

The development that is 100% affordable housing

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Optivo and Pocket Living have announced a completely affordable development, with no market sales involved. *Jess McCabe* finds out how, and why, they're building it. *Photography by Jon Enoch*



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How do you build a 100% affordable development? @jester met @marcvlessing & @PaulHackett10 to find out #ukhousing

Pocket Living's Marc Vlessing (left) with Optivo's Paul Hackett

How do you build a 100% affordable housing development?

It is a question that has become suddenly relevant, because a number of such projects are springing up – particularly in London.

In Ealing, Catalyst is building a 26-home, 100% social rent block. The same housing association is working with Swan in Waltham Forest to build a much larger 100% shared ownership scheme. And in Croydon, Optivo is working on an intriguing 100% affordable scheme with specialist Pocket Living, which has developed its own discount sale tenure.

Inside Housing speaks with some of the players involved to find out how they are doing it – and why.

To put into context why these developments are surprising, we need to note the long history of developers negotiating down their affordable housing commitments in the capital.

As far back as Ken Livingstone's time as mayor, private house builders have been arguing that London's affordable housing targets have been a series of undeliverable pipe dreams.

And London has seen some controversial examples of affordable housing commitments being whittled away in the name of viability. One only has to think of the Heygate Estate in Elephant and Castle, where original proposals in 2000 to replace all 1,000 social rent homes on the massive estate were eroded until by 2012 the developer Lendlease promised delivery of just 25% affordable homes, of which only 74 were social rent.

"Steve Skuse, delivery director at Catalyst, says that 100% affordable is "something we will consider with every scheme"

Sadiq Khan has [set a target of 35% affordable housing for the capital](#), along with an aspiration for 50%, which has again been attacked as undeliverable. To get this moving, the mayor set up a £250m land fund, with the aim of buying up land and reselling it to be developed with a minimum of half affordable housing on the site.

Last summer, the [Greater London Authority \(GLA\) announced the first of these land deals](#). It bought a derelict site in Waltham Forest, and sold it to Catalyst and Swan, on the basis of them building a 100% shared ownership scheme. The proposals for Blackhorse Yard are still in planning, but about 330 homes are proposed.

A spokesperson for the London mayor said that Mr Khan will use the land fund "to support 100% affordable schemes wherever possible".

But this is also part of Catalyst's strategy. Steve Skuse, delivery director at Catalyst, says that 100% affordable is "something we will consider with every scheme".

He explains that this means when looking at new schemes, the landlord tries to maximise shared ownership rather than market sale depending on the site.

The £55m scheme being built in Croydon is perhaps more unusual, as it is less policy-driven.

A 21-storey residential block is being built on the site of demolished Edwardian offices, with the plans by niche developer Pocket and 44,000-home association Optivo boasting of being 100% affordable. When it is completed in the spring of 2020, 41 of the 153 flats will be two and three-bedroom shared ownership homes by Optivo. (Funding for this part of the development consists of £1.15m in grant from the GLA, and a mix of private finance and sales proceeds.)

And 112 will be Pocket flats – a tenure created by the development firm 13 years ago. The one-bedroom flats are small. But they are sold at 20% below local market rates. Buyers must be first-timers, live or work in the local authority area, and earn less than the mayor's criteria for low-cost homeownership – currently £90,000 (see box: Living in a Pocket home).

The flats cannot be sublet, and when they're sold they must go to another of the "Pocket people", as Marc Vlessing, chief executive of the company, describes those eligible to buy this niche tenure. To date the company has built and sold 581 homes in 20 developments, and about 30 flats have been resold by their original buyers.

The Pocket part of the Croydon site receives no grant, but the company has benefited from a £26.4m loan from the GLA to subsidise land purchases, and enable the building of just over 1,000 homes. Pocket says this takes about 2-3% off its cost of capital.



Artist's impression of Addiscombe Grove, the pair's 100% affordable development

The scheme has won plaudits from the mayor's office, with James Murray, deputy mayor for housing, saying "100% genuinely affordable developments like this play a crucial role".

The GLA played an integral part in the deal coming together, says Mr Vlessing. It was David Lunts, executive director of housing and land at the GLA, who first suggested that Mr Vlessing meet with Optivo chief executive Paul Hackett and collaborate on a scheme.

We are talking in one of the meeting rooms of Pocket's minimalist office space in Covent Garden. Mr Vlessing and Mr Hackett are sat side by side representing the partnership – whether by accident or design in nearly identical dark blue suits and light blue shirts.

"I left a message with him [Mr Lunts]. I said there must be other ways of doing this. Should we not be talking to some of the housing associations?" Mr Vlessing recalls.



Mark Vlessing, chief executive of Pocket Living

"And he contacted me and said: 'You probably should, but there are only a few that I think would be ready to have that conversation with you.' And Paul was very much top of the list," Mr Vlessing continues, turning to Mr Hackett. "And you and I met at the Nat Fed? About two years ago now. And we sparked off."

Pocket first spotted the opportunity for a development at the Addiscombe Grove site, close to Croydon train station and a short walk from Optivo's headquarters. Croydon was a target for Pocket because of its good transport links and reasonable house prices – the developer aims for areas with a resale value of about £500-£600 per square foot, which puts central London out of the question. But its target market of young working Londoners means developments must be well connected.

“It’s the first time that we’ve bought a site which had an existing consent, because normally we want to just do our own thing,” Mr Vlessing says. “Why pay someone else money for a consent we’re not going to use?”

But the consent on the site was only for 12% affordable housing. Pocket redid the planning, and was granted permission for a 21-storey residential tower made up of 72% affordable housing, all of Pocket’s own tenure. The remaining homes were going to be a mix of private sale two and three-bedroom homes. It was at this point that Mr Lunts at the GLA set up conversations between Pocket and Optivo’s chief executive. “I said: ‘Well would you be interested in taking out our private element?’” Mr Vlessing recalls.

“For a number of reasons this was a really attractive scheme for us to get involved with,” says Mr Hackett.

Addiscombe Grove is in Optivo’s “home borough”, where the association wants to build more.

And Optivo was searching for partners to help it ramp up development following the creation of the housing association through the merger of Viridian and Amicus Horizon in May 2017.

The legacy organisations were building about 350 homes a year between them, but newly formed Optivo has the financial capacity for 1,500.

Yet the association completed only 470 in the 2017/18 financial year.

This was also an opportunity “to get involved in a modular scheme which we hadn’t done previously”, Mr Hackett explains. So far Optivo has built only low-rise modular homes. “Rather than doing our first [large] modular scheme completely on our own, to work with a partner who’s already been in there innovating the space successfully was really key for us,” Mr Hackett says.

Pocket has so far built using a mix of traditional and modular methods.

Living in a Pocket home



Rachel Sedgwick with the keys to her Pocket flat in Waltham Forest

Rachel Sedgwick moved into her Pocket flat in Waltham Forest only a month ago. The 29-year-old works as a learning and development manager for a social landlord, and had previously only been able to afford to rent a room.

"I'd been getting quite depressed. I was bored of living with other people," she says. "I couldn't see how I would ever be able to rent privately or buy."

About a year ago she put herself on the waiting list for a Pocket flat, after hearing about the concept when her boss' brother bought one. When Pocket started its first block in Waltham Forest she jumped at the chance to buy. She's now paying £350 a month for her mortgage. "It's much less than I was paying to rent a room," she says.

The 38 square metre home does not feel small, she says. "You're not sharing the space. If you're trying to rent a one-bed you get something much smaller for more money."

"It does feel very communityish," she adds. "There's a big communal garden – it's been such nice weather. We've been going out and having beers and wine, and mingling together. Everyone's so similar, we're in quite a similar position. You naturally click well."

Hanging over this development and the whole sector is the labour shortage, most likely to get worse post-Brexit. Mr Hackett points out: “The next question, having merged, creating financial capacity to develop, identifying the land, is who’s going to build these schemes?”

One potential risk for the partnership is what happens if you are trying to market two different types of low-cost homeownership on the same site. But they are convinced that they won’t be competing against each other. The typical buyer of a tiny Pocket home is an early-30s individual, whereas it will be couples and young families, probably a little bit older, who will likely buy Optivo’s shared ownership units.

Optivo says its shared owners could be households earning about £40,000-£45,000 a year, “often the people who find it hardest to have their housing needs met” – not qualifying for social housing, but not being able to buy outright even with the assistance of Help to Buy.

Pocket buyers, meanwhile, will be on a moderate income and obviously with less space needs. “It doesn’t work for everybody but for that niche it works very well,” Mr Vlessing says.

Pocket is overall confident about the site. Mr Vlessing points to Lucian Smithers, his head of sales and marketing, and boasts that “his job is to minimise disappointment, not to maximise sales, because his sales come through without him having to do a huge amount”.



Paul Hackett, chief executive of Optivo

From Optivo’s side, Mr Hackett is also confident, although he notes that there is housing market risk (London and the South East have seen slowing prices and transactions in recent months). He says: “Not for this project but for everything we do, the housing market is the biggest single risk, and that’s within the context of the wider economy. What

I would say is I've been involved in housing for 30 years and shared ownership is a popular tenure that can work in most economic conditions.”

Brexit looms large over the London and national housing markets. Mr Hackett notes: “I think if there's a massive economic catastrophe, with a terrible, hard Brexit, we'd all be reflecting on our business plans.”

It is a warning that Mr Vlessing echoes, pointing out: “If we have a hard Brexit I wouldn't like to think what's going to happen to the property market in London.” That is the uncertain future for developers now: Addiscombe Grove will be opening for sales in late 2019 – Brexit year.

But for social landlords, who are nonetheless trying to build affordable housing against this background, what are the lessons here, and how does this sort of project fit in with the revival of social rent as a tenure?

Mr Vlessing says: “The original planning consent had 12% affordable housing, which isn't much. But both of us can legitimately [say] that we've quadrupled the amount of affordable housing on that site.”