipt to spend, as long as it is spent on affordable housing' will hopefully address this issue. Another solution which appears practical is for a local authority to develop a form of 'trickle transfer' of property to a housing association which would be able to 'sell on' and to use all the proceeds to provide replacement stock. Due to the ability of housing associations to 'gear in' private finance, a net gain in properties to rent may be achievable.

Would the sale of existing properties work on a really 'hard-to-let' estate?

It is acknowledged that not all estates can be 'SAVED'. In areas where there has been significant abandonment, properties are in serious disrepair or unpopular, being the wrong type and mix, SAVE may be a waste of valuable public subsidy, time and effort – completely redesigning the neighbourhood may be a more sustainable option. Lessons from the case studies indicate that so long as the estate has not yet become desperately unpopular, then sales of voids can have a major beneficial impact on preventing further decline. Sales of a proportion of properties on problematic estates are likely to be a key financial and sustainability factor in any long-term regeneration solution.

What is 'good practice' in the selling of vacant properties on estates?

- *Select houses not flats for sale* – JRHT have found that houses are generally more popular than flats and occupiers feel more in control with maintenance issues rather than being obliged to pay service charges for work they may deem 'unnecessary'.
- *Ensure the property is in good condition* (unless selling on a Homesteading basis, where the price is reduced by up to 50 per cent on the condition that the new owner carries out essential repairs, or trickle transfer) – poorly maintained and decorated properties are not attractive to buy and may lead to future problems of disrepair if the new owners are unable to afford major works.
- *Use professionals* – JRHT find that few social housing managers have the specialist skills to handle open market sales: the private sector has more expertise in this field and using professional estate agents assists in raising the profile and sales price.
- *Use covenants to control sub-letting* – to avoid the problems of irresponsible private landlords purchasing and reletting either to the same disadvantaged groups at higher rents or to antisocial households evicted from neighbouring properties (see Appendix 2).

Why should selling of existing properties work where Right to Buy has not?

The Right to Buy (RTB) scheme has been a popular option for existing tenants but has not always had the effect of maintaining a mixed-income community. In many areas properties have been purchased and then sold on to private landlords, often resulting in poor maintenance and disruptive tenants.

There are a number of reasons why sales of vacants are likely to produce different results:

- RTB is about retaining 'better-off' tenants within the community. RTB purchasers are existing tenants, mostly middle-aged, who only have to afford about half the full value (and may therefore be able to obtain mortgage facilities even if they cannot afford to carry out repairs or improvements).

- Sale of vacants is about attracting new, higher-income occupiers – able to afford a full mortgage – who are likely to be younger and to have children who will attend local schools.
- However, the young households buying through the SAVE scheme are likely to have fewer children (statistically first-time buyers rarely have more than one child) than those moving in as tenants. There is considerable evidence that the ratio of children to adults on estates affects the amount of bad or antisocial behaviour experienced.
- SAVE has the advantage over RTB in allowing the landlord to select which properties should be offered for sale, thereby maintaining a balance of mix and type for each tenure: the buy-back clause enables the landlord to reacquire the property later if that seems appropriate.
- Because RTB involves discounts (of up to 70 per cent), the proceeds raised for replacement housing or for estate improvements are far lower than for SAVE.

8 Conclusions

This scoping paper has demonstrated a far higher level of engagement in mixed tenure initiatives by councils and housing associations than was anticipated, with over 70 per cent of responding landlords having instigated at least one mixed tenure initiative on existing estates, and over 90 per cent of social landlords ‘always, usually or on occasion’ promoting mixed tenure on existing estates.

On existing estates the perceived benefits of initiatives leading to the creation of mixed-income communities are generally secondary to the key drivers of financial necessity (in a variety of forms), or a response to high turnover and low demand/surplus of housing.

However, once mixed tenure has been achieved, there was an almost unanimous positive acknowledgement of the benefits that flowed from the mixed-income communities. In addition to the direct financial benefits (reduced void costs, capital receipts etc.) other benefits reported included:

- reduced turnover (and related cost savings)
- increased demand
- improved reputation and confidence in area/reduced stigmatisation
- increased tenant satisfaction
- more balanced household mix
- increased property values.

These benefits were often a completely unanticipated consequence of the pragmatic solution of selling off void properties.

The view of the Joseph Rowntree Foundation, and experience of the Joseph Rowntree Housing Trust, is that the benefits associated with mixed tenure are sufficient to justify a balanced programme of selling off vacant properties on their own account.

In supporting this study the Foundation has brought together the experience of the Housing Trust in developing its ‘sale of vacants’ policy, and combined it with a scoping exercise which reveals a far wider range of social landlords engaged in achieving mixed estates and mixed-income communities than had been expected.

The different experiences of introducing mixed tenure have generally been very successful and we hope that the SAVE model will be adopted by many housing organisations. Despite legislative and political pressures, social housing landlords have an increasing obligation and duty to act strategically and operate housing policies that benefit the whole community and, importantly, protect public assets.

Critics of mixed-income communities tend to concentrate on whether owners and tenants share a common social life (which they may not); however, as Richard Best (Director of Joseph Rowntree Foundation) has pointed out, this misses the key objective of achieving more balanced communities: 'It is the stigmatising effect of having a tenure that identifies its occupants with failure and poverty that has contributed to the decline in the value of social housing, difficulties in filling the homes and loss of morale on the part of the residents.'

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Appendix 1

Sales values in New Earswick

Table A.1 Terraced properties

Property size	Date sold	Value
3 Bed	16.01.98	£50,000
3 Bed	13.02.98	£45,000
2 Bed	01.05.98	£48,000
3 Bed	19.06.98	£49,000
3 Bed	30.09.98	£52,000
3 Bed	04.09.98	£51,000
3 Bed	25.09.98	£48,500
3 Bed	05.03.99	£51,500
2 Bed	01.04.99	£51,500
3 Bed	11.05.99	£52,000
3 Bed	23.07.99	£53,000
3 Bed	30.07.99	£54,950
2 Bed	18.02.00	£55,950
3 Bed	26.05.00	£59,950
3 Bed	18.04.00	£56,950
2 Bed	02.06.00	£53,950
2 Bed	24.11.00	£61,000
3 Bed	13.03.01	£69,000
3 Bed	06.04.01	£66,500
3 Bed	31.10.01	£74,000
2 Bed	16.11.01	£67,950
2 Bed	05.04.02	£78,950
2 Bed	05.04.02	£78,950
3 Bed	12.04.02	£81,000
3 Bed	25.04.02	£85,000
3 Bed	01.05.02	£79,950
3 Bed	21.06.02	£92,250
3 Bed	19.07.02	£92,500
3 Bed	28.08.02	£82,950
3 Bed	19.09.02	£92,500
3 Bed	25.10.02	£99,950

Table A.2 Semi-detached properties

Property size	Date sold	Value
3 Bed	28.08.98	£53,000
3 Bed	17.03.00	£55,000
3 Bed	14.11.01	£95,000
3 Bed	19.07.02	£94,950
3 Bed	26.07.02	£84,950

Appendix 2

Covenants and clauses

The JRHT freehold buy back clause

1. The Transferor and the Transferee hereby agree and declare:
 - i In the event that the Transferee shall decide to sell or otherwise deal with the Property by way of a disposal of any interest therein (excluding a Mortgage or Legal Charge thereof) within 21 years from the date hereof the Transferee shall first offer to sell the unencumbered freehold thereof to the Transferors by written notice to the Transferors
 - ii The Transferor shall thereafter serve a written counter-notice on the Transferee within one month of the receipt of the Transferee notice indicating the willingness or otherwise to purchase the said unencumbered freehold interest in the Property provided that this period shall not exceed the 21 years specified for the continuance of this option
 - iii If the Transferor confirms an intention to purchase by such counter-notice as aforesaid the parties shall agree the price at which such purchase shall proceed within 28 days of the receipt by the Transferee of the Transferors' counter-notice such price being the unencumbered open-market value of the Property at the date of the Transferee's original notice of offer to the Transferors
 - iv If the parties fail to agree a price as specified in clause (iii) above such price shall be decided by a surveyor jointly appointed by the parties or in default of appointment by a surveyor appointed upon the application of either party by the President for the time being of the Royal Institution of Chartered Surveyors
 - v The parties shall complete the transfer of the Property to the Transferee within 21 days of the agreement or other determination of the price of the Property as aforesaid.

2. If within 21 years from the date hereof the power of sale under any Legal Charge or Mortgage of the Property made by the Transferee shall become exercisable the Transferor shall have the option at any time before the expiration of the period of 21 years and for so long as the power of sale remains exercisable of purchasing the freehold and shall exercise the option by serving notice in writing of its intention both on the Transferee and the Mortgagee or Chargee and the procedure to be adopted by the Transferors in exercising the right to purchase the freehold under this Clause is the same as is outlined in clauses 1.(iii) 1.(iv) and 1.(v) above.

JRHT sub-letting clause

1. Not to let or sub-let or share the occupation of the whole or any part of the Property provided that this shall not prevent the Transferee from taking in a lodger or paying guest or sharing with a member of the Transferee's family and provided further that with the express prior written approval of the Transferors (or an officer on their behalf) the Property might be let or sub-let during the temporary absence of the Transferee from the Property and on the basis that the Property retains its character as the Transferee's principal private residence and the terms of the sub-letting and the tenancy agreement have been approved by the Transferor and which shall be in such form as shall not give the proposed subtenant security of tenure.
2. On any disposition of the Property the Transferee shall ensure that the Transferee or other proposed registered proprietor of the Property shall on completion of such transaction enter into (at the cost of the Transferee) a deed of covenant with the Transferor to observe and perform the provisions contained in paragraph 1 of this Fourth Schedule.

Appendix 3

Survey questionnaire

Achieving Sustainable Communities on Social Rented Estates

Local Authority _____ Responding Officer _____

Please indicate which statement(s) below most accurately describes the approach of your authority. (Please feel free to adapt the wording to better describe your local circumstances)

1. Existing estates:

- a The authority *has not considered* a policy of introducing mixed tenure onto existing rented estates (other than has occurred through Right to Buy sales)
- b The authority has *considered but not proceeded with* a policy of introducing mixed tenure onto existing rented estates (other than has occurred through Right to Buy sales)
- c The authority is *seriously considering* a programme of introducing mixed tenure through a programme of voluntary sales
- d The authority has *identified one or more pilot areas* to introduce a policy of voluntary sales to introduce mixed tenure
- e The authority has an *active programme of introducing mixed tenure* through voluntary sales

2. Existing estates:

- a The authority on occasion seeks to introduce mixed tenure onto existing estate through provision of:
 - i Low cost home ownership initiatives
 - ii 'Build for sale' home ownership initiatives (full ownership)
 - iii 'Market rent' or 'intermediate market rent' properties

3. New provision:

- a Where commissioning or supporting new developments of social rented housing, the authority:
 - i Rarely or never promotes mixed tenure
 - ii On occasion promotes mixed tenure
 - iii Usually or always promotes mixed tenure