

Call for evidence:

Joint inquiry into Housing Solutions for Homeless Households – Rethinking Conversions

To: APPG for Ending Homelessness and APPG for Housing Market & Housing Delivery

By: The Intergenerational Foundation

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The Intergenerational Foundation (www.if.org.uk) is an independent think tank researching fairness between generations. IF's guiding principle is that policy should be fair to all – the old, the young and those to come.

Key points:

- Maintain national space standards
- Focus on office/industrial conversions
- Guard against low quality conversions
- Encourage local partnerships
- Build more social rent housing

1. Introduction

The Intergenerational Foundation (IF) is grateful for being given the opportunity to respond. IF strongly believes that all policies must be considered from an intergenerational fairness perspective, thereby protecting the rights of younger and future generations. Since its foundation a decade ago, IF has conducted various research reports on housing, both looking at the housing crisis in general and how it is affecting young people in particular. Young people spend a disproportionately high percentage of their income on housing costs, and rising rents continue to exacerbate housing affordability for young people. The supply of housing, particularly affordable rental homes, must be urgently accelerated, and all avenues that can increase that supply must be fully explored. IF welcomes the Joint Inquiry to investigate whether commercial to residential conversions can act as a partial resolution to meet the demand for affordable housing, and while we believe that it could be a partial solution to reducing homelessness and increasing housing supply, we have outlined some areas of concern which we believe must be addressed.

2. Summary

Conversions can contribute to urgently needed genuinely affordable housing. However, it is vital to ensure that converted homes do not fall short on meeting national minimum space standards of quality and size of 37 sq. m., along with proper ventilation and adequate light. Shop conversions are unlikely to be suitable for increasing housing supply to any meaningful extent, instead the focus should be on office blocks or disused industrial units. Past private sector conversions have led to the delivery of low-quality units, the price of which is often out of reach for those experiencing homelessness. Housing those who are currently experiencing homelessness requires a targeted partnership approach by local authorities and housing associations to ensure that: those who are homeless can access those homes; afford those homes; and receive adequate support to remain settled.

Meanwhile, commercial-to-residential conversions can contribute to increasing the general supply of affordable housing for those on low incomes but not experiencing homelessness and should therefore be fully explored, whilst ensuring that they are of good quality. Additional governmental financial support will be required to deliver at scale since many of the 'low-hanging fruit' commercial spaces have already undergone conversion.

Question 1:

IF agrees that there is an opportunity to use commercial-to-residential conversion to deliver genuinely affordable settled homes that are of good quality and can be delivered for those currently experiencing homelessness or the risk thereof as well as other people in precarious financial positions or on low incomes. However, the issue of delivering these homes and the issue of increasing the supply of affordable housing in general, are intertwined. There is certainly scope to use commercial-to-residential conversions to address both problems, but this requires fundamentally different approaches. Delivering homes to combat homelessness requires a more targeted approach where: local authorities are involved in the conversion process; homeless residents are given the opportunity to settle in the home; and residents receive financial and social support to be able to remain settled. The Housing First policy is a welcome policy and a step in the right direction and should immediately be expanded to allow more people to participate who are currently experiencing homelessness or the risk thereof.

IF believes that homelessness and the housing crisis is a major source of intergenerational injustice, as 46% of those registered as homeless are under the age of 18.¹ We therefore support urgent and radical action. Studies show that the most cost-effective way of

¹ Shelter, 2021. *The shocking scale of homelessness in England*. Available from: <https://blog.shelter.org.uk/2021/12/the-shocking-scale-of-homelessness-in-england/>

overcoming homelessness is to simply provide homes for those who are experiencing homelessness unconditionally, saving society as much as £13,000 per year in social, justice and health costs.² Thus, commercial-to-residential conversions may serve as a cost-effective way for local authorities, housing associations or other providers to acquire the homes necessary to provide a settled home for those experiencing homelessness, which could be in the form of a Housing First policy that is expanded to include everyone experiencing homelessness. However, it is vital that these homes abide by the national minimum space standard of 37 sq. m., since micro-homes that are below such standards have proven to have negative impacts on wellbeing, health, and stability.³

Using commercial-to-residential conversions to increase affordable housing supply available to the wider population should also form part of local planning authorities' plans when considering options of how to meet housing demand, and particularly affordable housing demand. The private sector can contribute to increasing housing supply through PDR by converting commercial units into residential units, but because past experience has delivered poor quality and unaffordable homes,⁴ regulations on size, ventilation and air quality, among other issues, must be adhered to by developers. If not, there is a risk of putting inflationary price pressure on the rest of the housing market if much of the newly created housing supply is substandard and not of good quality.⁵ Many young people already live in homes that are much smaller than those enjoyed by their older compatriots.⁶

For conversions to form a partial but valuable contribution to increasing the supply of good quality, genuinely affordable housing, it is therefore vital that conversion homes also include Social Rent homes. Along with increasing housing supply in general, the best way to deliver genuinely affordable housing is to build more Social Rent homes. These provide stable, good quality affordable homes while simultaneously leading to deflationary price pressures in the rest of the housing market, thereby contributing to increasing affordability across all tenures.

² Guardian 3 Jun 2019. 'It's a miracle!' Helsinki's radical solution to homelessness. Available from: <https://www.theguardian.com/cities/2019/jun/03/its-a-miracle-helsinkis-radical-solution-to-homelessness>

³ Wiles, C. 2020. *Rabbit Hutch Homes: The growth of micro-homes*. London: Intergenerational Foundation <https://www.if.org.uk/research-posts/rabbit-hutch-homes-the-growth-of-micro-homes/>

⁴ Ibid.

⁵ Ibid.

⁶ Wiles, C. 2021. *Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations*. London: Intergenerational Foundation <https://www.if.org.uk/research-posts/stockpiling-space-how-the-pandemic-has-increased-housing-inequalities-between-older-and-younger-generations/>

Question 3:

IF believes that the primary constraint inevitably relates to cost. The issue of homelessness is naturally directly connected to the lack of affordable housing supply which also impacts those who can afford to rent a home but must pay increasingly unaffordable rents to do so, particularly in the private sector. There exists therefore a dual problem, since eliminating homelessness requires a vast increase in the supply of genuinely affordable housing but this itself is not sufficient, since there are so many people who currently can only barely afford their rent but would nevertheless be able to 'outcompete' those experiencing homelessness. The magnitude of the housing crisis therefore requires more direct support for those who are currently facing homelessness. A targeted and holistic approach is necessary, which must include offering such homes first to those who are experiencing or are at risk of homelessness, and then providing financial and other support to ensure that they can remain settled, as described in the 'Question 1' paragraph above.

Question 4:

IF is of the belief that how 'affordable' currently is defined in legislation and government policy is not only misleading but directly damaging, since it serves to obscure the scale of the affordability crisis in the housing market. Because 'affordable housing' is defined as 80% of local market rents when private rents are highly unaffordable, it does not mean that 80% of such high prices can be considered genuinely affordable for those on low incomes. Thus, the affordability crisis in the housing market is in fact understated since many of the homes that are classified as affordable are, in fact, highly unaffordable for local residents at a time when one-third of private renters currently spend over 50% of earnings on rent. Additionally, research has shown that the freezing of Local Housing Allowance (LHA) rates has led to an increase in homelessness and in those at risk of homelessness.⁷ Although LHA rates should cover the rent for a 30th percentile local private rental, new data shows that there is not a single local area where this would be the case, as all local areas now see a shortfall between LHA rates and 30th percentile local rents.⁸

In order to be able to provide affordable housing for those on low incomes and those experiencing homelessness or the risk thereof, it is therefore necessary to increase LHA rates and other benefit payments, and also to provide more social housing and affordable housing that is genuinely affordable, i.e. at a lower cost than 80% of local market rents. This

⁷ Crisis, 2022. *The Homelessness Monitor: Great Britain 2022*.

⁸ Berry, C. Shelter, 2023. *Budget 2023: Will the chancellor step in to fix the housing benefit gap that's causing homelessness?* Available from: <https://blog.shelter.org.uk/2023/02/budget-2023-will-the-chancellor-step-in-to-fix-the-housing-benefit-gap-thats-causing-homelessness/>

would require redefining what ‘affordable housing’ means, since its current definition does not adequately reflect the unaffordability crisis in the housing market.

Question 5:

Since PDR allow the bypassing of some planning regulations, it is unlikely to lead to the construction of genuinely affordable housing or social rent homes through private sector development. In fact, research suggests that more than 16,000 affordable homes that should have been constructed under normal planning regulations are likely to have been lost in England in the past five years due to PDR.⁹ Thus, although PDR may increase housing supply as a whole, it is unlikely to increase the supply of genuinely affordable housing in its current form and may in fact have the opposite effect if developers choose to construct homes through PDR rather than through normal planning regulations. However, this does not mean that there is not scope to use commercial properties to create the genuinely affordable housing that is required to end homelessness in particular and, more generally, to work towards ending the overall housing crisis. Instead, it implies that high quality, genuinely affordable housing construction will not occur by private developers but must instead be a targeted partnership between local authorities and/or housing associations, with the specific goal of providing genuinely affordable housing. Commercial-to-residential conversion by private developers is also welcome if: it increases housing supply; is ecologically sustainable; it provides value for money. Legislation must ensure that PDR do not lead to private developers developing substandard homes, as occurred in the past through PDR.¹⁰ Additionally, the current total maximum size of 1,500 sq. m. for undertaking conversions through PDR is too generous, since it means that substantial conversion developments can occur without proper oversight by local planning authorities. This leads to lost provision of affordable housing and can impact the health and stability of communities while potentially leading to major conversion developments being undertaken in non-suitable areas far from local amenities, transport links and other services. Therefore, IF believes that the maximum size of PDR conversions should be lowered to 500 sq. m.

Question 7:

IF proposes that a set of standards be enshrined in planning legislation to ensure that sub-standard conversions are not possible. It is known from the study commissioned by

⁹ Architects’ Journal, 2021. *Glut of empty offices will lead to surge in substandard developments, councils fear*. Available from: <https://www.architectsjournal.co.uk/news/councils-fear-glut-of-empty-offices-will-lead-to-surge-in-substandard-conversions>

¹⁰ Wiles, C. 2020. *Rabbit Hutch Homes: The growth of micro-homes*. London: Intergenerational Foundation <https://www.if.org.uk/research-posts/rabbit-hutch-homes-the-growth-of-micro-homes/>

the Ministry of Housing, Communities and Local Government that many commercial-to-residential conversions, when freed of planning oversight, did not deliver adequate space standards or natural light.¹¹ Therefore, IF welcomed the legislation that requires homes delivered through PDR to abide by the national space standard minimum requirement of 37 sq. m. per unit, which prohibits the delivery of substandard homes through PDR. Legislation should also ensure that sufficient natural light and ventilation is provided in every unit.

Question 8:

It is unlikely that vacant shops can provide the genuinely affordable accommodation needed to help end homelessness, since the number of vacant and disused shops is very limited and often would not be suitable for conversion into a home that is of decent quality. Additionally, disused shops could often only provide one or a very low number of new homes due to their relatively small size, while potentially undermining the viability of high street revitalisation. Additionally, many large retail units, such as supermarkets, may not be suitable for converting into high quality homes due to the lack of access to natural light. Instead, larger disused industrial units and office blocks are often better options for conversions. Their larger size makes it possible to create many more new homes in one location, therefore benefitting from economies of scale.

If you would like to learn more about the work of the Intergenerational Foundation or would like to organise a meeting to discuss the points we raise, please contact:

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¹¹ Clifford, B., Canelas, P., Ferm, J., Livingstone, N., Lord, A., Dunning, R. 2020. *Research into the quality standard of homes delivered through change of use permitted development rights*. University College London and University of Liverpool, commissioned by the Ministry of Housing, Communities and Local Government.