



AGENDA

SELECT COMMITTEE - AFFORDABLE HOUSING

Thursday, 27th February, 2020, at 10.00 am

Ask for: **Gaetano Romagnuolo**

**Wantsum Room, Sessions House, County Hall,
Maidstone**

Telephone **gaetano.romagnuolo@
kent.gov.uk
03000 416624**

Tea/Coffee will be available 15 minutes before the start of the meeting in the meeting room

Membership

Mr R J Thomas (Chairman, Mrs P M Beresford, Mr T Bond, Mr D L Brazier, Mr P C Cooper, Mrs T Dean, MBE, Mr D Farrell, Ms S Hamilton and Mr D Murphy

Please note: that the unrestricted part of this meeting may be filmed by any member of the public or press present.

By entering into this room you are consenting to being filmed. If you do not wish to have your image captured please let the Clerk know immediately.

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

Item No

- | | |
|-------|--|
| 1 | Apologies |
| 10:00 | Mr Mike Whiting (Cabinet Member for Economic Development, Kent County Council) (Pages 1 - 2) |
| 10:45 | |
| 11:00 | Vicky Hodson (Partnership Manager, Kent Homechoice) (Pages 3 - 16) |
| 11:45 | |
| 12:00 | Dr Stanimira Milcheva (Associate Professor in Real Estate and Infrastructure Finance, University College London) (Pages 17 - 60) |
| 12:45 | |

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Benjamin Watts

General Counsel
03000 416814

Wednesday, 19 February 2020

Kent County Council
Affordable Housing Select Committee

Hearing Day 6

Thursday 27th February 2020

Witness Guide for Members

Below are suggested themes and questions. They have been provided in advance to the witnesses to allow them to prepare for the types of issues that Members may be interested to explore. All Members are welcome to ask these questions or pose additional ones to the witnesses via the Committee Chairman.

Themes and Questions

Mike Whiting, Cabinet Member for Economic Development, Kent County Council

- Please introduce yourself and offer an outline of the roles and responsibilities that your position involves.
- In your view, what are the main opportunities and challenges associated with affordable housing in Kent?
- What strategies and interventions is the Economic Development Directorate implementing in order to promote the development of affordable housing in Kent?
- What more could KCC do, if anything, to support the development and provision of affordable housing in Kent?
- Are there any other issues, with relevance to this review, that you wish to raise with the Committee?

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Kent County Council

Affordable Housing Select Committee

Biography

Vicky Hodson

Partnership Manager, Kent Homechoice

Vicky is the Kent Homechoice Partnership Manager and has responsibility for overseeing the partnership of 14 Kent and Medway Local Authorities, including KCC, and 25 Housing Association Partners. This involves activities such as dealing with partnership agreements, contractual arrangements with system providers, production of statistics and relevant data, customer reviews, training and management of the Kent Homechoice website, as well as ensuring that all systems and processes comply with new legislative requirements, for example GDPR.

Kent Homechoice is the largest choice-based lettings partnership in the UK, and is well respected for its success in partnership working, leading on innovation, and continuous improvement in systems and customer service.

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Kent County Council
Affordable Housing Select Committee

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Themes and Questions

Vicky Hodson

Partnership Manager, Kent Homechoice

- Please introduce yourself and provide an outline of the roles and responsibilities that your post involves.
- Please provide an overview of Homechoice. How does Homechoice operate and what are its aims? What have its key achievements been?
- How many people are on the housing register in Kent? How many people are in housing need in the county?
- Who is given priority on the housing waiting list?
- What are the average waiting times for the allocation of social and affordable housing in Kent?
- Please discuss the type and size of properties required to meet applicants' needs.
- In your view, what are the main opportunities and challenges associated with the allocation of affordable housing in Kent?
- What more should KCC do, if anything, to support the delivery and provision of affordable housing in Kent?
- Are there any other issues, with relevance to this review, that you wish to raise with the Committee?

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Kent

Homechoice

**KCC Affordable Housing Select Committee
Meeting**

Vicky Hodson – KHC Partnership Manager

www.kenthomechoice.org.uk

Page 8

The screenshot shows the homepage of the Kent Homechoice website. At the top left is the Kent Homechoice logo. To its right is a navigation menu with links for 'ABOUT', 'VIEW HOMES', 'HELP', and 'CONTACT'. Further right are 'SIGN IN' and 'REGISTER' buttons. Below the navigation is a search bar titled 'Search for homes' with filters for 'Area', 'Rectangular Sh...', 'WITHIN 50 MI', 'PROPERTY TYPE', and 'BEDROOMS'. The main content area is divided into three columns: 'Your options' with a photo of a family and a 'LEARN MORE' button; 'Property Lists' with a photo of a brick building and a 'SELECT...' button; and a video player titled 'Application process for Kent...' showing a house and a hand holding a magnifying glass. Below this is a 'Tweets by @KentHomechoice' section and a 'Can't find what you're looking for?' section with a 'Google Custom Search' input field.



Kent Homechoice

annel

Feedback

Kent ABOUT VIEW HOMES HELP CONTACT YOUR ACCOUNT LOGOUT

Your previous bids

Advert	Date	Property	Status	Bids	Your Rank	Offered/Let Band	Offered/Let Priority
766	19 Aug 2019	1 bed bungalow - Little Chequers	Let	57	1-5	A	29 Jul 2019
900	3 Jul 2019	2 bed house - East View	Let	83	Not prioritised	B	28 May 2019
900	14 May 2019	1 bed flat - Gerlach House	Let Direct	51	Not prioritised		
599	4 Mar 2019	1 bed bungalow - Osborne Road	Let	129	Not prioritised	C	3 Jul 2014
099	4 Feb 2019	1 bed flat - St Mildred'S Close	Let	108	1-5	C	4 May 2016
347	31 Jul 2018	1 bed flat - Adams Drive	Let	118	Not prioritised	B	8 May 2018
974	5 Jun 2018	1 bed flat - Farrow Court	Let	42	Not prioritised	C	16 Mar 2016
611	5 Mar 2018	1 bed flat - Askes Court	Let	59	Not prioritised	C	27 Mar 2017
928	26 Feb 2018	2 bed flat - Chantler's Meadow	Let	125	1-5	C	12 Mar 2014
442	26 Feb 2018	1 bed flat - Earlsworth Court	Let	102	Not prioritised	A	11 Jan 2018

[SHOW MORE](#)

[show all previous bids](#)



Kent
Homechoice

Housing Register Figures

	2019-20	
	Q3 (Jan 2020)	
	Total on Reg	In Need
Ashford	1256	1196
Canterbury	1096	1096
Dartford	7820	799
Dover	1627	1121
Gravesham	1778	1252
Maidstone	805	805
Sevenoaks	586	586
Folkestone & Hythe	1254	676
Swale	6669	1334
Thanet	2152	2151
T&M	1211	1209
Tunbridge Wells	894	892
TOTAL KENT	27148	13117
Medway	3403	1597
TOTAL KENT & MEDWAY	30551	14714



Housing Register Figures (of those with a housing need)

- 78% White British
- 13% BAME
- 9% Prefer not to say

- 22% aged over 55
- 78% aged under 55



Housing Need

	1 bed	2 bed	3 bed	4 bed	5 bed	6 bed	7 bed
Ashford	583	307	257	78	9	2	
Canterbury	478	355	213	38	7	1	
Dartford	212	292	240	40	6		
Dover	588	281	205	39	21	1	
Folkestone	267	202	149	53	9	2	
Gravesham	529	418	208	18	78		
Maidstone	319	231	207	43	6	1	
Sevenoaks	288	176	79	32	1	3	
Swale	502	441	259	108	36	3	
Thanet	1106	429	420	131	28	1	1
TMBC	618	342	171	68	12	2	
TW	300	326	208	52	2	0	0
Totals	5790	3800	2616	700	215	16	1



Properties for Rent

- Between 5,000 and 6,000 social and affordable homes advertised via Kent Homechoice each year
- Average waiting times ...



Vulnerable Applicants

- Digital assistance offered by support agencies and Local Authorities
- Automatted bidding option



Kent

Homechoice

KHC – Partnership Working

- Largest UK CBL Partnership
- 13 Kent & Medway Local Authorities
- Kent County Council
- 29 Housing Association Partners
- Total stock of c88,000 (Kent and Medway)
(13% of overall housing stock)



KHC – Partnership Working

- Partnership Agreement
- Project Board
- Operational Sub Group
- Project Development – working together to develop, deliver and improve
- Partnership Fees



Kent County Council

Affordable Housing Select Committee

Biography

Dr Stanimira Milcheva

Associate Professor in Real Estate and Infrastructure Finance, University College London

Dr Stanimira Milcheva is an Associate Professor in Real Estate and Infrastructure Finance at University College London. Her most recent research is looking at affordable housing from an institutional point of view. She investigates how institutional investors approach affordable housing and real estate and their role on prices and the real estate market overall. Dr Milcheva combines a finance angle with an urban economics perspective to investigate the role of spatial linkages, linkages of assets across space and time, for prices and market dynamics. She has an established track record in this area and is well known for her contributions in the intersection of spatial econometrics and asset pricing.

Dr Milcheva has published in a number of high-esteemed journals in finance, urban economics, real estate and economics, such as the Journal of Corporate Finance, Journal of Banking and Finance, Journal of Macroeconomics, Regional Science and Urban Economics, Journal of Real Estate Finance and Economics and the Journal of Housing Economics. She has presented her research, and been invited as a panel member, at numerous prestigious conferences and symposiums in the field of real estate. Dr Milcheva has been awarded various prizes for her research output, including Best Paper at the Asian Real Estate Society by the Royal Institution of Chartered Surveyors, best research output for 'Thinking out the Box' by the Homer Hoyt Institute, best research output by Cushman and Wakefield, and best research output by the University of Reading Research Endowment Trust Fund.

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Affordable Housing Select Committee

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Witness Guide for Members

Below are suggested themes and questions. They have been provided in advance to the witnesses to allow them to prepare for the types of issues that Members may be interested to explore. All Members are welcome to ask these questions or pose additional ones to the witnesses via the Committee Chairman.

Themes and Questions

Dr Stanimira Milcheva, Associate Professor in Real Estate and Infrastructure Finance, University College London

- Please introduce yourself, and please provide an outline of the main responsibilities of your post and your main research interests.
- Please discuss the role of institutional investors in the financing of affordable housing schemes.
- Please discuss the impact of the private rented sector on affordable housing in England.
- Please discuss the role of infrastructure financing and public-private partnerships in relation to the provision of affordable housing.
- In your view, what more should Kent County Council do, if anything, to support the delivery and provision of affordable housing in Kent?
- Are there any other issues, with relevance to this review, that you wish to raise with the Committee?

- What more should KCC do, if anything, to support the development of affordable housing in Kent?
- Are there any other issues, with relevance to this review, that you wish to raise with the Committee?

Kent Council Affordable Housing Provision

Dr Stanimira Milcheva

Associate professor in real estate and infrastructure finance

Bartlett School of Construction and Project Management

University College London

E-mail: s.milcheva@ucl.ac.uk

Twitter: @Stani_Milcheva

www.stanimilcheva.com

About me

- My research is on real estate finance and investment including institutional investors in commercial real estate, pricing of commercial real estate and housing, the economics of affordable housing including financing, urban economics and spatial linkages in markets, infrastructure private funds performance, etc.
- Currently working as an Associate Professor at the Bartlett School of Construction and Project Management at UCL
- Previously worked at the University of Reading
- PhD in Economics from University of Regensburg
- BSc and MSc in Economics from the University of Mannheim

My Latest Relevant Research Projects

- Working with NHF/Shelter/CASE on long-term government grant for housing associations and housing additionality → report to be out by mid-2020
- Preferences of institutional investors in commercial real estate (with Cvijanovic and van de Minne) → SSRN Online Working Paper
- Information Asymmetries, Financial Constraints and Institutional Investment: Evidence from the Real Estate Market (with Cvijanovic and van de Minne) → SSRN Online Working Paper
- Renter Protections, Housing Affordability and Institutional Investment in Multifamily Housing (with McCollum) → SSRN Online Working Paper

Overview

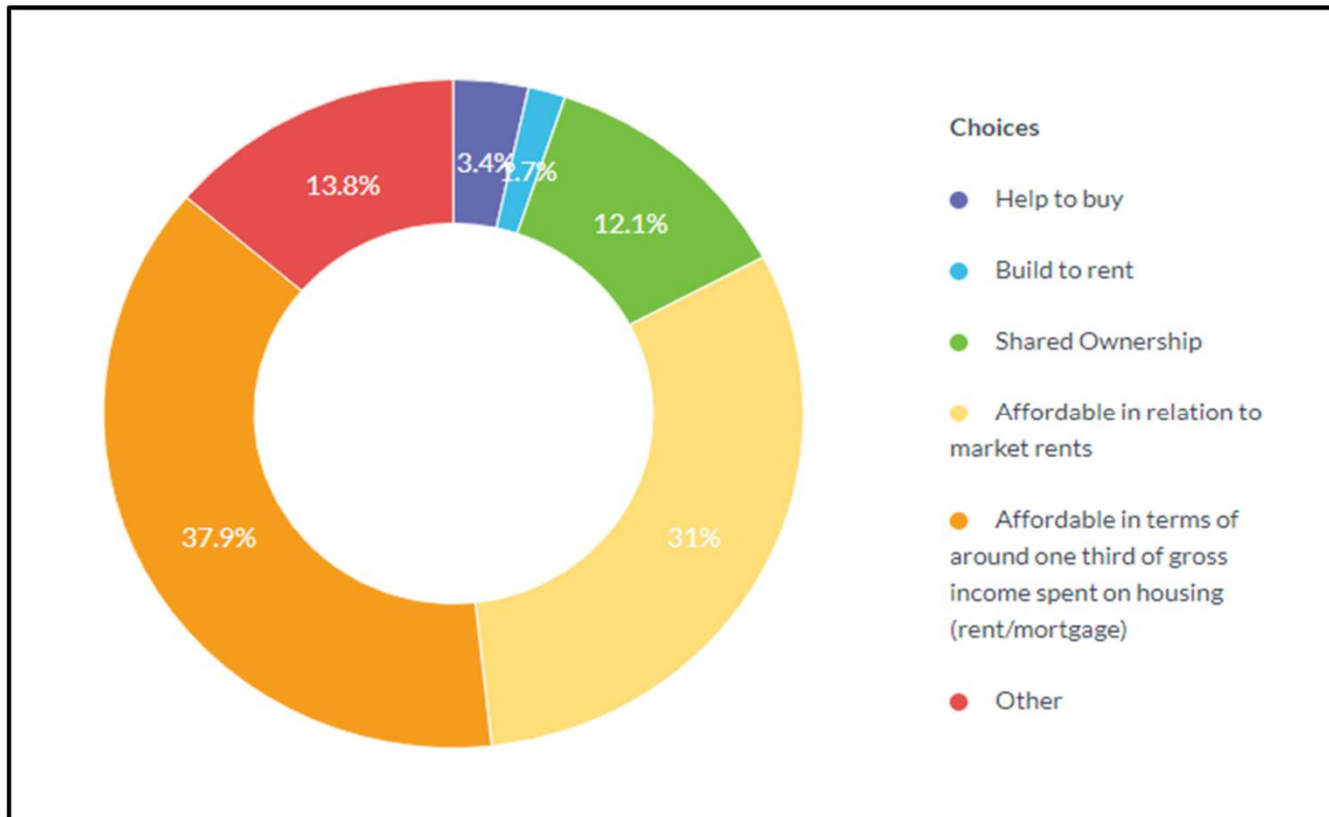
1. Is Housing Affordable in Kent?
2. What tenure to build and the role of institutional investors?
3. What role can local authorities play in affordable housing provision?
4. What can Kent County Council do to alleviate housing unaffordability?

Is Housing Affordable in Kent County?

Housing Affordability vs '*Affordable Housing*'

- What '*affordable*' is:
 - Varies for different income groups for constant quality and location – what is affordable for some is not affordable for others → homelessness
 - Varies in terms of quality requirements – while low quality housing may be affordable, good quality housing may not be → compromising living conditions
 - Varies by location – while housing may be affordable in some areas it may not be in others → long commutes
- “Affordable” in relation to:
 - Prices or rents
 - Income
 - User cost

Expert Survey: *How do you define affordable housing?*

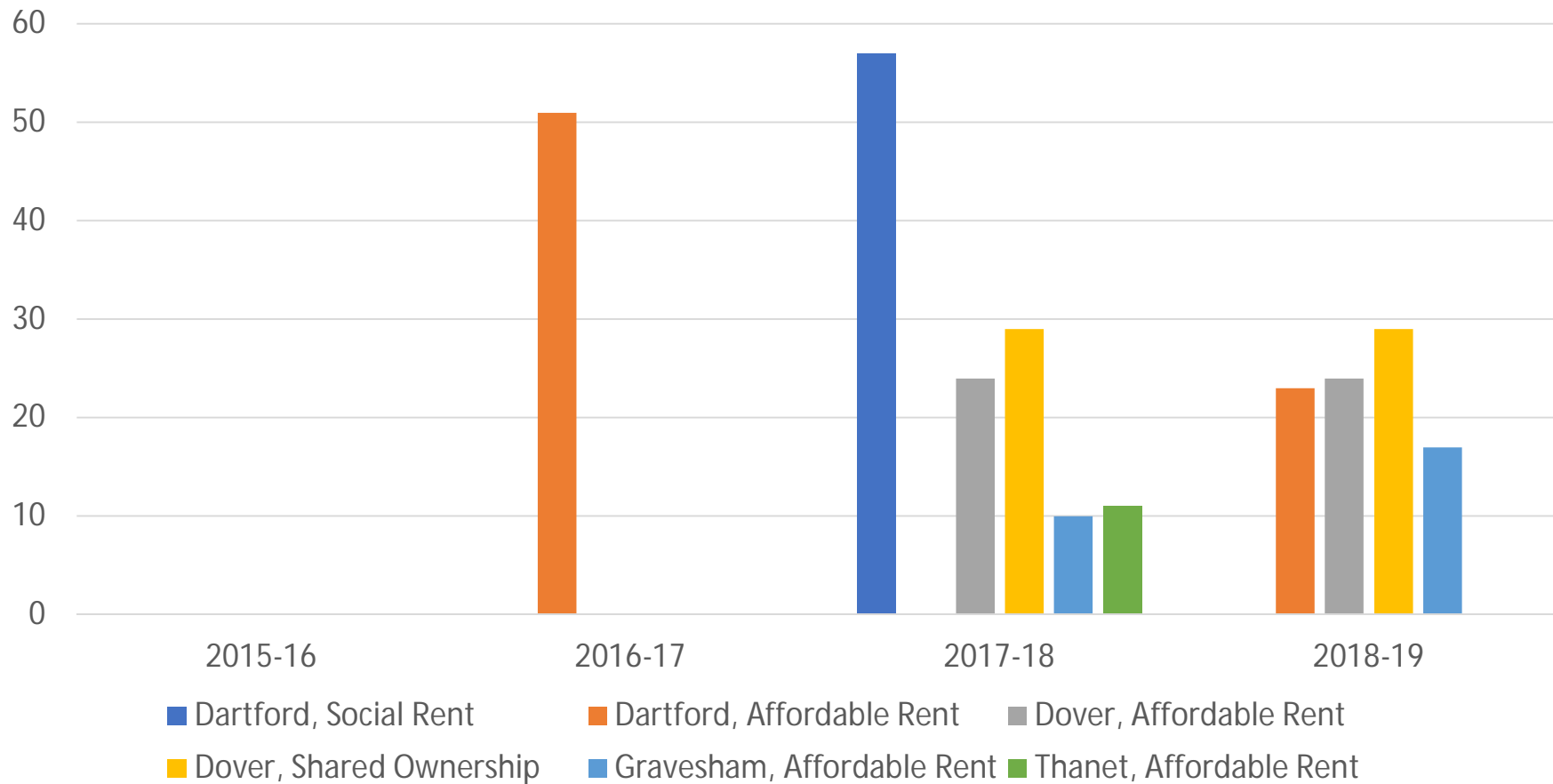


Source: Milcheva and Fitzpatrick, *The Case of Affordable Housing: Private Sector Investment in Social Infrastructure*, forthcoming.

Note: Based on a survey of 38 participants of the symposium *The Case of Affordable Housing: Private Sector Investment in Social Infrastructure* in June 2018.

AH Starts provided by Kent LAs since 2015

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Housing Affordability: Median House Price to Earnings Ratio in 2018

Kensington and Chelsea: 44.5

Westminster: 24.4

Camden 19.4

Kent County: 15.8

Cambridge: 12.9

Sevenoaks: 12.8

Canterbury: 10.9

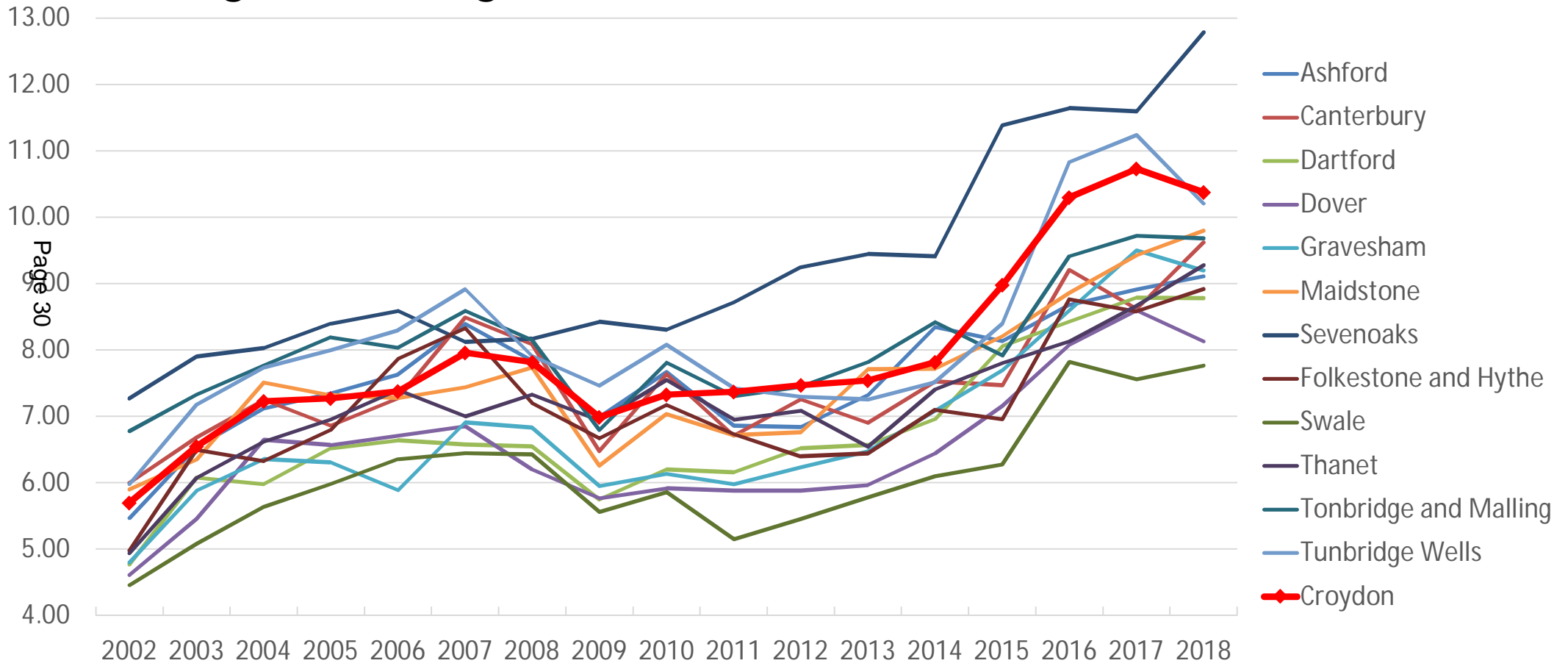
Maidstone: 9.8

Manchester: 5.7

Birmingham: 5.6

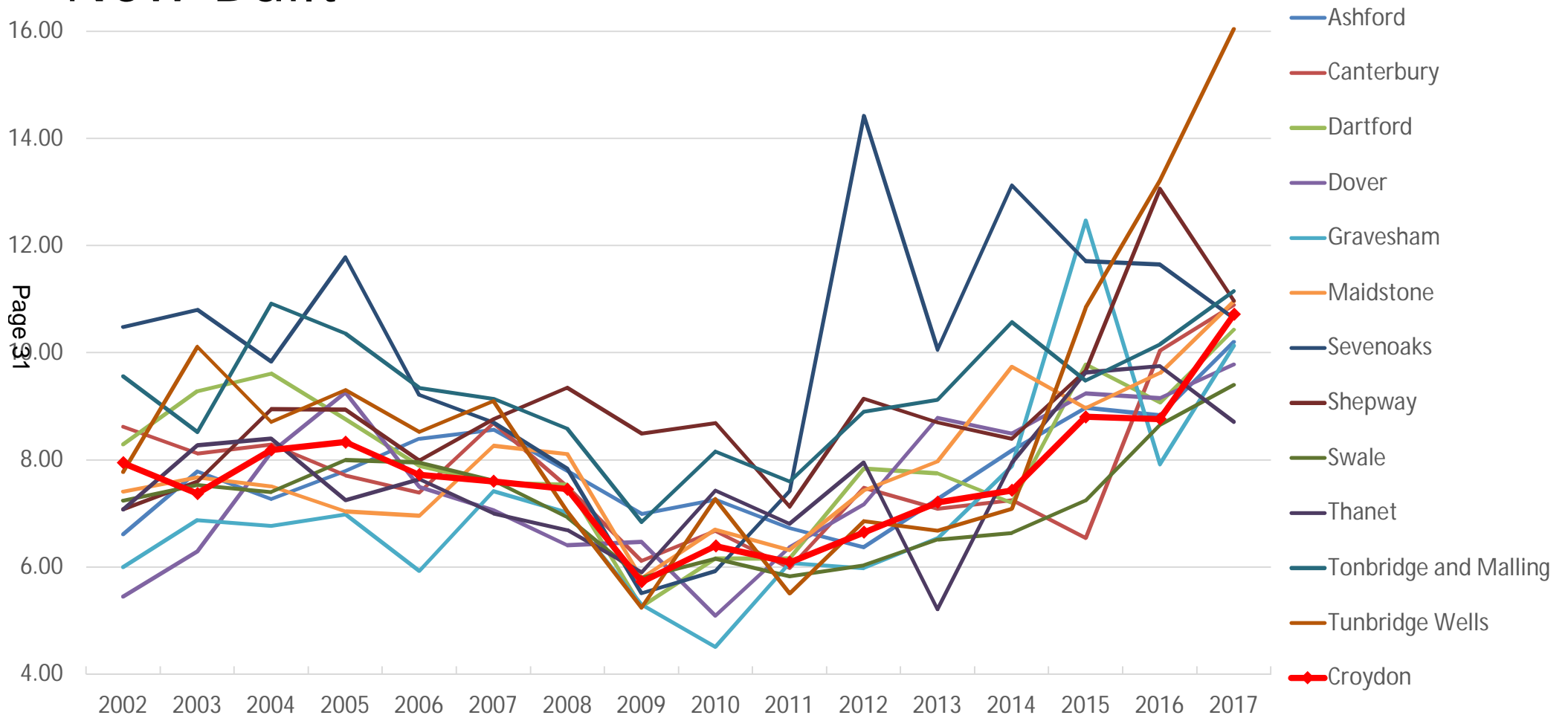
Copeland: 2.5

Housing Affordability in Kent LAs vs Croydon – Existing Dwellings



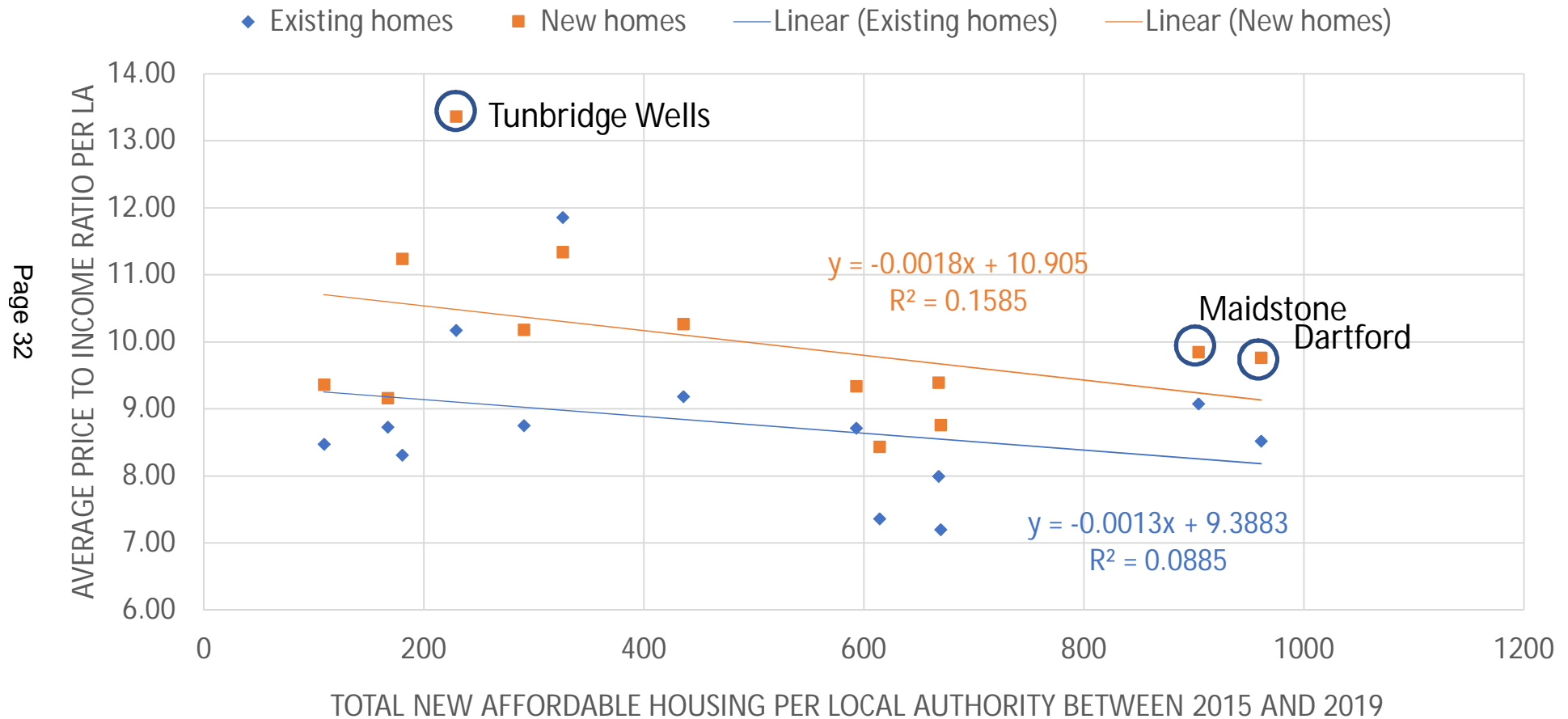
Source: Own calculations using ONS. Ratio of median house price existing dwellings to median gross annual residence-based earnings

Housing Affordability in Kent LAs vs Croydon – New-Built



Source: Own calculations using ONS. Ratio of median house price for newly built dwellings to median gross annual residence-based earnings

Relationship between Affordability and New AH Supply in Kent LAs



What tenure to build

&

the role of institutional investors?

The Dual Nature of Housing

Housing is both: an investment asset and a consumption good.

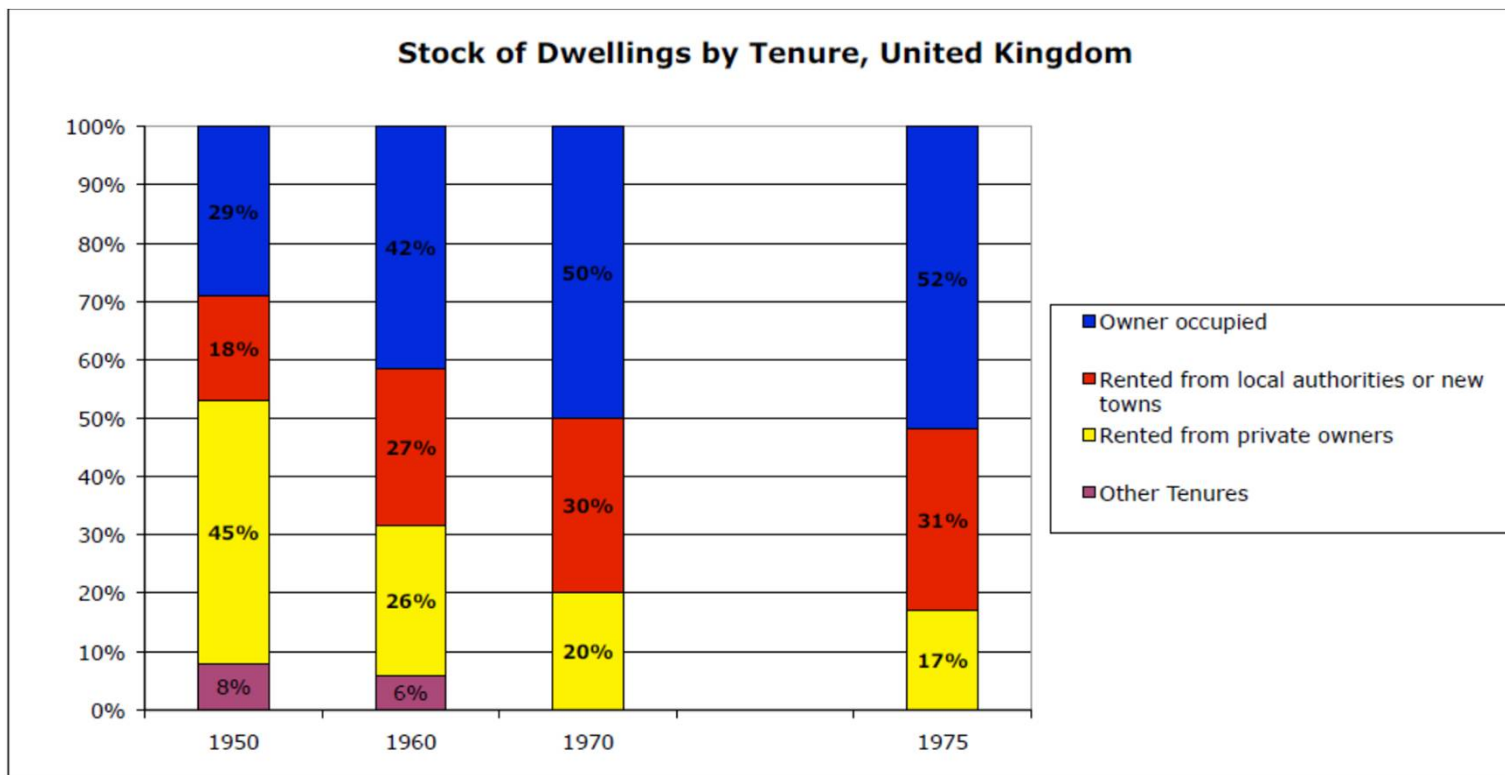
There should be a clearer separation of housing as a consumption good from housing as a financial asset as both functions are hard to combine.

→ “investors” and “consumers” separated from each other

Long Term Trends following the Dual Nature of Housing

- Housing as a consumption good will be enabled through focussing on developing housing as a 'service' for consumers
 - Move towards a predominant tenure of renter
 - Ownership through new form of housing co-ops
- The role of housing as an investment will become clearer
 - Large institutional investors building and owning large stocks of housing
- What may change
 - Landlord-tenant laws
 - More housing services
 - Smaller housing

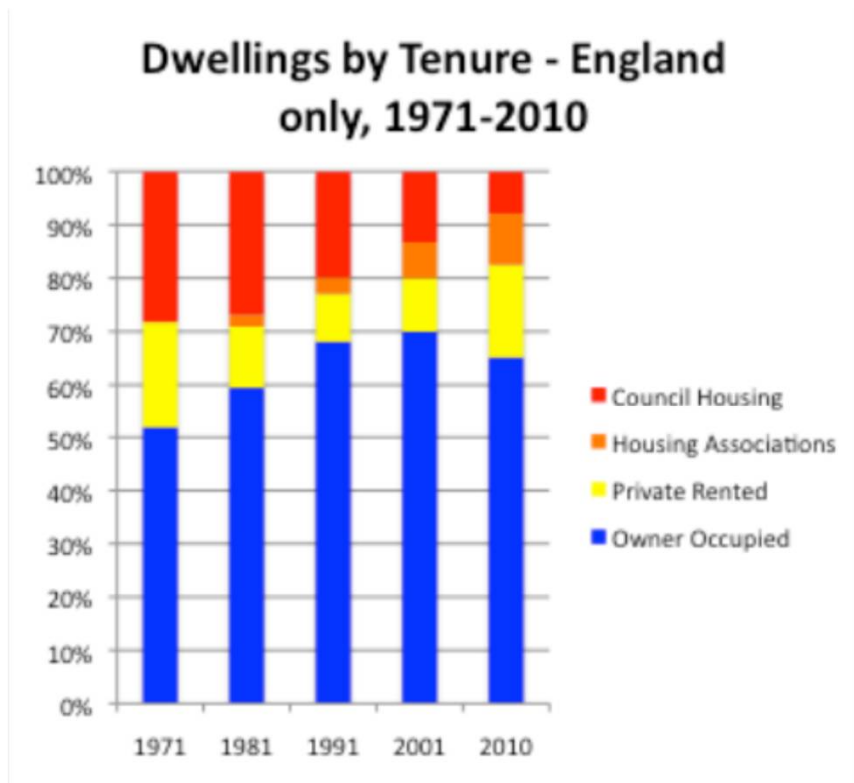
The predominant tenure used to be Tenant



Source: Social Trends N. 6. from Carter Report

The strong rise in Owner Occupation

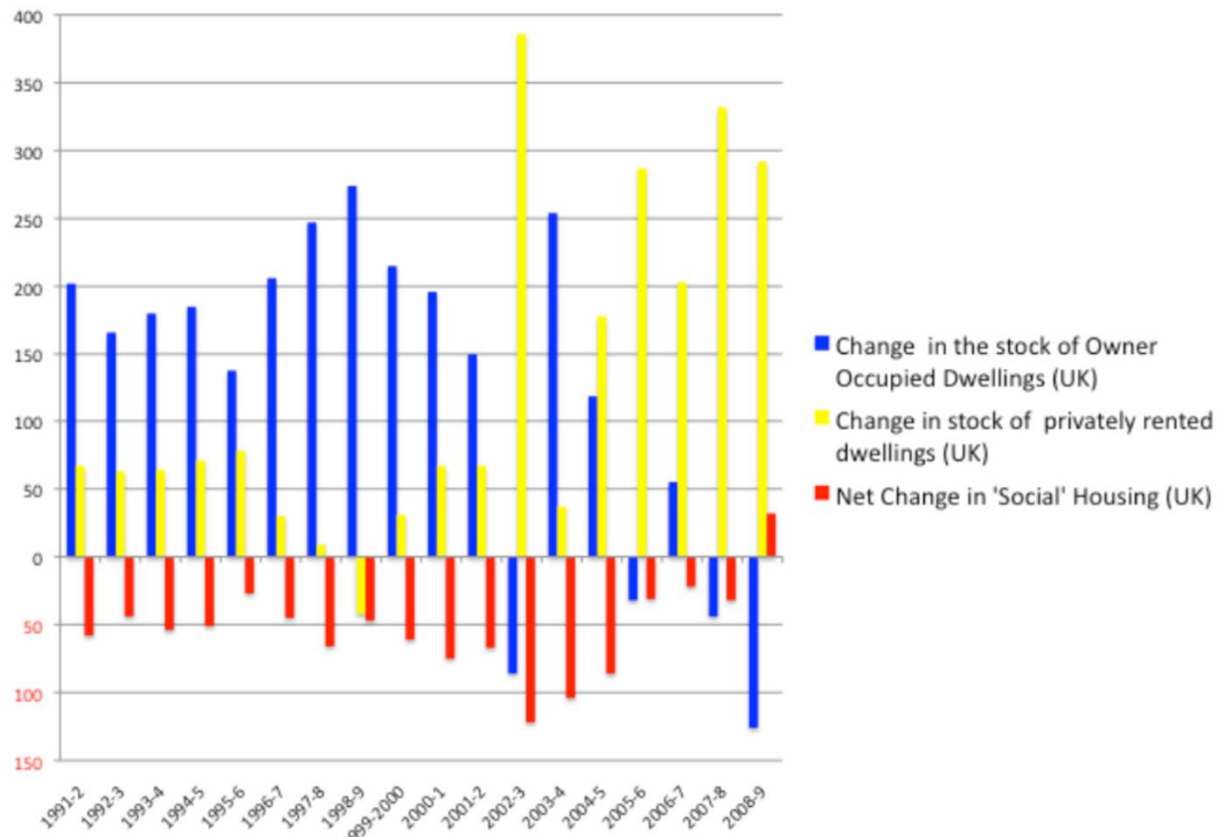
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Source: Social Trends N. 6. from Carter Report

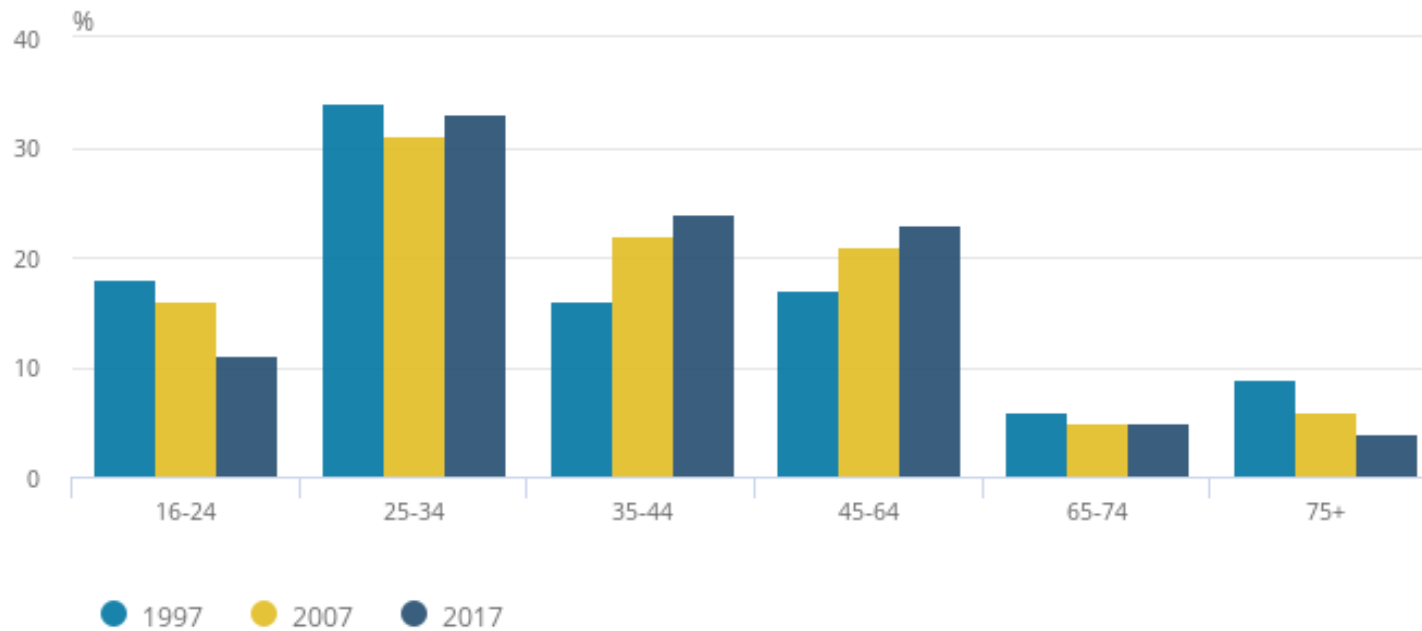
Rebirth of the Private Landlord

UK - Change in Housing Stock by Tenure 1992-2009



Source: Social Trends N. 6. from Carter Report

Figure 3: Age of household reference person in private rented sector, FYE 1997, FYE 2007 and FYE 2017, England



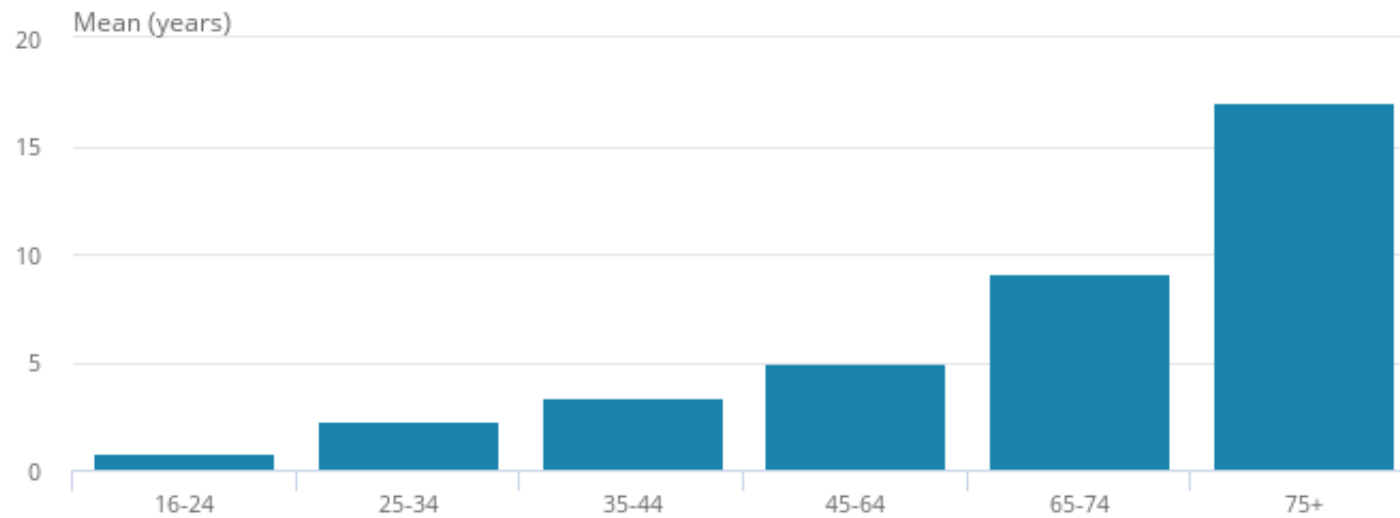
Source: English Housing Survey, Ministry of Housing Communities, and Local Government

Type of rental properties in England

- Terraced houses: 36%
- Apartments: 37%
- Semi-detached: 16%
- Detached: 6%
- Bungalow: 4%
- 73% of those buildings have an energy efficiency of D or lower
- Only 25% of the buildings are built after 1980.

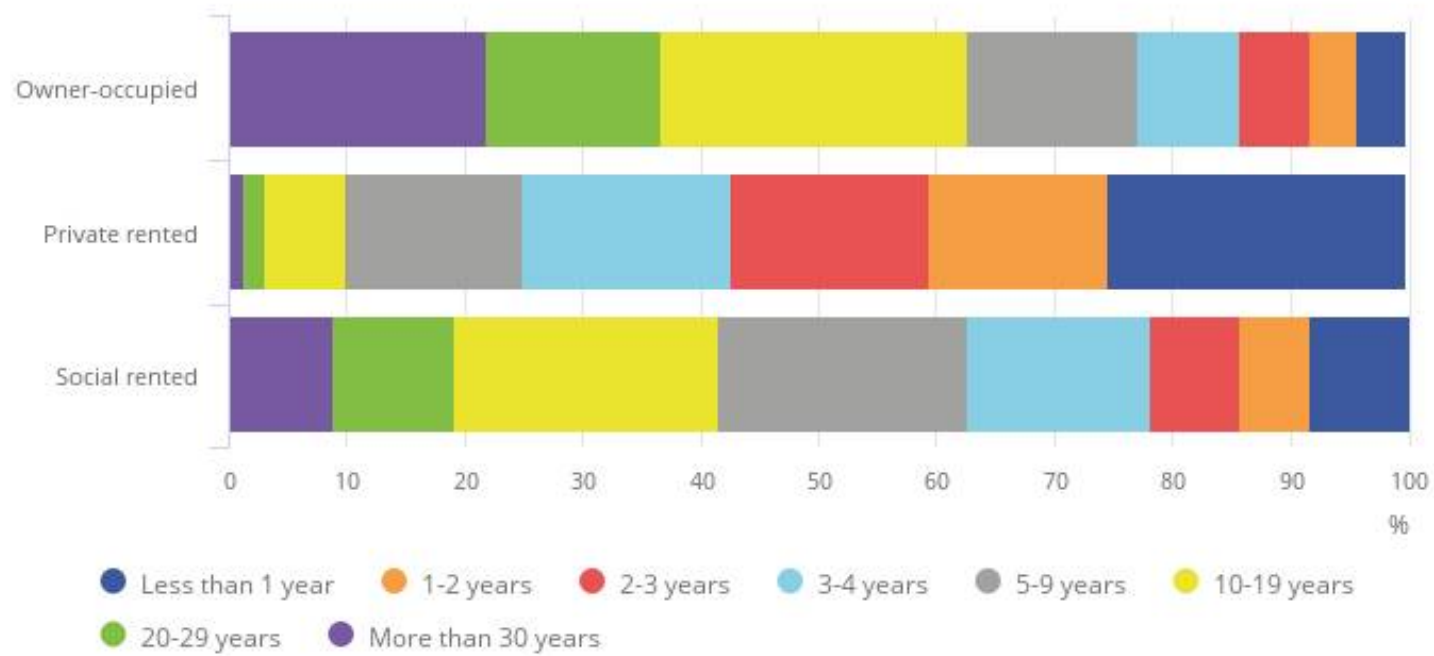
Source: English Housing Survey financial year ending 2017, Ministry of Housing, Communities and Local Government.

Figure 29: Length of residence in current home by age in private rented sector, FYE 2017, England



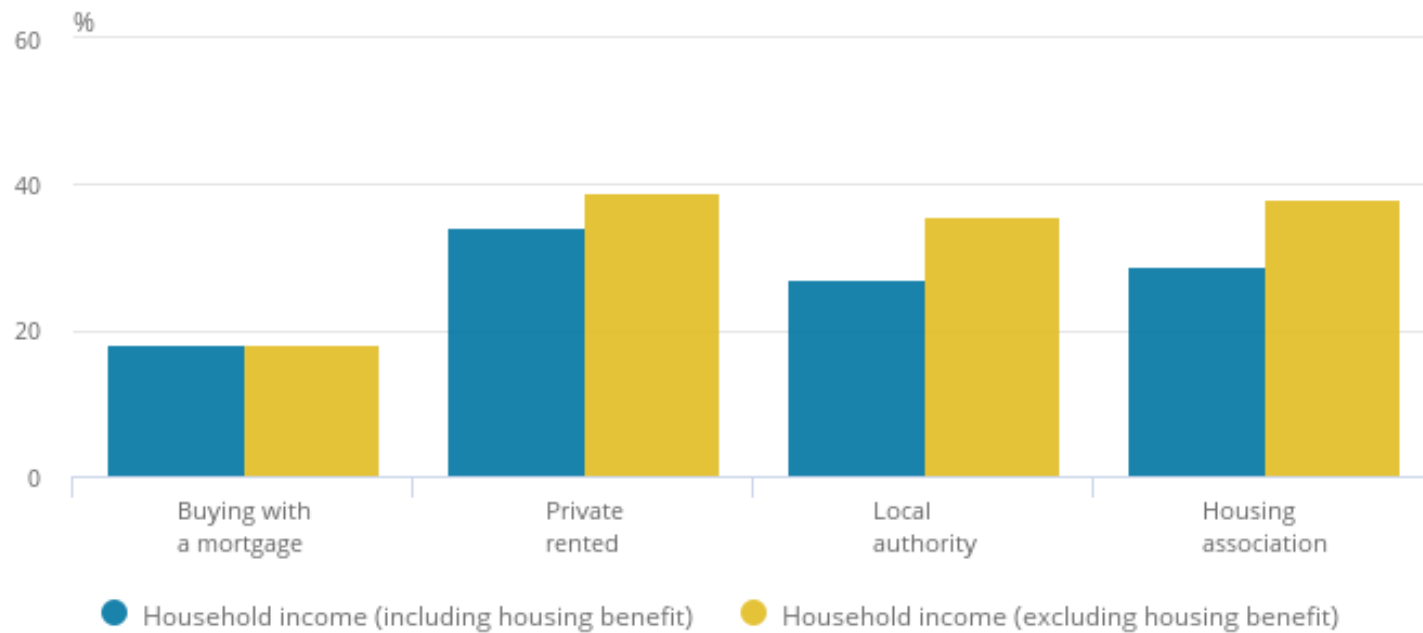
Source: English Housing Survey, Ministry of Housing, Communities, and Local Government

Figure 28: Length of residence (years) of household reference person by tenure, FYE 2017, England



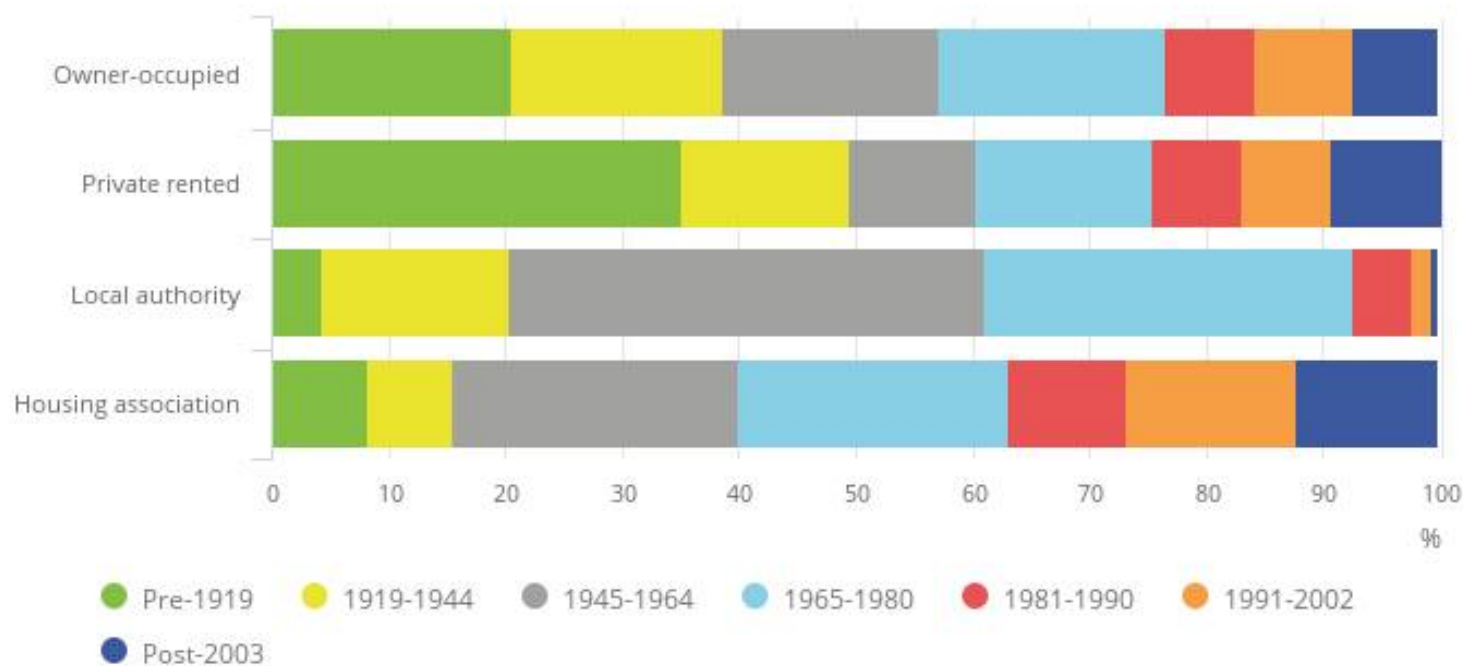
Source: English Housing Survey, Ministry of Housing, Communities, and Local Government

Figure 13: Mortgage or rent as a ratio of household income (including and excluding housing benefit), by tenure, FYE 2017, England



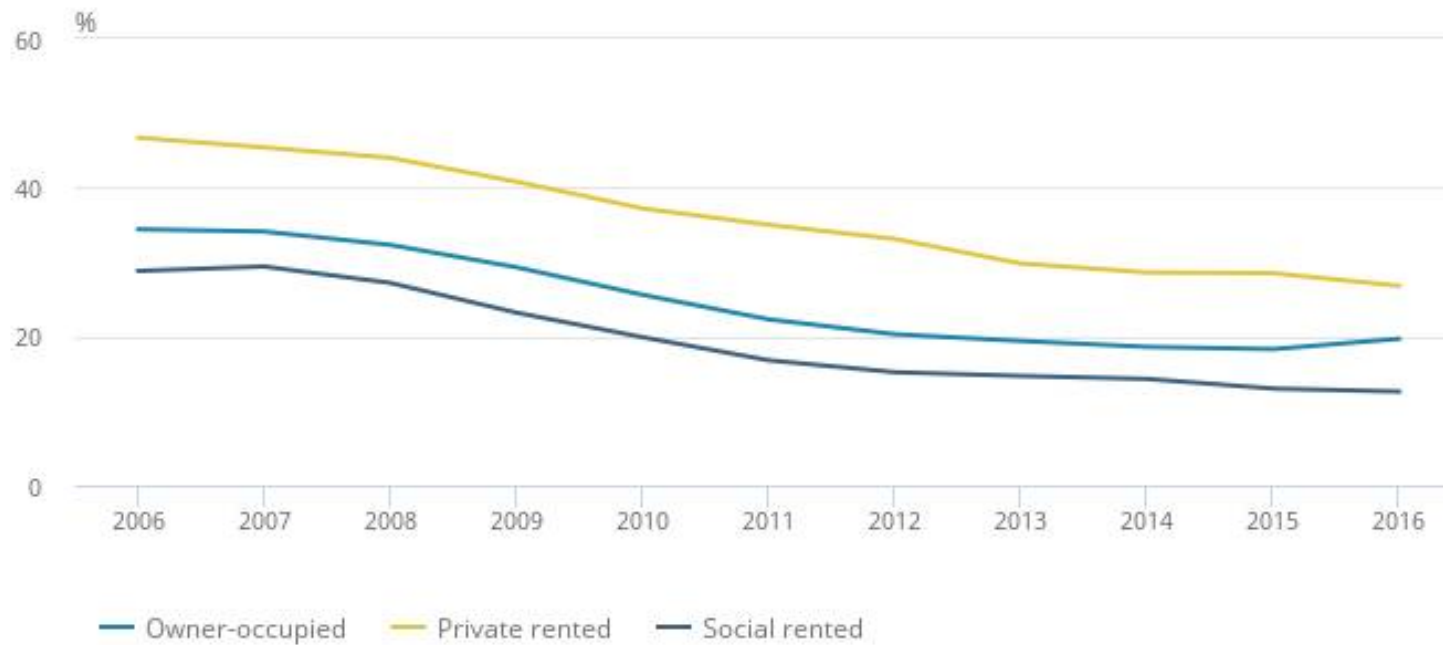
Source: English Housing Survey, Ministry of Housing, Communities, and Local Government

Figure 38: Age of dwelling by tenure, financial year ending 2017, England



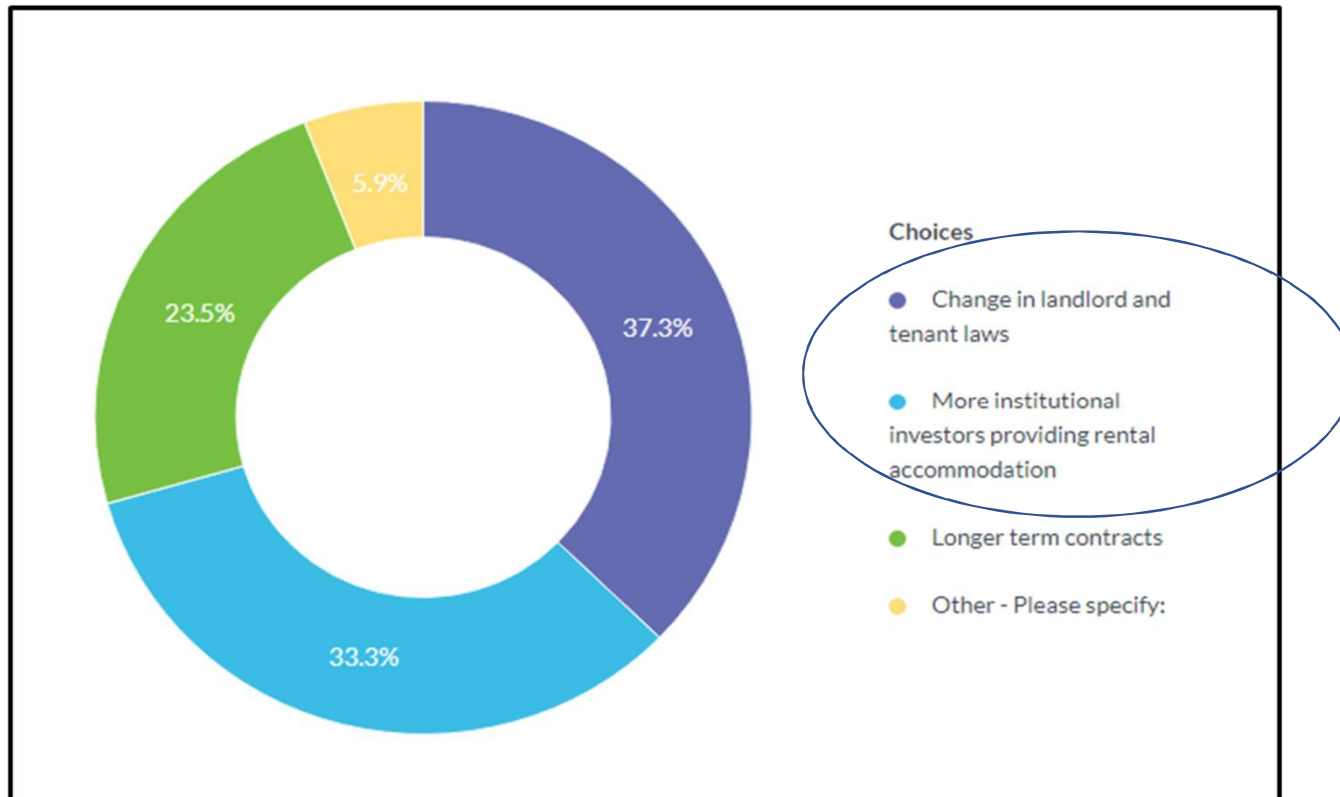
Source: English Housing Survey, Ministry of Housing, Communities, and Local Government

Figure 40: Non-decent homes, by tenure, 2006 to financial year ending 2017, England



Source: English Housing Survey, Ministry of Housing, Communities, and Local Government

Expert Survey: “Which option would be the most effective to provide tenants with more security?”



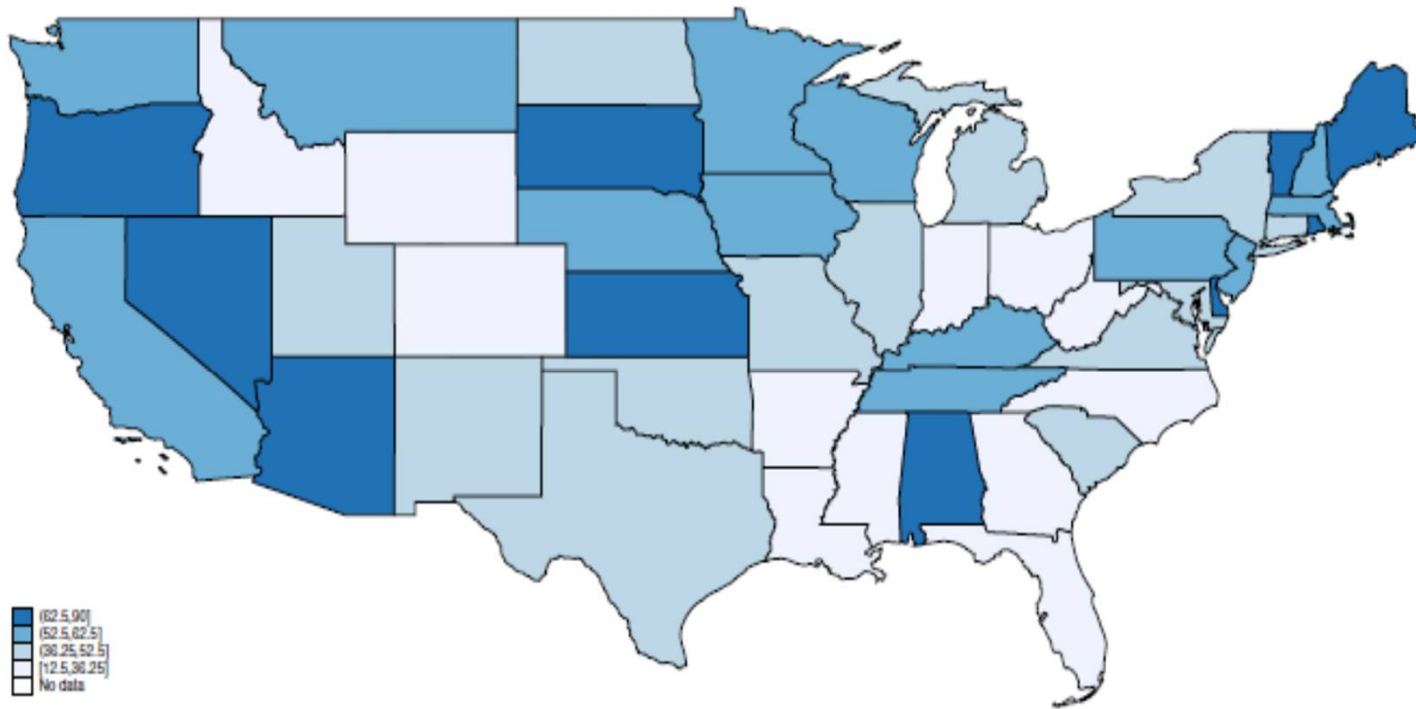
Source: Milcheva and Fitzpatrick, *The Case of Affordable Housing: Private Sector Investment in Social Infrastructure*, forthcoming.
Note: Based on a survey of 38 participants of the symposium *The Case of Affordable Housing: Private Sector Investment in Social Infrastructure* in June 2018.

Institutional Investment in Multifamily Housing & Renter Protection Laws

- [McCollum and Milcheva \(2020\)](#) in *Renter Protections, Housing Affordability and Institutional Investment in Multifamily Housing* investigate the relationship between institutional investment in multifamily housing (or the private rented sector as is known in the UK) and renter protection laws.
- Inability to collect large security deposits from tenants, longer waiting periods before they may evict tenants for non-payment, or be subject to the right of tenants to legally withhold rent if certain repairs are not completed.
- In the areas where there is a strong commitment to build more affordable housing by both, the government and the private sector, initial cap rates are higher for properties located in states with high renter protection.
- Policies that aim to protect tenants coupled with regional policies to increase housing supply may have a positive effect on both, institutional landlords and tenants.

Renter Protection Scores across US States

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Source: McCollum and Milcheva (2019), Renter Protection and Institutional Investment in Multifamily Rental Housing, SSRN.
Note: Darker areas indicate higher renter protection.

Top 10 largest owners of real estate in the US in 2018

Company	Portfolio size	Type of investor
Blackstone	\$ 81,401,517,183	Equity Fund
Brookfield AM	\$ 79,811,188,929	Equity Fund
Simon Property Group	\$ 42,507,957,360	REIT
TIAA	\$ 32,794,867,587	Pension Fund
JP Morgan	\$ 32,740,438,261	Investment Manager
Vornado	\$ 31,789,241,472	REIT
Irvine Co	\$ 26,143,141,046	Developer/Owner/Operator
PGIM Real Estate	\$ 25,295,347,514	Insurance
Starwood Capital	\$ 23,926,530,059	Equity Fund
SL Green	\$ 23,312,834,837	REIT

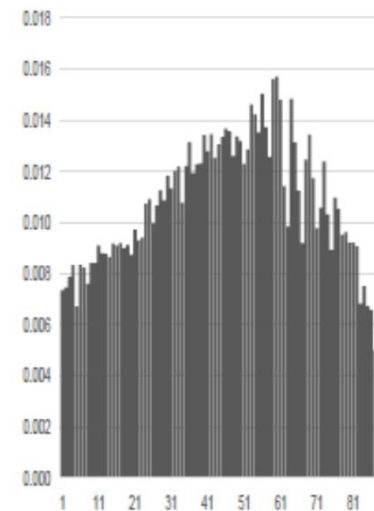
Source: Cvijanovic, Milcheva and van de Minne, 2019, *Preferences of Institutional Investors in Commercial Real Estate*, SSRN Working Paper.

Probability of this Apartment Property being sold to different investor by size

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- 15050 N 59th Ave., Phoenix
- Apartment
- year sold; 2006
- size; 137,725 square feet
- Q score; 1.44
- NOI; \$1.6M
- age; 21 years
- distance to CBD; 22km
- $ISQ_{\text{buyer}} = 47$



Source: Cvijanovic, Milcheva and van de Minne, 2019, *Preferences of Institutional Investors in Commercial Real Estate*, SSRN Working Paper.

Real Estate Market Segmentation

- In our papers "*Preferences of Institutional Investors in Commercial Real Estate*" and "*Information Asymmetries, Financial Constraints and Institutional Investment: Evidence from the Real Estate Market*" we find:
 - Strong real estate market segmentation by investor size: large (small) seller sells to a large (small) buyer
 - Large investors like different properties from small investors: larger, newer, with high NOI, etc.
 - All else equal, largest buyers pay a premium for the same property as compared to the smallest buyers.
 - More informed buyers tend to buy at a discount and hold for longer, all else equal.

→ *Therefore it is important for Kent Council to take a more active approach in engaging with key real estate institutional investors and registered providers in order to deliver housing at scale*

What role can local authorities play?

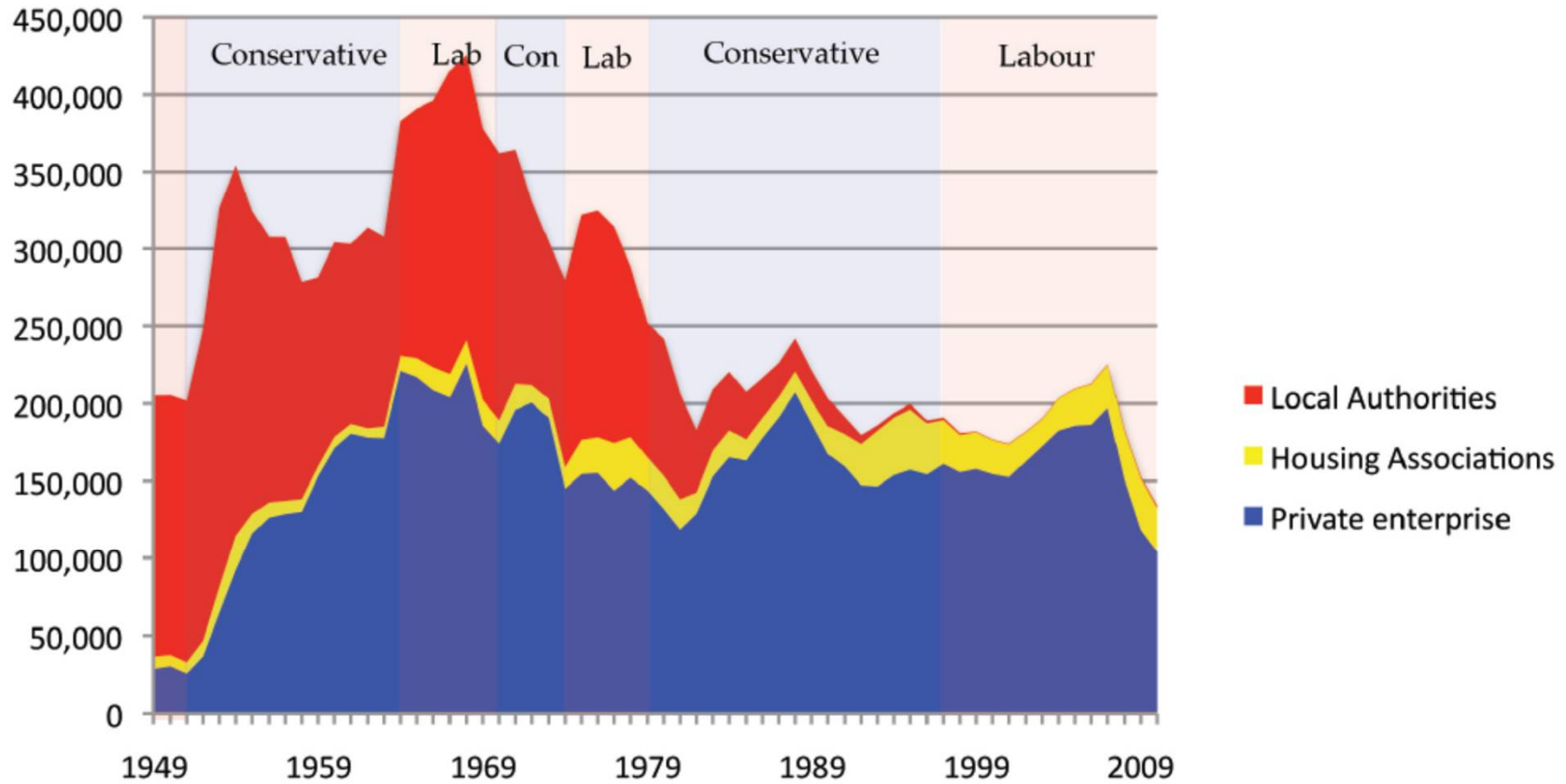
Econ 101: Demand factors for housing

- Demographic shifts
 - Population growth
 - Migration
 - Aging
 - Smaller households
- Technological innovation
 - Internet → online shopping, access to information
- Labour markets
 - Irregular income in a sharing economy
 - flexible working hours and working space
- Capital markets
 - Innovative financing products
 - Access to finance via shadow banking
 - Loose mortgage market

Econ 101: Supply factors for housing

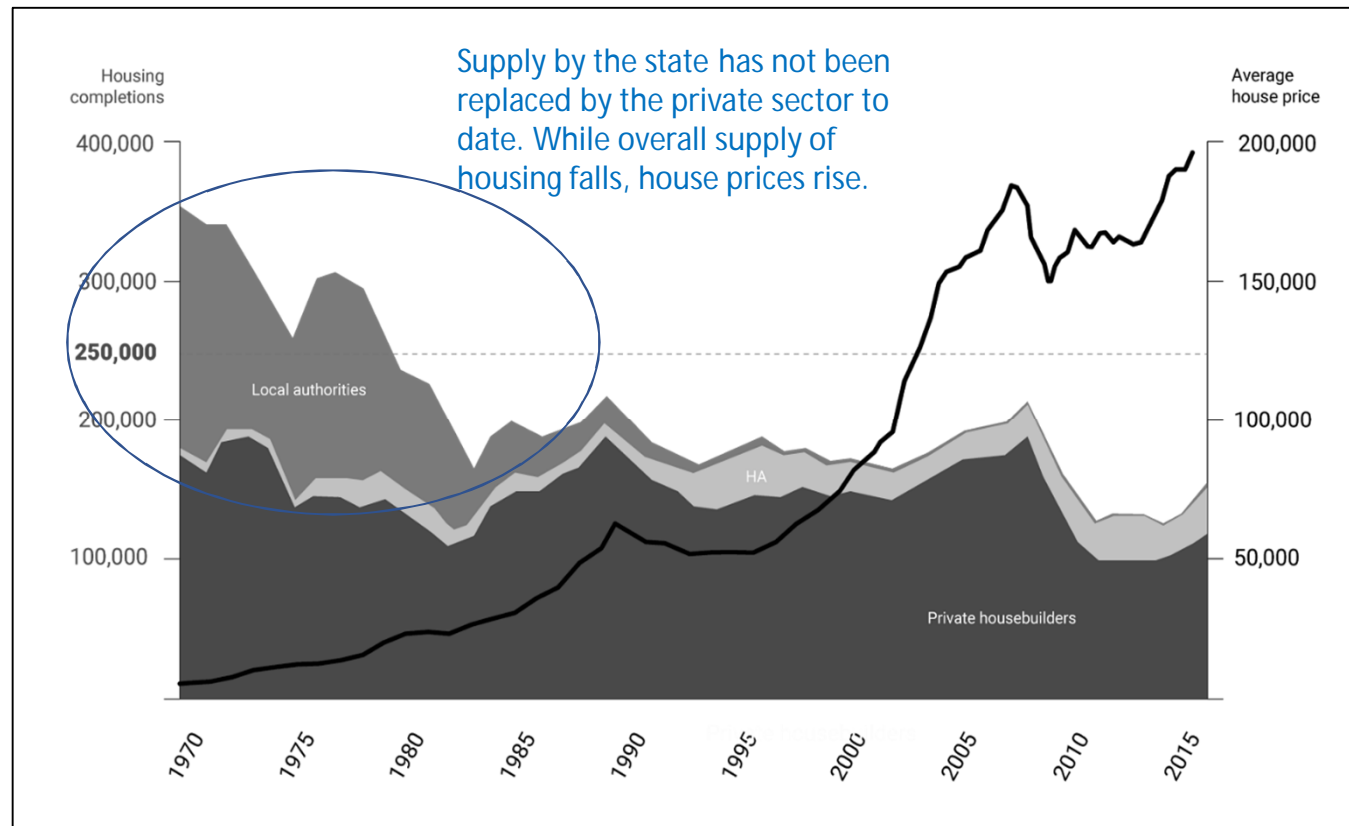
- The role of the state
 - Planning constraints
 - Land availability
 - (Land) taxation
 - Housing taxation
 - Subsidies
- Technological innovation in construction
 - New materials
 - New methods of construction
- Labour markets
 - Access to skilled and unskilled labour in the construction industry
- Capital markets
 - New institutional players
 - Cross-border institutional flows

Permanent Dwellings Completed, by Tenure, 1949-2010



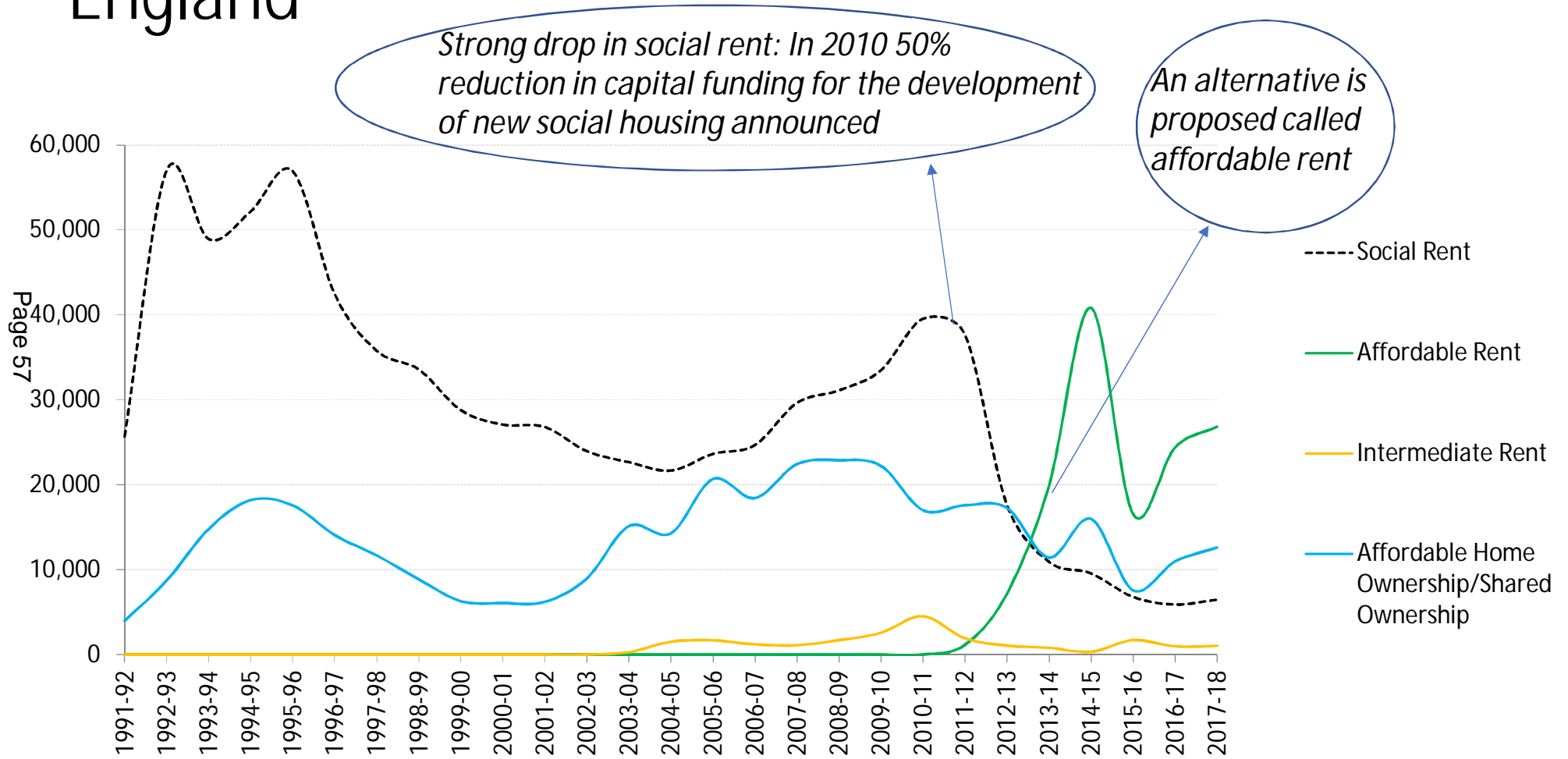
Source: <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housebuilding/livatables/>

Housing supply by sector and real house prices (adjusted for inflation) 1945-2015



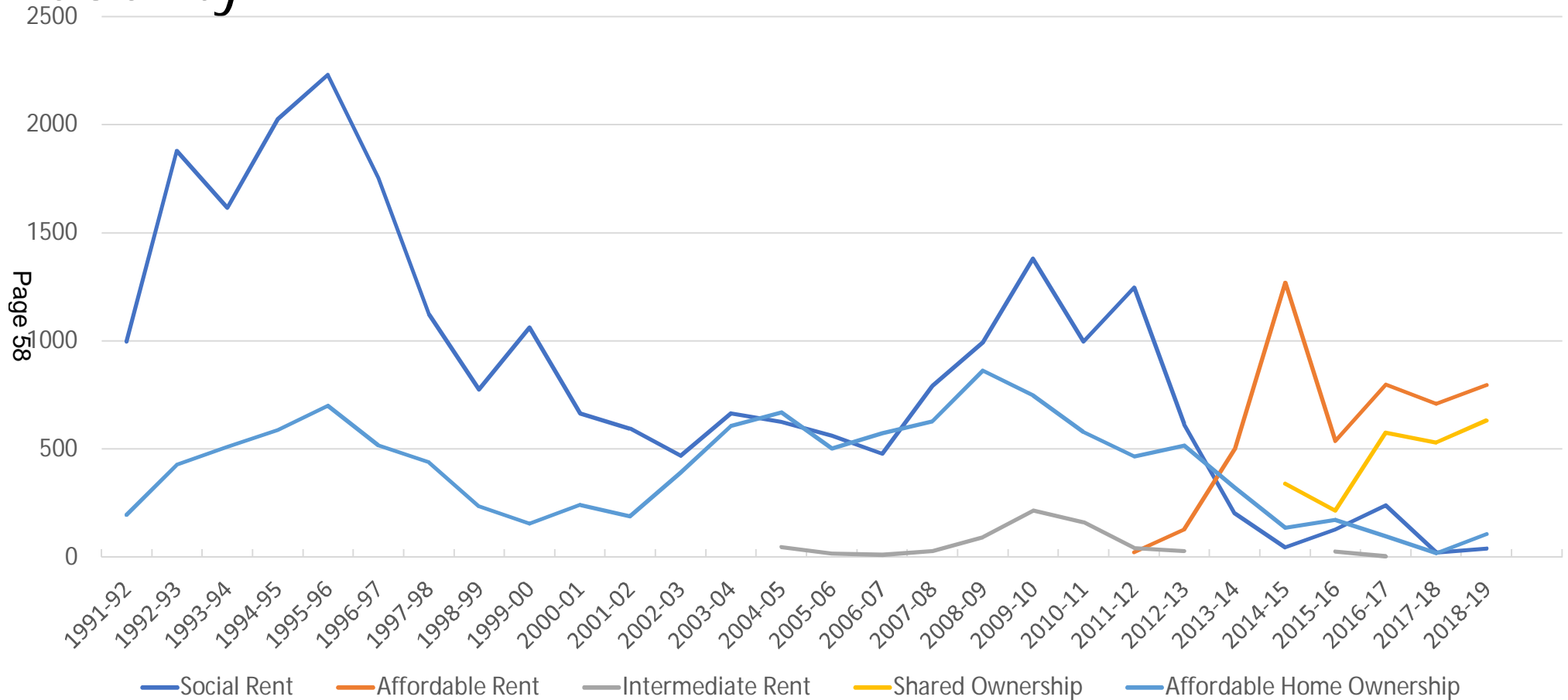
From a peak of 350k homes per year in 1970, recently only slightly more than 100k new housing units are completed.

Affordable Housing Completions by Tenure for England



Source: MHCLG (2018)

Affordable Housing Completions by Tenure in Kent County



Source: MCHLG, 2019

What can Kent County Council do to alleviate housing unaffordability?

- LAs have best local expertise which would allow them to build where it is most needed – unaffordability varies largely even in small areas – so analyse at a very granular level where the need is.
- Relax supply constraints – i.e. planning permissions – in areas with low elasticity of house prices
 - Increase density of affordable housing
 - Focus on the tenures that would alleviate unaffordability in the long run: rental accommodation.
- Release greenfield and brownfield land for affordable housing.
- Take a more active approach in engaging with key real estate institutional investors and registered providers in order to deliver housing at scale.

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