

Sheffield Housing Company 'Partnership Working With a Housebuilder'



Construction, Housing and Building Maintenance Advisory Group

2nd February 2018



Background and Introduction



Background:

- 8 years affordable housing development at Great Places Housing Group
- 1 year at Sheffield Housing Company

Partnership working with a house builder:

- Sheffield Housing Company and its approach
- Challenges and benefits of partnership
- Future plans
- Key considerations for partnership working with a house builder



Sheffield Housing Company



- SHC is a public-private sector property development company set up in 2011 which is a partnership whose ownership is split as follows:
 - 50% owned by Sheffield City Council
 - 50% owned by Keepmoat-Great Places Limited
 - 2,300 new homes over 15 years

The Vision

“To establish and operate an efficient and long-term neighbourhood regeneration vehicle to deliver successful neighbourhoods and sustainable communities in Sheffield.”

Partnership to optimise value and to deliver and maintain high quality housing and neighbourhood infrastructure.



Why Sheffield Housing Company?



- 22 x cleared sites, 60ha of land, demise of HMR
- Undesirable neighbourhoods, housing market failure
- Challenging topography - Sheffield is hilly!

1) Improved Neighbourhoods: Successful Places and Sustainable

*Building and maintaining a range of homes, and facilitating **long term regeneration** to the areas, attracting and promoting mixed and sustainable communities, and contributing to the **local economy**.*

2) Delivery of High Quality Homes

*Greater **control** over the delivery of high **quality**, sustainable new homes in Sheffield, at a greater **pace** than previously achieved under other initiatives.*

3) Best Consideration for Council Assets

*The SHC will generate a financial return for the Council which provides best consideration for its equity stake in the form of **residual land value** received and a share of any surplus.*



Sheffield Housing Company



Company Set Up:

- Concept and planning 2007.
- May 2009 Competitive Dialogue process began to find a partner.
- 5 companies invited to bid from 90 interested parties.
- Negotiations concluded in January 2011, company established July 2011



(Land)

+



(Builder and Sales)

+



(Registered Provider)

=



(Developer)

Why Keepmoat Homes and Partnership?



- National large-scale developer – small and large sites
- Technical expertise - brownfield sites – housing-led urban regeneration
- Experience in developing mixed-tenure
- Sales and development expertise in marginal markets
 - *Balance of design quality, product, cost and sales demand*
- 70% of homes sold to First Time Buyers
- Partnership and funding solutions
 - *Private investment, cross subsidy-models*

Driving value and quality site by site, phase by phase



Building and Designing Quality



➤ **2,300 mixed-tenure homes**
(market-sale, affordable rent, shared ownership, private rent)

- **Homes Meeting National Space Standards**
- **100% Lifetime Homes standards (now moving to CAT2 under Phase 4)**
- **25% Mobility Housing**
- **High ceilings, larger windows – maximising light and space**
- **SHC suite of new house-types**

To attracting people into areas and uplift the housing market

Flexible and adaptable housing to meet long-term needs – reduce turnover

Quality design and homes → more desirable neighbourhoods



Building and Designing Quality

Average internal area of New Builds in Europe (RIBA 2011)

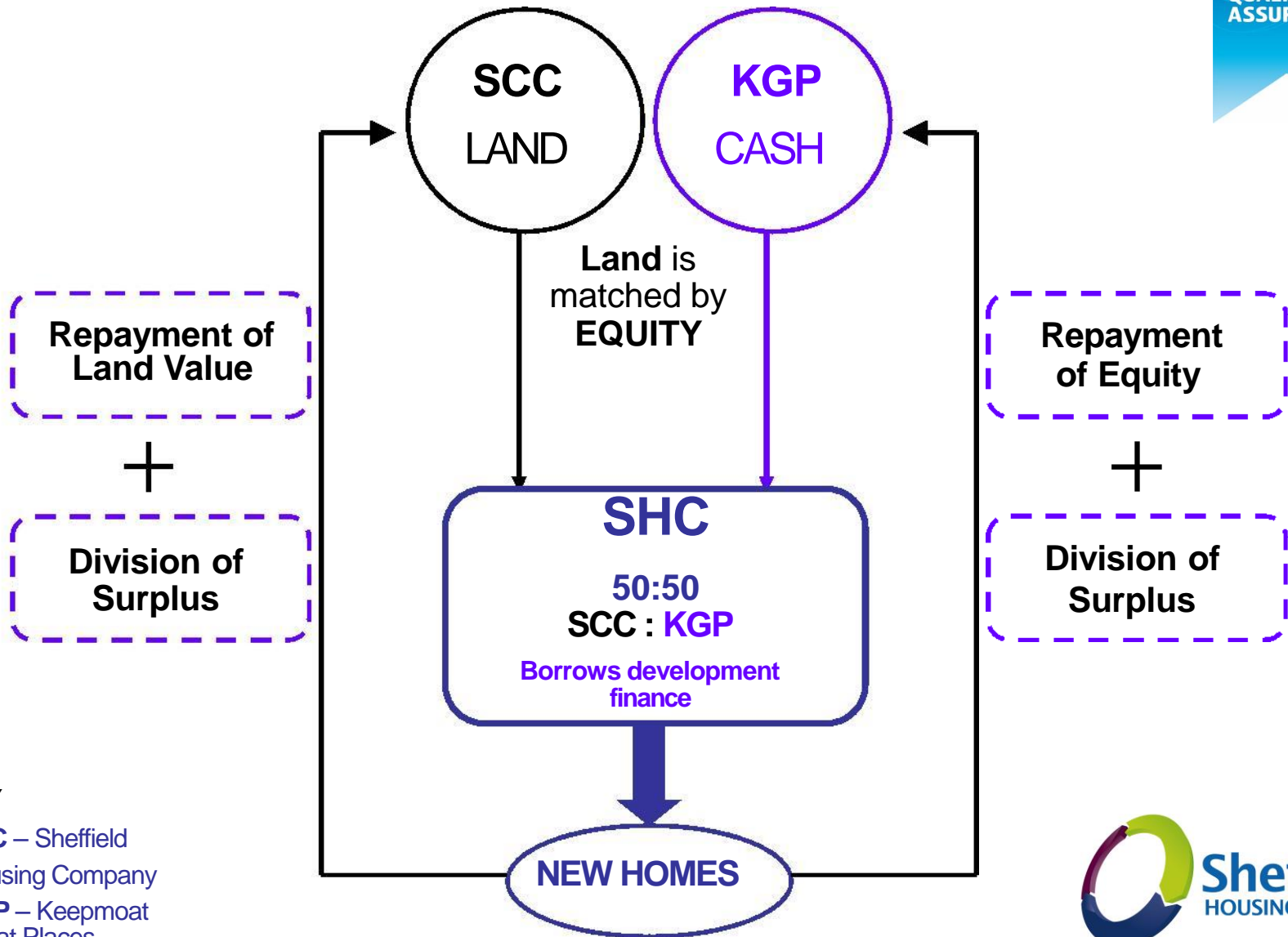
Country	Area (m ²)
Denmark	137
Netherlands	115.5
France	113
Germany	109.2
Spain	97
Ireland	87.7
Italy	81.5
UK	76

Average size of 3 bed homes across the UK (RIBA 2011)

Region	Area (m ²)
London	119
South East	96
West Midlands	94
North East	89
East of England	88
East Midlands	87
South West	87
North West	84
Yorkshire & Humber	83



Delivery Model

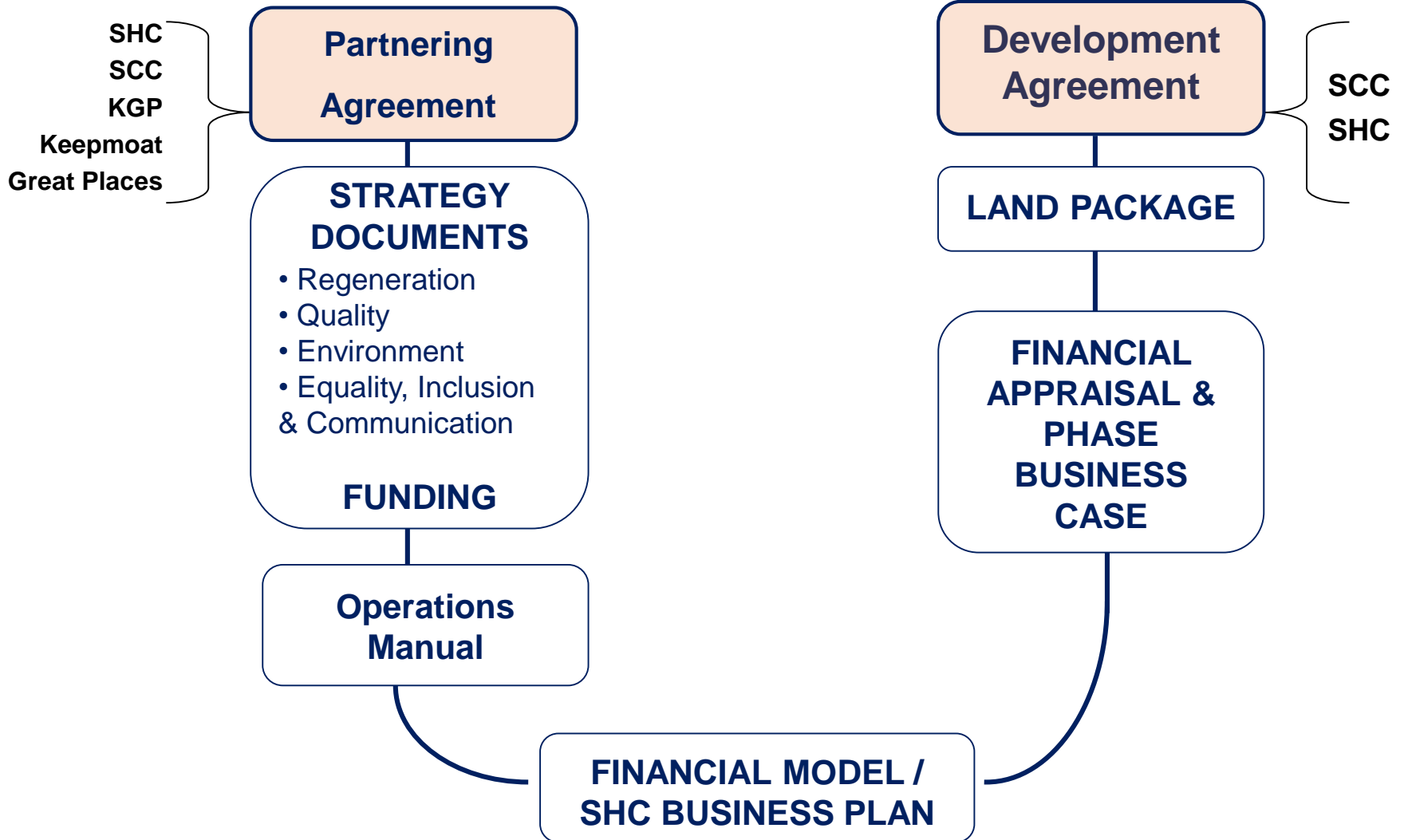


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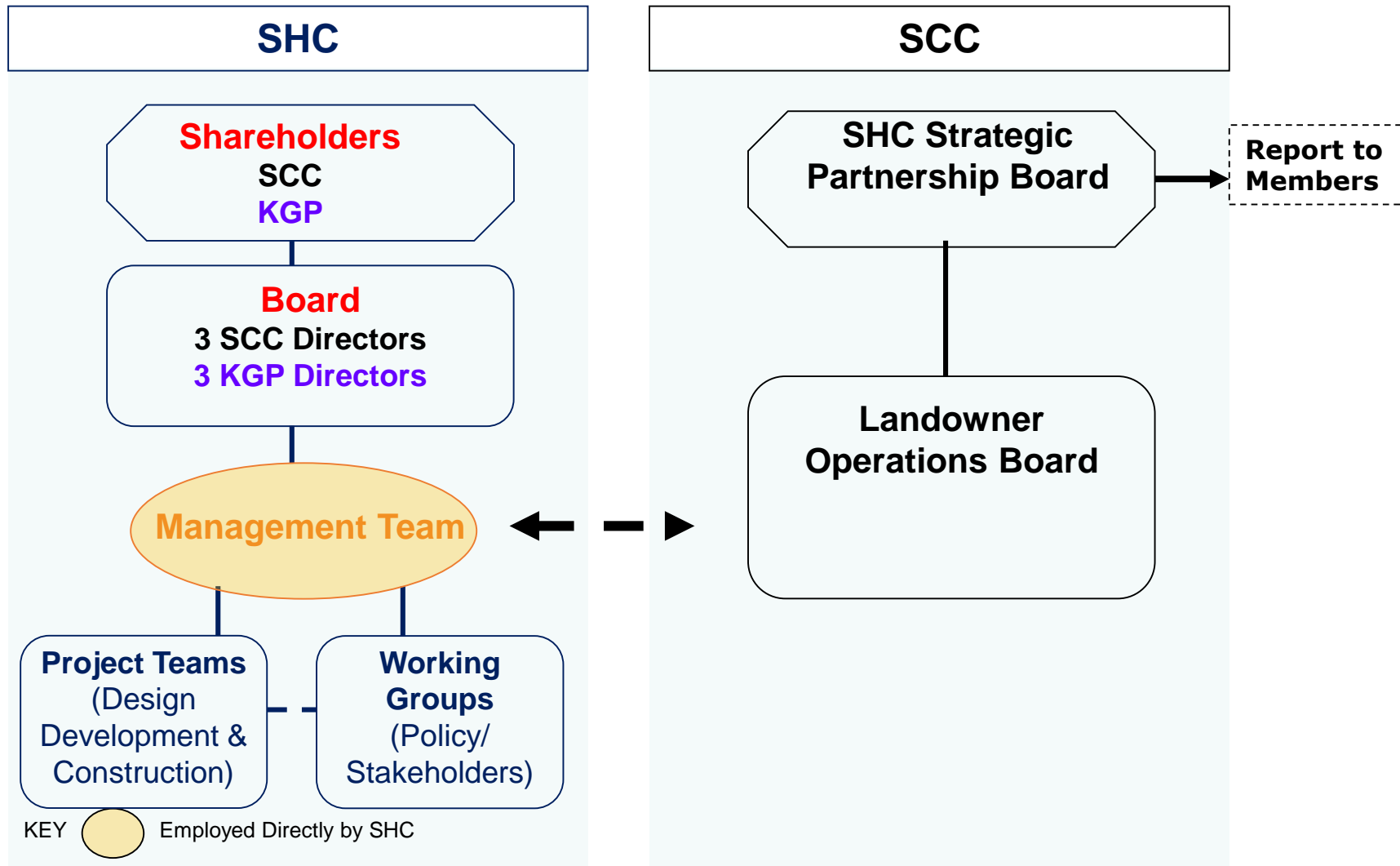
- SHC** – Sheffield Housing Company
- KGP** – Keepmoat Great Places



Contractual Structure



Operational Structure



Delivery to Date

Phase 1 – 293 Homes (complete)

Phase 2 – 478 Homes (on-site)

Phase 3 – 333 Homes (on-site)

Phase 4 – 351 Homes (design stage)

Phase 5 – 553 Homes (briefing stage)



Phase	Location	Status	
Phase 1	Norfolk Park 5	Keenwood Homes	Completed
	Falstaff A & B	Keenwood Homes	Completed
	Shirecliffe	Keenwood Homes	Completed
Phase 2	Mace - N/A 11	Keenwood Homes	On Site
	East Marsh	Keenwood Homes	On Site
	Falstaff C-F, G-H	Keenwood Homes	On Site
	Distonians (N/A 4)	Keenwood Homes	On Site
Phase 3	Norfolk Park 5C	Keenwood Homes	On Site
	M802 1002	Keenwood Homes	Planning Obtained
Phase 4	East Hill	Keenwood Homes	Planning Obtained
	Claywood	Keenwood Homes	Pre-Planning
Phase 5	Devlands	Keenwood Homes	Pre-Planning
	Woburn	Keenwood Homes	Pre-Planning
	Upton	Keenwood Homes	Pre-Planning
	Norfolk Park 5B	Keenwood Homes	Pre-Planning
	Shirecliffe	Keenwood Homes	Pre-Planning
Phase 6	Corke Barrons	Keenwood Homes	Future Sites
	Greenbury	Keenwood Homes	Future Sites
	Maffins	Keenwood Homes	Future Sites
	Mace 12	Keenwood Homes	Future Sites
	Mace 13	Keenwood Homes	Future Sites
	Parsons Village	Keenwood Homes	Future Sites
Norfolk Park 10	Keenwood Homes	Future Sites	
Fuller Potential Development Site - Devlands site 14			

Phase 1
Cutler's View
Norfolk Park, Sheffield
104 Homes



Larger house-types
and level-access

Larger than standard
windows and higher
ceilings

Elevational
Treatments



Phase 1
Brearley Forge
Parson Cross, Sheffield
142 Homes



Transformational
design, more radical

Render and brick-
detail

Aspiration for
certain boundary
treatments



Phase 2 (before)
Brearley Forge
Parson Cross, Sheffield



Phase 2
Brearley Forge
Parson Cross, Sheffield
122 Homes



House-size retained,
more simple elevations

Internal layouts
tweaked following
buyers comments from
Phase 1



Phase 2 (Before)
Cutlers View
Norfolk Park, Sheffield



Phase 2

Cutlers View

Norfolk Park, Sheffield

92 Homes



Market better established, flats developed

Large homes retained and revenue maximised. Simpler elevations



Phase 2 (before)
Birchlands
Earl Marshal, Sheffield



Phase 2
Birchlands
Earl Marshal, Sheffield
59 Homes



Phase 2 (before)
Eclipse
Manor 10&11, Sheffield

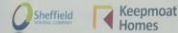


Phase 2

Eclipse

Manor 10&11, Sheffield

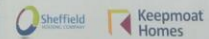
181 Homes



Eclipse

Stylish 2, 3 & 4 bedroom homes perfect for first time buyers or families. Enquiries now being taken at Cutlers View.

Tel: 0114 299 3862



Pre reserve your new home today

Benefits

- Access to partners national supply chain, sub-contractor base and ability to drive value
- Continuous technical input from day to drive efficiency
- Ability to build at scale and at pace
- Knowledge and expertise of funding solutions, attracting private investment, cross-subsidy models and a phased approach.
- Cashflow management – optimum balance between pace of build and maximising sales output and revenue
- Sales expertise – understanding the housing market and buyers needs at a local and national level. Optimum cost and range of product to secure sales.
- Open-book and visibility – shared risk and reward
- Added value – long-term higher quality employment and training outputs.



Continuous improvement - ability to integrate lessons learnt and customer feedback at each step to drive quality, value, outputs and viability.



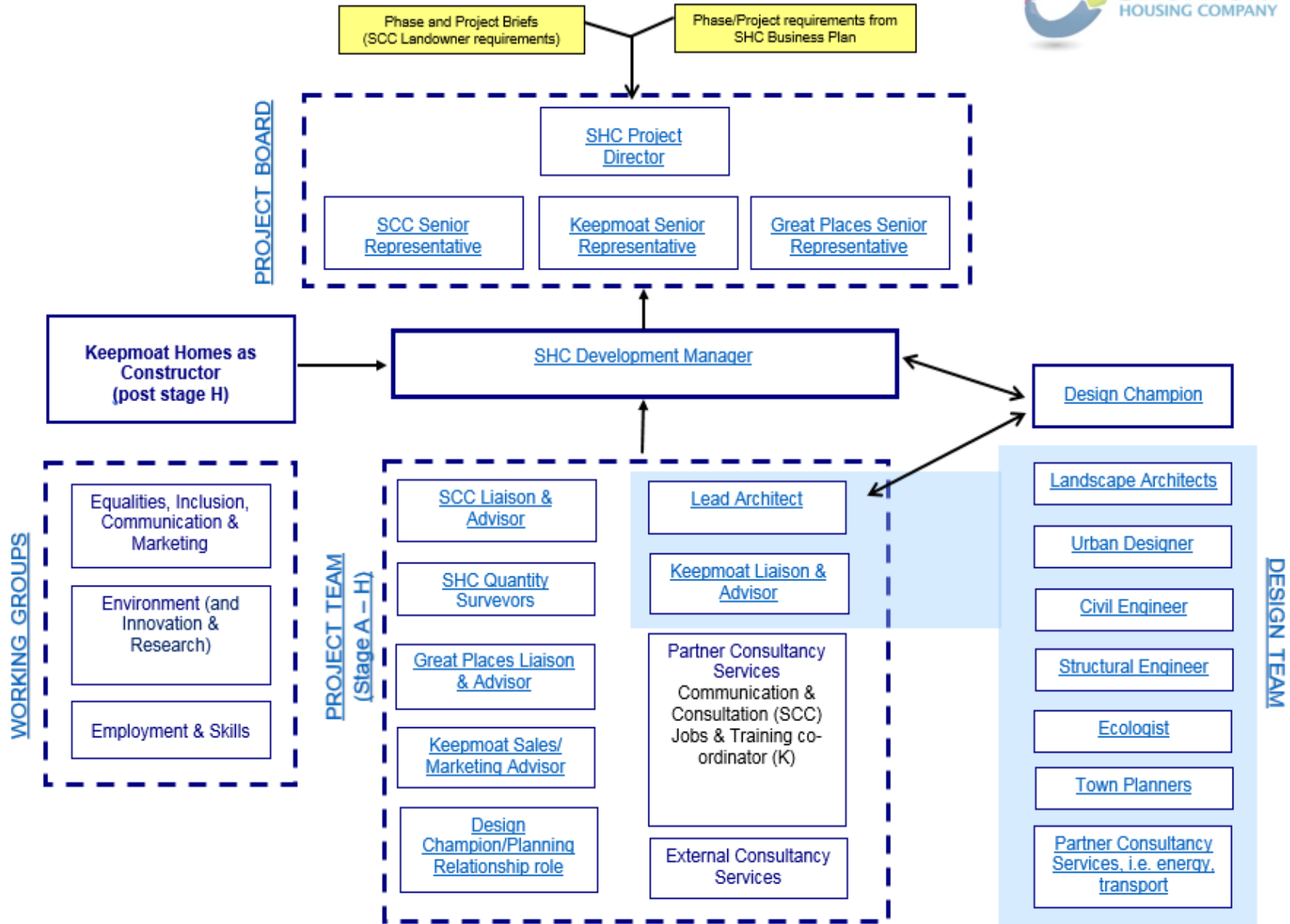
Challenges



- Keeping everyone happy and informed! Lots of stakeholders
- House-builder still like their own product and process
- Can be reluctant to change.
- Not used to working under a build contract or prescribed framework
- Quick responses and resolutions not always easy – queries cross different departments and get lost.
- True test of value for money – where's the carrot? As stakeholder they see headline cost-estimate figure at initial appraisal stage.
- Accepting change and challenge – who knows best?
- Build and sales targets over quality?
- Ultimately will still want to maximise own-profit as the priority
- Profit / risk share model – can result in less contract cost certainty, i.e. unforeseen costs shared by company.
- Model predicated on pace and sales income – sales risk is key.



SHC Project Management Governance Structure – Phase 4



Maintaining Quality and Delivery



- Clear Project Briefs and Business Case – stakeholder agreement before entering into legal contracts
- Detailed and structured design process with involvement of all stakeholders and sign-off points (but not too many).
- Detailed financial appraisal and understanding of costs / risks.
- Robust build contract and sales agreement with clear responsibilities and timescales.
- Ensure tender allowances and risks fully understood from the outset.
- Pre-contract meeting and contract training with all parties beforehand
- Effective governance structure – ability to escalate and agree key decisions
- Use of independent consultant away from stakeholders
- KPIs and Customer Surveys – monitoring and ability to integrate into what we do.
- Lessons learnt review upon project completion



Maintaining Quality and Delivery



- Weekly independent site checks
- Monthly site progress meeting
- Monthly commercial meeting
- Monthly sales and marketing meeting
- Monthly Finance Sub-Group meeting

- Bi-monthly senior stakeholder meeting
- Monthly SHC board

- Customer focus groups

Not being afraid to scrutinise and challenge! Remember what they signed up to!



What Works Well

- Demonstrated to deliver high quality design and larger homes can be sold and be viable in previous undesirable neighbourhoods.
- Cross subsidy model effective. Sites may have been undeveloped without it.
- Able to integrate lessons learnt and adapt site by site.
- Pace of build, sales and delivery is high.
- Flexible model to allow different funding streams and tenures



What Doesn't Work Well

- Confused branding
- Lengthy design and pre-contract process. Slow decision making.
- Contract is risk-sharing – less cost certainty than JCT Design and Build
- Staff changes
- Still debates around design standards vs standard developer product!



Future Plans



- Phase 4 sites being designed – may look at different contractual mechanisms. Changing stakeholder aspirations.
- 550 Homes on Phase 5 – more lessons learnt from phase 2 and customer feedback.
- Still a pipeline of sites for another 10 years but why stop there...
- Lots of other Council owned land and the SHC delivery vehicle already established and proven. Ability to accelerate growth at pace.
- Bigger risks but could look at private sites to cross-subsidise other non-viable sites in the city.
- Shown can develop larger quality homes with increased revenues in run-down neighbourhoods. Can drive standards in other neighbourhoods.

BUT...requires the continued commitment and investment of all stakeholders behind the delivery model



Things to Consider



- Is a partnership approach the right one? Project dependent.
- Long-term goals? Pipeline of projects to feed the model? Similar aspirations?
- Prioritise and be clear in objectives – what’s your main driver: land-value, design standards, outputs, affordable housing etc. Needs to be clear from the start and not a confused message.
- Is the house-builder right for the housing markets being worked in - what do they specialise in. What are their priorities?
- Due diligence
- What added value can you get.
- Cost certainty vs risk share – choice of contract
- Suitable build contract and sales agreements – flexible but robust
- Mechanism for lessons learnt to feed into model

Effective governance and decision making structure needed in order to drive and realise value and outputs.



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Questions?

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