

Briefing paper



The challenges of developing and managing mixed tenure housing

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The Chartered Institute of Housing

The Chartered Institute of Housing (CIH) is the professional body for people involved in housing and communities. We are a registered charity and not-for-profit organisation. We have a diverse and growing membership of over 22,000 people worldwide, with over 2,500 in Scotland. Our members work in both the public and private sectors. We exist to maximise the contribution that housing professionals make to the wellbeing of communities. We also represent the interests of our members in the development of strategic and national housing policy and aim to be the first point of contact for anyone involved or interested in housing.

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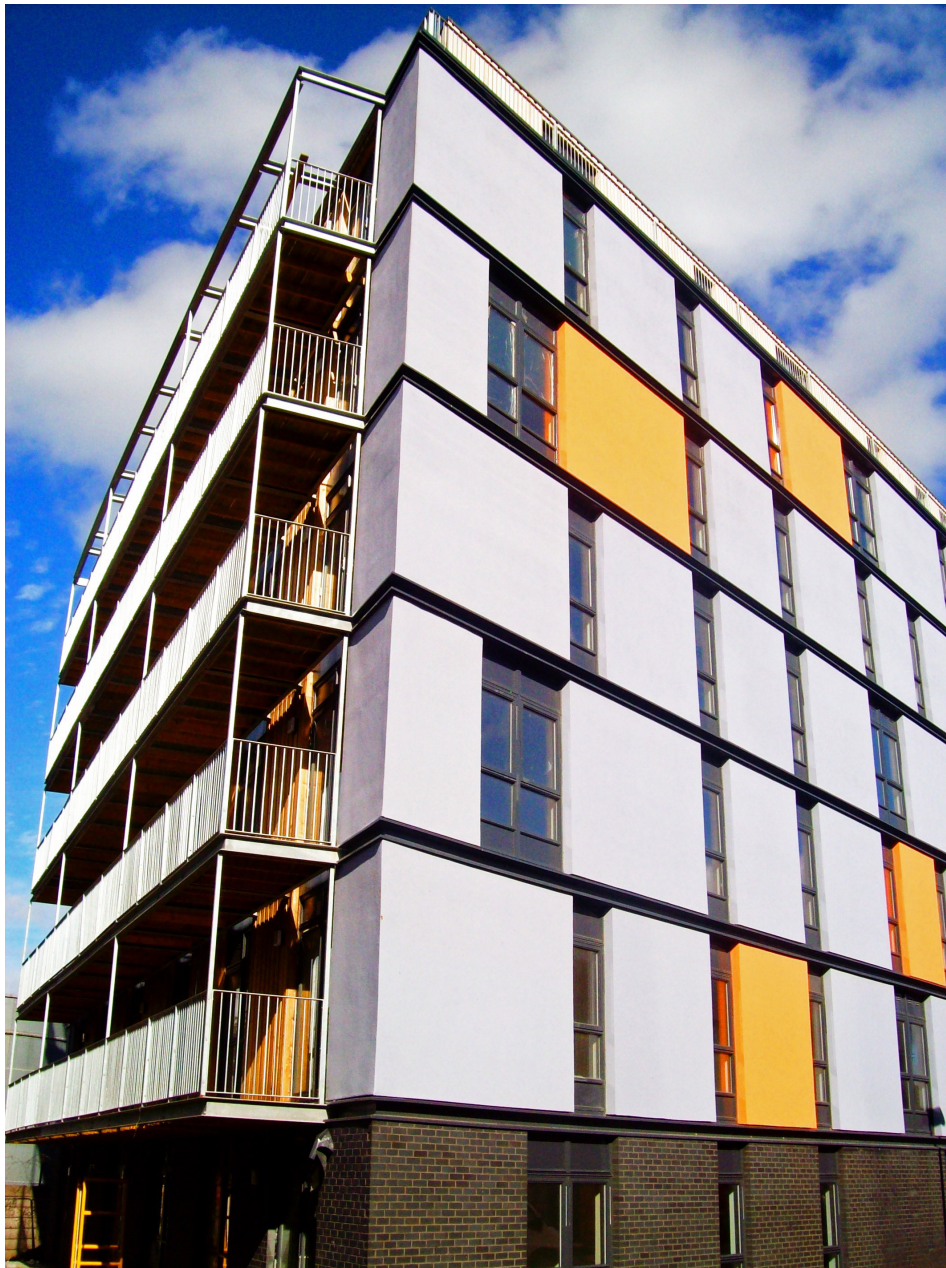
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Key findings and conclusions

- Mixed tenure developments currently make up a significant proportion of the affordable housing supply programme – 35% of projects approved under the 2011 Innovation and Investment Fund were mixed tenure
- Funding concerns are casting a question mark over the sector's capacity to develop mixed tenure. This includes the difficulties purchasers are having accessing mortgages and the reduced grant levels for providing social rented housing: there is strong doubt about the extent to which other tenures such as mid market rent can cross subsidise social rented housing
- The demise of Section 75 contributions – due to the economic downturn and subsequent Scottish Government relaxation of planning gain requirements – is another factor likely to impact on the proportion of mixed tenure developments in the foreseeable future
- Developer reluctance to build for sale alongside social rented housing has sometimes been an issue, but social landlords reported very considerable success in addressing concerns, mainly through early and then sustained communication with developers
- There has been little evidence of purchaser reluctance to buy on mixed tenure developments. Shared equity has proved especially popular with first time buyers, and they have not been put off where this has been part of mixed tenure developments
- In design terms, it was felt that, as far as possible, a tenure blind approach was crucial to the success of any mixed tenure development
- In relation to management issues, particular challenges have been encountered around managing owners' expectations about the landlord/factor 'dealing with' anti social behaviour caused by – or perceived as being caused by – social housing tenants
- Landlords/factors feel it is critical that owners on mixed tenure developments need to be clear about their responsibilities for common repairs and maintenance and for paying factoring and service charges. Having an agreed factoring arrangement in place prior to the scheme being developed was seen as key to avoiding misunderstanding and disputes
- Some social landlords adapt their lettings approach when allocating to mixed tenure developments; others say their approach is no different from mainstream social housing allocations
- Overall, mixed tenure developments were seen as an essential component in achieving balanced and sustainable communities. None of the issues raised in the survey had appeared to act as a permanent barrier nor would deter landlords from pursuing mixed tenure developments in the future.

1 Introduction

Whilst the financial climate is restricting overall investment in affordable housing, mixed tenure developments now account for a greater proportion of the affordable housing investment programme than has ever been the case previously. CIH Scotland has carried out a short piece of research into the practical challenges of developing and then managing mixed tenure developments in Scotland. A survey was sent out to local authorities and housing associations across Scotland in an attempt to gather information on some of the barriers or challenges associated with mixed tenure developments and how organisations have sought to overcome these. A developer perspective was also sought.



Policy context

In housing policy terms, awareness of the importance of tenure mix has been steadily increasing for many years now. The introduction of the right to buy in the 1980's greatly increased levels of homeownership in areas dominated by council housing, and was so popular in some areas that it created a different kind of mono tenure estate. Since then both UK Government and devolved Scottish Government have actively

promoted other types of low cost homeownership initiatives in areas dominated by social housing, partly to promote tenure mix and partly to make public subsidy go further.

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Most discussion on 'mixed tenure' tends to focus primarily on the management and especially maintenance challenges of older mixed blocks created primarily by the right to buy. Equally, much has been written about overall tenure issues within wider communities. But with one notable exception from 2006, relatively little has been produced about the experience of building and managing mixed tenure *developments*, which is the specific focus of this briefing.

In 2006 the Joseph Rowntree Foundation and CIH published a study of developer and purchaser attitudes to new mixed tenure housing estates, primarily in England. Its key findings included:-

- High quality mixed tenure developments can be delivered successfully
- Developers regard mixed tenure as the norm in urban areas because of planning policy and in most cases are willing to accommodate it
- The risk that mixed tenure estates are difficult to sell, or that property values are affected, can be eliminated by maximising the quality of other aspects of the development – including design, location and build quality
- Planned tenure mix is sometimes not achieved because of high levels of investment by private landlords
- Sustainable mixed tenure development requires some longer-term value management, ensuring that services and facilities are maintained at a high level by investing in continuing asset management and neighbourhood governance.

Planning policy across the UK has also sought to create tenure mix (and at the same time boost affordable housing supply) through facilitating affordable house building on new developments intended primarily for homeownership. Scottish Planning Policy makes provisions under Section 75 of the [Town and Country Planning \(Scotland\) Act 1997](#) for developer contributions of land, housing, money or infrastructure as a condition of planning permission. These contributions are then subsequently used to provide affordable housing on that particular site or elsewhere. Inevitably, outputs from Section 75 contributions have significantly reduced as a result of the economic downturn and the reduction in new private house building.

But even before the impact of the downturn, there was doubt about the impact of Section 75 contributions on facilitating mixed tenure developments. [Scottish Government research](#) in 2010 questioned the overall contribution that Section 75 agreements had made to the creation of mixed tenure developments. The research concluded that local authorities were increasingly accepting land or commuted sums from developers rather than affordable units, especially in relation to sites developed in less deprived areas. This was seen to be reducing the contribution that Section 75 agreements made towards the provision of new social housing in non-deprived areas and therefore towards genuine mixed developments.

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In March 2011, the Scottish Government's Chief Planner wrote to local authorities¹ effectively relaxing Section 75 requirements, in response to the difficult market conditions facing developers. The practical implications of this were that, depending on the circumstances, requirements for contributions could be dropped altogether or that the 'affordable housing' might be housing requiring less public subsidy (from which one can assume that this was a reference to intermediate tenures such as shared equity and mid market rent).

Alongside planning policies, a range of other policies and guidance in recent years has demonstrated the Scottish Government's commitment to the creation of mixed tenure communities, which has become a priority for housing supply and investment.



In February 2011 the Scottish Government published its housing strategy, [Homes Fit for the 21st Century](#). This set out the Scottish Government's strategy and vision for housing for the next decade. This document leaves no doubt about the Scottish Government's commitment to mixed tenure communities, stating that "We will adopt a tenure neutral approach, seeking sustainable choices for all rather than encouraging one particular tenure, and promoting mixed tenure communities." In practice, though, it seems likely that the main driver for mixed tenure developments, rather than the policy itself, will be the necessity to cross-

subsidise between tenures to make funding packages stack up.

In 2011, in what we now know to have been a one-off exercise (partly related to the one year delay in commencing a new three year spending round), the Scottish

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<http://www.homesforscotland.com/media/file/Letter%20from%20Chief%20Planner%20to%20Heads%20of%20Planing%20-%202015%20March%202011.pdf?Site=1>

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Government introduced the [Innovation and Investment Fund](#) to provide subsidy for new build affordable housing. The Fund was open to councils and housing associations, as well as to the private sector through the innovation stream. Funding was awarded for projects across all tenures of affordable housing “encouraging multi-tenure housing developments for private sale or rent cross-subsidising the social sector.” Around 35% of projects which are being funded under the IIF arrangements are mixed tenure developments.



The Scottish Government's last spending review also heralded a significant reduction in grant funding to a benchmark of £42k to £52k per house for housing associations and £30k for local authorities (with additions for greener standards). Not surprisingly, this has led to many housing associations looking at the feasibility of mixed tenure projects as they try to cross subsidise to help fund social rented homes. In contrast, local authorities directly providing new housing are more likely to be providing 100% social rented housing, or, where they are involved in National Housing Trust provision, 100% mid market rent.

Most recently in January 2012, the Scottish Government announced new ways of operating the Affordable Housing Supply Fund. Each local authority, working in partnership with housing associations, is putting forward a strategic local programme of social and affordable housing projects for delivery over a three year programme. Although it is the intention that a majority of homes will be for social rent, social landlords have the flexibility to incorporate an element of intermediate rent and shared equity products within a mixed tenure project.

So whilst tenures other than social rented housing now make up a greater proportion of the affordable housing programme than ever before, and we know that 35% of IIF projects are mixed tenure, it is difficult to forecast what proportion of the overall programme will be mixed tenure developments.

What tenures contribute to mixed developments?

Traditional mixed tenure developments have usually consisted of properties for sale (outright sale, shared ownership or shared equity) alongside social rented properties. However, the most recent product to enter the market is the provision of housing for intermediate rent, using a variety of different funding models. Some full market rent provision is also starting to appear from a small number of social landlords, although at this stage it is not known whether there are widespread plans for market rent housing to form part of mixed tenure developments. The main non-social rent tenures contained within the Scottish Government's Affordable Housing Supply Programme are as follows (not including the Open Market Shared Equity scheme which does not involve new build housing):

(a) Shared ownership

Shared ownership was one of the first low cost homeownership initiatives in Scotland, with the occupier typically buying a 25% share of the value of the property and paying rent to a housing association on the remainder. It was anticipated that the occupier would then increase their stake in the property over time. The Scottish Government's 2011 evaluation of the LIFT initiative (low cost initiative for first time buyers) found that nowhere near as many buyers as originally expected had been able to increase their share. This has led the Scottish Government to question the viability of this particular tenure, and more recently the Scottish Government has not promoted or funded shared ownership, although CIH Scotland understands that this policy is under review.

(b) New supply shared equity (NSSE)

Building on previous models, new supply shared equity was introduced by the Scottish Government as part of the LIFT scheme. Under NSSE, the Scottish Government gives grants to registered social landlords to help them to build or buy new homes for sale. These homes are then typically sold to those on low to moderate incomes who would purchase between 60-80% of the value of the property. The remaining equity stake is held by the Scottish Government. This has been a very popular scheme among first time buyers and the Government has reaffirmed its commitment to continue investing in the scheme as a permanent feature of affordable housing provision.

(c) New supply shared equity with developers

For 2011/12 the Scottish Government announced a new supply shared equity scheme with developers, which allows first time buyers to buy an equity stake in a property directly from a developer. Following a successful pilot scheme, the Scottish Government has since invested a further £5m into a second phase, and announced a £2.5m programme for 2012/13.

The Scottish Government is also keen to explore alternative funding for shared equity, including from local authorities.

(d) Intermediate/Mid-market rent (MMR)

In an attempt to provide wider options for those on low to moderate incomes, the Scottish Government is currently funding or otherwise facilitating growth in intermediate rented properties. Rent levels typically sit between social rent and full market rent depending on location.

MMR is facilitated primarily through the National Housing Trust (NHT) scheme, where the Scottish Government investment is in the form of a loan guarantee, with funding itself coming from private developers and their local authority partners. Properties developed through NHT are to be sold on the open market after a period of 5-10 years. Building on what is described as a strong response from local authorities and developers in the first phase, a second phase is now progressing, and the Scottish Government has launched a variant of NHT designed for the housing association sector.

As an alternative to NHT, some housing associations are also developing properties for mid market rent using variations on the NHT funding model. This may enable provision of a small minority of units within a development to be for social rent and to remain so in perpetuity. Other variations to the NHT model may enable some of the MMR properties to remain as MMR rather than being sold off. It is relatively early days in the development of some of these models and a fuller picture of what is possible tenure-wise will emerge in the next year or two.

For some years now there has been a small grant-funded programme for MMR, which enables the housing to remain as MMR in perpetuity. It seems likely that providers would need to make a particularly strong case to the Scottish Government for subsidy of this nature, given that the £30,000 or so subsidy level compares with nil subsidy (other than the loan guarantee) under the NHT model.

Indications are that MMR is proving very popular, with the shorter tenancy duration (via a short assured tenancy) apparently not being any kind of disincentive – this probably fuelled by confidence in the social landlord managing the properties day to day. MMR will not, however, be suitable in every location and some local authorities and housing associations are aware that in certain areas there is little or no market for this particular tenure.

2 Our survey

The feedback in this report comes from a survey sent out to a variety of stakeholders, including local authorities, housing associations and private developers. The majority of the responses came from local authorities and housing associations, but some of their answers give an indication of the issues from a developer perspective. More detailed information was also gathered through in-depth interviews with both a local authority and RSL heavily involved in mixed tenure development.

Almost all of the organisations which responded to the survey have been involved in developing mixed tenure, either directly or as a strategic partner. Many of the housing associations which responded have been developing mixed tenure schemes for the past 20 years, with the specific tenure type varying in response to changing Government policy.

3 Development challenges

The initial questions in the survey aimed to find out what the main challenges and barriers were to pursuing mixed tenure developments, including trying to get a sense of landlords' experiences of working with developers. The responses highlighted a number of issues, but did not seem to suggest that they were permanent barriers to providing mixed tenure development.

Funding

Inevitably, funding was highlighted as a concern by almost all respondents to the survey. Availability of grant subsidy for all types of affordable housing is a current concern for many housing associations and is potentially reducing the number of units or developments they can provide. One association also highlighted the reduction in funders who were prepared to lend (to associations) on shared equity products as a result of the current financial climate.

In some cases, social landlords have sought to share the sales risk with the developer by adopting a deferred receipt mechanism with land value linked to the

sale of private homes. It seems safe to suggest that even a shared risk of this nature could be seen as a risk too far in the current property market.

Both local authorities and housing associations were also concerned about the availability of mortgage funding for prospective purchasers to buy affordable housing for sale, including shared equity.

One local authority which responded suggested either setting up a



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mortgage guarantee scheme or participating in an existing scheme to make it easier for purchasers to buy low cost homeownership properties. The proposed Homes for Scotland/Scottish Government mortgage indemnity guarantee scheme will not apply to new shared equity purchases, but it is hoped that it will have a beneficial impact on the traditional new build market.

One landlord highlighted the value of checking whether any mortgage finance might be available from credit unions, particularly in regeneration areas.

Location

Respondents recognised location as an important factor in the development of successful mixed tenure schemes. This included the location of the actual site as well as the location of the different tenure types within the site: developing mixed tenure sites in run down areas as part of a regeneration programme could cause problems in terms of the private sales element. In one local authority area, mixed tenure sites in areas formally dominated by social housing have struggled to attract home buyers, particularly for properties for outright sale.

This was also true for low cost home ownership options in areas where market conditions do not allow for anything other than social rented housing.

“We find that we can sell shared equity in the current climate, but have difficulties selling properties at full market value especially in unpopular locations”

Local authority programme manager for housing and regeneration

Location was also seen as important for mid market rent properties, with one association suggesting that it was only viable in certain areas due to the cost of delivery and the achievable rent levels required to make it work.

Developer attitudes

The survey also asked respondents if they had experienced any developer reluctance due to concerns about the saleability of properties on mixed tenure developments. The answers were varied, but there did appear to be a general consensus that any issues could be overcome through good working relationships with the developer in question and compromise from both partners.

Respondents felt that, as a consequence of the existing financial climate, developers were now more willing to get involved in mixed tenure schemes, in particular those schemes that were supported through Scottish Government funding. There had been some experience of developer reluctance in the past due to concerns over perceptions that mixed tenure schemes could result in lowering the property values and the overall attractiveness of the site. Time will tell whether such reluctance returns to a greater or lesser degree should the private house building market improve in the future.

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It is important to note that, although developers are more willing to engage in mixed tenure developments, there is still a degree of reluctance when it comes to sites



containing social rented housing. This was highlighted by both local authorities and housing associations, who felt that the developers were much more comfortable with shared ownership and shared equity. This claim was also backed up by a private developer who stated that a mix of private sale and low cost home ownership options worked best. One association also highlighted recent developer interest in sites with mid market rent options as an alternative to social rent.

The main reasons cited for developers' reluctance towards social rent were:

- Perception of detrimental impact on property values
- Perception of social housing detracting from saleability of their product
- Nervousness about the way in which social housing is allocated, with a perception of the greater likelihood of problems with anti social behaviour.

Some respondents felt that developers were not keen to 'pepper pot' social housing properties throughout a development, and that they preferred to place them in more remote and less attractive parts of a site. 'Pepper potting' can, however, lead to complications with the management of sites, and so local authorities and housing associations indicated that they generally preferred to group tenure types together.

Despite some degree of concern and reluctance from developers, many of the organisations which responded felt that this was not a permanent barrier to mixed

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tenure developments: instigating an open and honest dialogue with developers at an early stage, and then maintaining that dialogue, paid real dividends and could normally help overcome any concerns and ensure that developers supported the overall objectives of the project. Ensuring developers had all relevant information and, where necessary, demonstrating previous successful practice elsewhere, could also help overcome any reservations developers may have about mixed tenure projects. It was recognised, though, that such good early communication was easier where a development had always been intended from the outset to be mixed tenure.

Purchaser attitudes

Our survey aimed to find out if landlords and indeed developers had any experience of purchasers themselves being put off due to the mixed tenure nature of developments. The responses indicated that this did not appear to be the case, although this was based more on hearsay than on facts established through purchaser surveys. For many first time buyers mixed tenure developments and shared equity products in particular were seen as a good opportunity to access the housing market.

One local authority said that any ‘nimby’ objections tended to happen at the planning stages of a development, with existing owners in the area expressing concerns about the impact (or perceived impact) on the value of their homes from adjacent social housing.

Where sales on a site had been slow, this was seen to be down to the financial climate rather than prospective purchasers being concerned about buying on a mixed tenure development. Where there had been reluctance to buy, this was often felt to be as much down to the location of the development as any concern over who the neighbours might be, although sometimes these issues were indeed seen as inter-related.

“Sales on one development have been slow but steady. There have been some concerns over the proximity to new council houses. Reassurances on the property management and factoring arrangements and allocations policy have helped to overcome this.”

Local authority programme manager for housing and regeneration

Design issues

It is perhaps inevitable that with some mixed tenure developments, there will be issues arising from differences in design standards between tenures. Providers see the challenge as being how to minimise these differences to achieve an integrated development that meets the needs of a variety of household types.

Prior to recent changes in building regulations, which have introduced higher building design standards, it might generally have been easier to identify differences in design between properties developed by housing associations and local authorities and

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those built by private developers. These new design standards have generally meant that some private developers have had to do more to meet the new standards than local authorities and associations have. Prior to the Innovation and Investment Fund in 2011, housing associations and local authorities were required (as a condition of funding) to develop to Housing for Varying Needs standards to ensure flexible design to meet the needs of a wide range of people including older and disabled people.

In response to the question on design issues, most housing associations which have been developing mixed tenure for a number of years indicated that improved building regulations had helped to overcome the issues of significant design variation and indeed that some developers were already exceeding minimum standards and meeting the HVN standards.

One local authority highlighted that the social rented accommodation tended to be



higher density, including semi detached and four in a block properties, whereas private housing for sale would often be in detached form with extra features such as integral garages. Where this was the case, planning regulations had ensured that the overall design concept and use of materials remained largely the same for both the social and private housing elements. Planning regulations in these cases required an integrated design concept and conformity on use of materials and build form.

Housing

associations and local authorities told us that wherever possible, they would try to limit the design differences between tenures to internal rather than external specification. This included offering greater choices in kitchens and bathrooms and perhaps adding ensuite bathrooms where the property was to be sold.

There was a clear feeling among the respondents that a tenure blind approach was crucial to the success of any mixed tenure development and that any external design differences should be subtle.

4 Management challenges

The survey showed that managing mixed tenure developments was not without its challenges, whether they related to repairs and maintenance of common parts, factoring, antisocial behaviour or allocations issues. No party (developers, housing associations and local authorities) was immune to these challenges and most had tended to adopt a more robust housing management approach to deal with the issues as they arose. The survey aimed to tease out respondents' experiences of the management challenges associated with mixed tenure developments and how they sought to overcome them.

Managing owners' expectations

Although not a major concern, some of the responses indicated having to manage high expectations from owner occupiers. This could be in relation to the level of service and value for money they expected in terms of maintenance of common areas, but also around the understanding of the boundaries of the landlord's remit.

Design again played an important part in minimising issues of owners stigmatising particular blocks or groups of properties, with landlords and developers keen to ensure that there was no or minimal physical distinction between owner occupied properties and those which were rented.

Ensuring that owners were fully aware of their responsibilities and those of the landlord was seen as key to managing owners' concerns.

"Issues can arise around expectations from owner occupiers about what a landlord's remit extends to and the amount of influence or 'control' a landlord has over its tenants."

Housing association development manager

Landlords said it was crucial to ensure that clear information was given at the point of sale and the start of tenancies, and that regular meetings were held for all residents.

Anti social behaviour

Management challenges for social landlords in particular often related to dealing with anti social behaviour or with the fear that it would arise. This was a particular concern on mixed tenure developments, given the potential impact it could have on the viability of the site. Although some of the respondents to the survey mentioned antisocial behaviour, it did not appear to be considered as a major challenge and there was certainly no suggestion that issues of anti social behaviour would deter landlords from developing or managing mixed tenure schemes.



Most respondents acknowledged that it could take time for residents to settle in on new developments. This could of course be the case for both mono tenure and mixed tenure developments. However, for mixed tenure developments there was always the initial risk of stigma and unreasonable perceptions among owners of social tenants

as causing problems. Landlords did, however, adopt a range of measures under their estate management procedures to deal with any initial problems.

One of the main issues cited was the perception among owner occupiers on some developments that incidents of anti social behaviour were mainly the responsibility of tenants. There were also common assumptions among owners that any damage to common parts was always caused by tenants. This could lead to estate management issues, with the owners expecting the landlord to pay for any repairing costs and not treating it as a common repair claim.

One association reported incidences of anti social behaviour from owner occupiers in shared equity properties on mixed tenure developments. The association in question adopted its usual housing management protocols in partnership with others to deal with the issues.

A particular frustration highlighted by some respondents related to owner occupied properties which had been rented out to a private tenant. Landlords felt that they had little or no control when the private landlord could not be traced or was unwilling to cooperate when issues occurred.

On a large development one association had employed a concierge service to deal with issues such as litter and graffiti. This had limited the amount of complaints coming into the association.

“We have had neighbour complaints about council tenants in predominantly owner occupied new build schemes that seem more motivated by a view on the tenure than on any real problem and certainly nothing that can’t be resolved.”

Local authority head of housing

Factoring and service charges

Dealing with repairs and maintenance issues on long-standing mixed tenure sites has been the subject of much debate ever since the right to buy left social landlords with housing estates and in particular blocks of flats occupied by both owners and tenants. A lack of information offered to owners at the time of purchase, and poor title deeds, are normally cited as the main cause of the tensions, with owners often unaware of the financial responsibility they have in terms of common repairs and maintenance. Although not to the same extent, factoring and service charge issues were highlighted by a number of respondents in discussions about management challenges on *new* mixed tenure developments.

Our survey showed that the issues could vary from scheme to scheme, but getting owners on board to pay for improvement works and cyclical maintenance activity had often been problematic. This situation was exacerbated where there were absent private landlords. Owners also had certain expectations about what they would expect for their money, and these were often disproportionate to the actual cost of providing the service.

In relation to service charges, one association highlighted the fact that the owners were not properly informed by their solicitors about charges at the time of purchase. This was particularly true in relation to changes in ownership, which could cause problems with pursuing payment. Where owners did not pay and built up arrears, it was considered very time consuming and onerous on landlord staff to chase payment. Inconsistencies between title deeds for owner occupied properties and tenancy conditions for tenants could exacerbate disputes.

On sites where there is a large element of properties for sale, the developer will normally appoint a factor, or the partner association or local authority will assume the role of factor. Having an agreed factoring arrangement in place prior to the scheme being developed was seen as key to avoiding disputes: tenants and owners needed to be clear about the factoring and/or service charges they had to pay.

Many of the landlords who responded appeared to have mechanisms in place to deal with issues relating to factoring and service charges and had learned lessons from the past in terms of dealing with repairs and maintenance issues on mixed tenure sites. Lessons included improving communication with owners and having an open and honest dialogue with all residents about the services they would receive and what they had to pay. Minimising the differences in services provided to residents across the tenures was also seen as a factor in reducing the likelihood of problems.

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Clever planning of the site could help to design out the need for service charges: this included limiting the amount of communal areas within a development.

“We have recently reviewed our rent and service charging policy following extensive consultation with residents and so have a consistent and transparent approach reflecting what constitutes a service charge and what is core to the rental charge.”

Housing association development manager

Avoiding ‘pepper potting’ of different tenures in the same block of flats was highlighted as crucial to avoiding a range of management challenges including anti social behaviour and common repairs and maintenance disputes.



Allocations

Although social landlords can exercise elements of flexibility in their allocation policies, there was still a degree of nervousness about creating specific lettings policies for certain areas or groups of properties. The survey aimed to find out if landlords were indeed still

nervous about adapting their allocations policies for mixed tenure developments, and whether any had indeed adopted a different approach.

The response among landlords was mixed, with some saying that they did not tend to make any changes to policy when allocating on a mixed tenure estate and continued to offer properties in line with housing need and based on the current allocations policy. In any event it is not uncommon for landlords to consider sensitive lets in areas with high concentrations of vulnerable households or where they have knowledge of previous anti social behaviour. It was suggested that this would apply just as much to individual lets within mixed tenure developments. There was, though, an indication that in the case of housing nominations from the local authority, there was a tendency to be more selective when allocating for new build mixed tenure.

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This was down to the fear about problems occurring from selecting an unsuitable applicant and lack of tolerance from neighbouring owner occupied properties.

One local authority highlighted that it had adopted a local lettings policy for new build mixed tenure developments. The policy involved using a greater element of flexibility and avoiding an over concentration of large families and applicants with high support needs. They had also split the allocations between those taking on a first time tenancy and those on the transfer list. There had been some initial reticence about what the regulator's view on this might be, but the local authority had been ensuring that the policy was evaluated and transparent. Early evidence had shown that the mix of families was working well and could prove to be more sustainable in the long term. Where problems did occur the council had adopted a more intensive style of housing management.

One association said it would avoid high concentrations of vulnerable applicants across all of its stock regardless of whether the development in question was mixed tenure or not.

"From a development perspective, any allocations policy which puts the most needy in one development regardless of the impact on our ability to promote successful and balanced communities is short sighted and counter productive."

Housing association development manager

It is clear in the response received from a developer that concerns are still harboured about the way in which social housing allocations are managed on mixed tenure developments.

Two local authorities also highlighted that the current legislation governing lettings and allocations made it very difficult to allocate and let properties for mid market rent. As legislation stands, local authorities can only let properties using a Scottish secure tenancy, which is unsuitable for mid market rent lets. One other barrier is the restriction on taking income into account when allocating tenancies which currently makes it very difficult for both local authorities and housing associations to target mid market rent housing to those who would benefit from it most.

"The way in which social housing is allocated means you can end up with a concentration of tenants with mental health issues, addictions etc. This does not provide a balanced community and can lead to anti-social behaviour. Where there are no real checks and balances in place, this can affect the viability of the site."

Private developer

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In recognition of the barriers facing landlords in terms of allocations and tenancies, the [Scottish Government's recent consultation](#) looked at how to give social landlords greater flexibility in how they allocate and manage their housing with the aim of supporting better outcomes for communities. Among various other proposals, the consultation proposed removing the ban on taking income into account and suggested ways to enable local authorities to develop and manage mid market rent. The outcome of the consultation is currently awaited, but the indications are that social landlords would welcome increased flexibility. Although not the only answer, enabling landlords to exercise increased flexibility over allocations could help allay some of the developer fears about social housing tenants on mixed tenure sites. It may also encourage social landlords to create a mix in communities where they feel this is necessary and more sustainable.

5. The future for mixed tenure developments



In an attempt to assess overall feeling about the future of mixed tenure developments, the final question of the survey asked respondents about their experience of the overall impact that mixed tenure estates had had on local communities.

The feeling among respondents towards mixed tenure developments was generally very positive. This was particularly noticeable in regeneration areas where residents and communities had been involved in planning at an early stage. This was seen as key to ensuring a successful mixed tenure development. One local authority

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landlord also reported increased satisfaction with a regeneration area as a place to live, with the positive views often being expressed by people living in mixed tenure developments.

“The impact has been generally very positive across the wide variety of developments which have been completed. The overall satisfaction levels with this location as a place to live have gone up from 59% in 2005 to over 90% in 2010.”

Local authority regeneration and development manager

Mixed tenure developments were seen by many local authorities and housing associations as an essential component in achieving mixed and sustainable communities. Dealing with development and management issues had presented its challenges in terms of cost and staff time, but none of the issues raised in our survey had appeared to act as a permanent barrier or would deter landlords from pursuing mixed tenure developments in the future.

“Our experience has been mostly hugely positive, allowing for the essential promotion of balanced and mixed communities which would not necessarily happen by the use of a needs-based housing allocation system.”

Housing association development manager



The strong feeling coming from responses to the survey was that building mono tenure developments was largely a thing of the past and did not fit with many landlords' overall strategic objectives. The only major stumbling block for many landlords wishing to continue developing mixed tenure was the significant reduction in funding for affordable housing.

Although the current financial climate suggests it is inevitable that housing associations and councils will look to develop on a mixed tenure basis wherever possible, the increasing difficulty in providing the social rented element was a significant concern.

For housing associations the main funding concern is the level of grant subsidy for social rented

housing. The new benchmark grant rates were seen by many as unsustainable in the longer term and likely to limit the number of units they were able to develop going forward. Local authorities also saw this as a major challenge alongside the lack of mortgage availability for prospective purchasers to support the private sales element of mixed tenure developments: inevitably there was a cost implication if properties did not sell and had to be marketed for prolonged periods of time.

Although the Scottish Government is keen to encourage cross subsidising of social rent from low cost home ownership and mid market rent products, many of the respondents did not see this as the answer to achieving the desired amount of socially rented homes, and indeed some suggested that this was not viable given the current financial situation.

6. Conclusion

Our survey sought to assess whether it was common for there to be concerns – either from developers or purchasers – about mixed tenure developments, in particular those comprising an element of social rented housing.

Overall, it seems that funding issues – both for purchasers and for social landlords, rather than a preponderance of negative attitudes, could be the main barrier to mixed tenure developments flourishing in the future. There have been signs of developer reluctance towards mixed tenure, but where social landlords have been able to instigate and maintain good communications with developers from an early stage, most concerns have been allayed.

“The association fundamentally believes in the value of mixed tenure development as a means of developing successful, dynamic communities. The main barrier to us carrying on with that vision is the savage reduction in capital funding for affordable housing.”

Housing association development manager

In the recent more difficult economic climate, pragmatism has led to some developers being more likely to embrace tenure mix, not least where this has enabled stalled developments to be released. It remains to be seen to what extent developers will continue to welcome mixed tenure if and when the house building climate improves.